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**Annex 7**

**to the**

**Commission Implementing Decision on the financing of the annual action plan in favour of Turkey for 2021**

**ACTION DOCUMENT**

## 1. SYNOPSIS

### 1.1 Action Summary Table

|   |   |
|---|---|
| <b>Title</b>  | IPA III Annual Action Plan in favour of Turkey for 2021<br>Action #7 Smart and Sustainable Economic Transformation  |
| <b>OPSYS</b><br>CRIS encoding<br>(OPSYS equivalent) | OSPYS business reference<br>IPA/2021/043673/7 CRIS encoding (OPSYS equivalent)  |
| <b>Basic Act</b>                                    | Financed under the Instrument for Pre-accession Assistance (IPA III)  |
| <b>Team Europe Initiative</b>                       | No  |
| <b>Zone benefiting from the action</b>              | The action shall be carried out in Turkey   |
| <b>Programming document</b>                         | IPA III Programming Framework   |
| <b>PRIORITY AREAS AND SECTOR INFORMATION</b>        |   |
| <b>Window and thematic priority</b>                 | WINDOW 4: Competitiveness and inclusive growth<br>Thematic Priority 2: Private sector development, trade, research and innovation   |
| <b>Sustainable Development Goals (SDGs)</b>         | Main SDG: SDG 9 Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation<br><br>Other significant SDGs (up to 9) and where appropriate, targets:<br>SDG 7 Ensure access to affordable, reliable, sustainable and modern energy for all<br>SDG 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all<br>SDG 10: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all<br>SDG 12 Ensure sustainable consumption and production practices<br>SDG 13 Take urgent action to combat climate change and its impacts |
| <b>DAC code(s)</b>                                  | 55 Turkey<br>321 – Industry<br>32110 - Industrial policy and administrative management  |

|                                |  |                                     |                                     |                                     |
|--------------------------------|--|-------------------------------------|-------------------------------------|-------------------------------------|
|                                | 32120 - Industrial Development<br>32130 Small and medium-sized enterprises (SME) development<br>32182 Technological research and development<br>32163 Textiles, leather and substitutes<br>32164 Chemicals<br>21011 Transport policy, planning and administration<br>24030 Formal Sector Financial Intermediaries<br>25030 Business Development Services<br>25040 Responsible Business Conduct<br>15110 Public sector policy and administrative management<br>25010 Business policy and administration |                                     |                                     |                                     |
| <b>Main Delivery Channel</b>   | <b>42000, 42001 year: 2021</b>   |                                     |                                     |                                     |
| <b>Markers (from DAC form)</b> | <b>General policy objective</b>  | <b>Not targeted</b>                 | <b>Significant objective</b>        | <b>Principal objective</b>          |
|                                | Participation development/good governance  | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
|                                | Aid to environment   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
|                                | Gender equality and women's and girl's empowerment   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
|                                | Trade development  | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
|                                | Reproductive, maternal, new-born and child health  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
|                                | Disaster Risk Reduction  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
|                                | Inclusion of persons with Disabilities   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
|                                | Nutrition  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
|                                | <b>RIO Convention markers</b>  | <b>Not targeted</b>                 | <b>Significant objective</b>        | <b>Principal objective</b>          |
|                                | Biological diversity   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
|                                | Combat desertification   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
|                                | Climate change mitigation  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
|                                | Climate change adaptation  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| <b>Internal markers</b>        | <b>Policy objectives</b>   | <b>Not targeted</b>                 | <b>Significant objective</b>        | <b>Principal objective</b>          |
|                                | Digitalisation   | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
|                                | Migration  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
|                                | Covid-19   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
| <b>BUDGET INFORMATION</b>      |  |                                     |                                     |                                     |
| <b>Amounts concerned</b>       | Budget line: 15.020201.02  |                                     |                                     |                                     |

|   |   |
|---|---|
|   | <p>Total estimated cost: EUR 20 354 823</p> <p>Total amount of EU budget contribution EUR 17 300 000 of which:<br/>EUR 17 300 000 for <b>indirect management with IPA III beneficiary</b>.</p> <p>This action is co-financed in joint co-financing by:</p> <ul style="list-style-type: none"> <li>- The Scientific and Technological Research Council of Turkey (TUBİTAK) for an amount of EUR 758 823</li> <li>- The Istanbul Textile and Apparel Exporter Associations (İHKİB) for an amount of EUR 1 060 000</li> <li>- The Ministry of Industry and Technology (MoIT) for an amount of EUR 1 236 000</li> </ul> |
| <b>MANAGEMENT AND IMPLEMENTATION</b>  |   |
| <b>Type of financing and method(s) of implementation</b>  | <p>Project modality</p> <p>Indirect management with the Republic of Turkey</p>  |
| <b>Relevant priorities and flagships from Economic and Investment Plan for the Western Balkans [only for the Western Balkans]</b> | N/A   |
| <b>Final Date for conclusion of Financing Agreement</b>   | At the latest by 31 December 2022   |
| <b>Final date for concluding contribution / delegation agreements, procurement and grant contracts</b>                            | 3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation  |
| <b>Indicative operational implementation period</b>   | 72 months following the conclusion of the Financing Agreement   |
| <b>Final date for implementing the Financing Agreement</b>  | 12 years following the conclusion of the Financing Agreement  |

### 1.1 Summary of the Action

Under the ‘**Window-4: Competitiveness and inclusive growth**’ of the **IPA III Programming Framework**, research &, innovation & technology development and the transition to a green economy are defined listed among the main intervention areas. These which are also priority areas for Turkey for as it seeks to improving improve the competitiveness of the Turkish business ecosystem and enterprises, especially SMEs. The action is mainly in line with SDG 9 “‘Build resilient infrastructure, promote inclusive and sustainable industrialization industrialisation and foster innovation’. innovation”. The action is designed to improve the competitiveness and sustainability of the Turkish business ecosystem, especially SMEs, through by

enhancements on ‘research & innovation & technology development’ and, the ‘transition to a green economy’” also and “support to digital transformation”. The activities envisioned under the specific outputs will facilitate the smart and sustainable transition of Turkish companies with the support of increased capacities in related government organizations organisations and private- sector associations.

In terms of *support to research, innovation and technology development*, the action aims for to improving improve the research, development and innovation capacity of the Turkish Research Area (TARAL) and for consolidating consolidate its integration into the European Research Area (ERA) by increasing success and participation rates to in Horizon Europe. This will be achieved via two pillars. The first pillar will focus on transforming the capacity of the National Coordination Office (NCO) for Framework Programmes in Turkey established within (part of TUBITAK, the Scientific and Technological Research Council of Turkey (TUBITAK)) so that it is able to participate more effectively in to Horizon Europe’s . This will be achieved by strengthening needs by reinforcing TUBITAK’s the policy and programme management capability of TUBITAK. The second pillar will focus on raising awareness among stakeholders and on international scientific and technological collaborations via by supporting academia and SMEs, in particular on in university-industry cooperation.

When it comes to the *transition to a green economy*, the action targets focuses on textiles and apparel as the main sectors; and on chemicals and logistics/international transport as secondary sectors. Sectors were selected taking into account the share scale of their negative environmental impact they have on the environment and, their important share in of Turkey’s GDP as well as their sectoral interdependence with production and export volumes to EU countries. The action’s outcome will be a fully operational comprehensive system for adapting to a green economy in the targeted sectors by: (i) developing an evidence-based policy framework; (ii) strengthening the capacities of industry associations to support companies; and (iii) raising the capacities of companies and their awareness on of the opportunities offered by the green economy and the benefits of sustainable products and services.

As for the *support to digital transformation*, the action aims to enhance the digital transformation policy ecosystem of Turkey’s manufacturing industry and further align with the EU and, while also to improving digital transformation and the innovation capabilities of digital technology users and providers. This objective will be achieved via two pillars. The first pillar will facilitate development of the policies and strategies, and the formation of networks, including industry actors, and will reinforce governance models and also propose regulations to boost digital transformation. The second pillar will bolster up the existing digital transformation and innovation infrastructure and capabilities of SMEs by focusing on the creation of a digitalization digitalisation centre network and by improving the quality of service quality in the existing centres.

## 2. RATIONALE

### 2.1 Context

Despite acceleration of growth, advances in job creation and increases in income in recent years, Turkey still needs to reform its economic structures and improve competitiveness of its economy. Turkey faces high unemployment rates and low labour market participation, in particular among women and youth, increasing inequalities and demographic challenges. As indicated in the “**Strategic Response of Turkey**”, private sector and its manufacturing branches together with research and development organisations are the main foundation of the Turkish economy and make up most of the employment opportunities in the country.

This action is directly supporting various national strategy and policy documents and ongoing projects and programmes run by related public authorities. The **11<sup>th</sup> National Development Plan (2019-2023) (NDP)**<sup>1</sup> emphasizes the importance of a better **business environment** and **strengthened R&D, innovation and technology** contexts. The NDP focuses on several strategic, industrial sectors and some key interventions to

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<sup>1</sup>[https://www.sbb.gov.tr/wp-content/uploads/2020/06/Eleventh\\_Development\\_Plan-2019-2023.pdf](https://www.sbb.gov.tr/wp-content/uploads/2020/06/Eleventh_Development_Plan-2019-2023.pdf)

overall industrial progress. Interventions are mainly centred on digital transformation, support to research and development (R&D) and innovation, support to critical technologies and horizontal supports to logistics and energy infrastructure for better industrial connectivity. Additionally, the NDP emphasizes the main objective of providing public services that are based on equality of opportunity, ease of accessibility and citizen orientation through clear and predictable public policies. The 2023 Industry and Technology Strategy (2019-2023) translates the NDP's objectives to thematic intervention areas which are high technology and innovation, digital transformation and industry move, entrepreneurship, human resources and infrastructure. There is a significant overlap between National Strategy Roadmaps defined in the “**2023 Industry and Technology Strategy (2019-2023)**”<sup>2</sup> and the EU's Horizon Europe Programme and its foreseen technologies. Thus, this action will make a great contribution to strengthen these technology areas with international scientific and technological collaboration and realisation of the National Strategy Roadmaps.

According to the **Commission 2020 Report on Turkey**<sup>3</sup>, Turkey's preparations in the area of science and research are well advanced, yet Turkey still lags behind the European Union countries in terms of many of the innovation indicators. According to the **European Innovation Scoreboard 2020**<sup>4</sup>, Turkey is in the group of moderate innovators. In the report, innovators, firm investments and innovation-friendly environment are indicated as the strongest innovation dimensions. Turkey's lowest indicator scores are on design applications, trademark applications, international scientific co-publications, and employment in knowledge-intensive activities. Convergence to ERA Priorities, Innovation Union Commitments and increasing participation to Horizon Europe are and will be of high priority for the research and innovation agenda. Currently, national mission-oriented calls are matched by approximately 64% with Horizon 2020 calls. In this regard, a considerable amount of national budget has also been allocated for supporting national stakeholders in public-public and public-private partnerships launched under the Horizon 2020 Programme. One of the actions of ERA is to develop concrete plans with Member States to promote gender equality, diversity and inclusiveness in science, research and innovation. With Horizon Europe having a “Gender Equality Plan (GEP)” in place it becomes an eligibility criterion for certain categories of legal entities from EU countries and associated partners. Turkish entities as a part of this programme have to meet this requirement in order to receive funding.

Enhanced integration and better cooperation with ERA and European technology and innovation stakeholders will also support the transition to a green economy in Turkey.

Turkey's economic growth is affecting the country's carbon footprint ratings with greenhouse gas emissions (including LULUCF) rising 250 having risen by 49% in the period 1990-2019.<sup>5</sup> Turkey is ranked 18<sup>th</sup> in the global emissions index for the year 2020. Given the size of the industry's share in GDP, its impact on climate change is significant. Industry processes constitute an important part of the greenhouse gas emissions amounting to 15% as indicated in **the National Climate Change Adaptation Action Plan (2011-2023) (NCCAP)**<sup>6</sup>. While the Ministry of Environment and Urbanization (MoEU) sets country targets for general carbon emissions with key strategic documents and planning initiatives, it also advises sectors to curb their emissions to align with country targets and objectives. The Ministry of Trade (MoT) on 16 July 2021 released a detailed plan to adapt its economic activity to the European Green Deal standards, particularly the exporting sectors. The new Circular Economy Action Plan<sup>7</sup> aims to support Turkey's transition to a more sustainable

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<sup>2</sup> <https://www.sanayi.gov.tr/assets/pdf/SanayiStratejiBelgesi2023.pdf>

<sup>3</sup> [https://ec.europa.eu/neighbourhood-enlargement/sites/default/files/turkey\\_report\\_2020.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/default/files/turkey_report_2020.pdf)

<sup>4</sup> [https://ec.europa.eu/growth/industry/policy/innovation/scoreboards\\_en](https://ec.europa.eu/growth/industry/policy/innovation/scoreboards_en)

<sup>5</sup> OECD, IPAC Environmental Performance reviews: Turkey; 2019, OECD

<sup>6</sup> [https://webdosya.csb.gov.tr/db/iklim/editordosya/iklim\\_degisikligi\\_eylem\\_plani\\_EN\\_2014.pdf](https://webdosya.csb.gov.tr/db/iklim/editordosya/iklim_degisikligi_eylem_plani_EN_2014.pdf)

<sup>7</sup> A new Circular Economy Action Plan For a cleaner and more competitive Europe, COM(2020) 98 final

and resource-efficient economy in accordance with its development targets. In this respect, the plan aims at protecting and increasing competitiveness in international trade, as well as at enhancing the Turkish economy's integration with the European Union through the Customs Union Agreement. The Turkish Exporters Assembly (TIM) has a pivotal role to support sectors to align their strategies for a climate-neutral future. Exporting low carbon future. With the Carbon Border Adjustment Mechanism of EU<sup>8</sup>, countries with high shares of carbon-intensive exports to the EU will be exposed to additional costs, which might lead to declining export shares and deteriorating terms of trade. Therefore, exporting Turkish SMEs should be well-prepared in transforming their operations with low carbon technologies. TIM, as the representative organization of exporters in Turkey, will be intermediating the sectoral transformations and supporting its members on their way towards a low carbon future. TIM has already developed a "Sustainability Plan" in 2021 covering carbon footprint works as one of the main targets in the plan and established a "green line" in order to be available for exporters 24/7. The Textile and apparel sector, combined with chemicals and international transport provide a good examples for the design of a support scheme which can be extended to all exporting sectors in the future. Turkey is one of the largest **textiles and apparel** producing countries in the world, the sixth largest supplier in the world and the third largest supplier to the EU. In addition, the **chemicals** sector with its technology and diversified products is the key component of the manufacturing industry and integrated into the supply chain of national industries, especially the textiles and automotive sectors. The production and export volumes of these sectors are affecting the scale of their **logistics**; especially the international transport sector is experiencing equally rapid growth.

The New Industrial Strategy for Europe<sup>9</sup> defines the future of European industries in accordance with the European Green Deal and the Strategy on "Shaping Europe's Digital Future"<sup>10</sup>, i.e. setting the aim to develop a greener and more digital industry that has much higher potential for a more circular economy and a deepened single market. With, the Digital Single Market Strategy (DSM) the European Commission aims at ensuring the best possible access to the online world for individuals and businesses. The European Commission launched the "Digitizing European Industry (DEI)" initiative on 19 April 2016 - the first industry-related initiative of the DSM package. Community Programmes for the 2021-2027 period will amalgamate and materialize the policies with financial supports. The Digital Europe Programme (DEP), launched on 19 March 2020, aims to ensure that Europe drives the digital transformation of society and economy within a 7.5 billion Euro budget.

In Turkey, the Ministry of Industry and Technology (MoIT) established a Digital Transformation Platform (DTP), bringing together key partners from industry representatives for a participatory approach to policy making and published the "Digital Turkey Roadmap" (DTR) in 2018. Today the MoIT coordinates the overall digital transformation efforts for the industry and also ensures that the digital transformation strategies are implemented. Since 2018, the MoIT has also been implementing support schemes for digital transformation of SMEs through affiliated and related institutions. These schemes aim to increase the number and qualifications of technology providers and technology users and to facilitate the development of digital technologies. Pre-competitive cooperation centres are at the focus of the digital transformation of the industry in Turkey. However, in order for these centres to work in collaboration, an exchange of know-how and expertise, implementation tools and joint platforms are necessary.

## 2.2 Problem Analysis by areas of support

### Short problem analysis

Despite the growth in the Turkish economy and harmonization efforts with the EU, Turkey still needs improvements in the fields of innovation, technology development and for the transition to a green economy to sustain the competitiveness of its economy.

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<sup>8</sup> Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL, COM(2021) 564 final

<sup>9</sup> A New Industrial Strategy for Europe, COM(2020) 102 final

<sup>10</sup> [Communication-shaping-europes-digital-future-feb2020\\_en\\_4.pdf\(europa.eu\)](#)

### **Problem Analysis for AoS 1) Supporting Research & Innovation & Technology Development:**

The Integration of TARAL into the ERA by increased participation in Framework Programmes is a critical pillar supporting innovation and technology development in Turkey. Although the participation of the country in the EU programmes in the previous years demonstrated the existence of significant knowledge about the submission of good projects and utilisation of programmes, there is still a need to increase awareness of the EU programmes in Turkey among potential beneficiaries and to increase capacities for the utilisation of EU programmes and funding applications. Some key issues that have been common for all Turkish institutions participating in the previous programmes include:

**Problem 1:** There is still a low number of proposals submitted by the Turkish institutions and a low success rate of applications. **Problem 2:** Potential applicants from Turkey mainly apply as partners, rather than as lead organisation, recognising their limited capacities to both draft a competitive proposal and effectively manage project implementation. **Problem 3:** Generally, there has been a weak coordination between the various institutional actors involved in Union programmes, leading to insufficient integration, lack of harmonisation and of synchronised actions/initiatives in relation to dissemination of information. **Problem 4:** SME participation to the programme is still below than what is expected and the success rate can still be enhanced as well as the cooperation between academia and industry.

### **Problem Analysis for AoS 2) Transition to Green Economy**

Turkey's economic growth is affecting the country's carbon footprint ratings, with industry making a significant portion and having a negative impact on the environment. Emission trends in Turkey are similar to the global trends, where energy generation/supply, manufacturing and transport are the major sources of greenhouse gas emissions. The textile and apparel and chemicals sectors hold a significant portion of Turkey's industrial pollution, along with its transport logistics sector. A number of initiatives in the field have been undertaken, but additional efforts are needed to curb the emissions.

**Problem 1:** The tightening of the EU carbon emissions trading system and strict climate and environmental protection regulations applicable in the Single Market will likely lead to significantly stricter requirements for exporters. **Problem 2:** The companies in the target sector still don't integrate environmental concerns into their management perspectives sufficiently, meaning that they don't invest in efficient and cleaner production processes/technologies on a massive scale. **Problem 3:** The awareness and knowledge of companies on the need to start the transformation of their production processes towards carbon neutral is still at the low level. **Problem 4:** Industry associations need to strengthen their capacities to be able to provide information and services to their members on the Green Deal topics and at the same time help the national institutions to obtain data for informed decisions on national policy.

### **Problem Analysis for AoS 3) Support to Digital Transformation:**

Under the supervision of the MoIT, Turkey has been developing its strategies and programmes to support the digital transformation of the industry. Digital transformation of the enterprises is crucial for sustaining Turkey's competitiveness in global markets. The institutional structure to lead the digital transformation of the industry has not been fully institutionalized. On the other hand, the ecosystem created around the newly established Digital Transformation and Innovation Centres needs to be improved with increasing collaboration among private sector, universities, public sector and SMEs. Specific problem areas that will be tackled with the AoS are given below:

**Problem 1:** The Digital Single Market is one of the main focus areas of the European Union. Missing the opportunity for further integration to the EU Digitalization Initiatives Framework may bilaterally undermine both Turkey's and the EU's trade potentials. **Problem 2:** There is a need for an effective governance structure that will guide the digital transformation process of the manufacturing industry and ensure coordination between stakeholders. **Problem 3:** Enterprises are required to cope with the disruptive impact of digital technologies in order to remain competitive. Since there will be varying transformation opportunities for each section of the manufacturing industry in various regions, there is a need for specific guidance. **Problem 4:** National technology providers finance most of their activities through their own funds, public grants and short-term bank loans; however, long-term technology development initiatives call for more substantial capital support. **Problem 5:** Development of technology, innovation and application capacity concerning digital technology researches call for strong technology infrastructure. There is a need for establishment and/or

improvement of open innovation structures such as centres of excellence. **Problem 6:** Although industrial enterprises in Turkey are generally aware of the concept of digital transformation, most of them do not have sufficient knowledge and experience about the necessity and potential returns of digital transformation.

**Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action**

Main Stakeholders are;

- Ministry of Industry and Technology (MoIT)
- The Scientific and Technological Research Council of Turkey (TÜBİTAK)
- Turkish Exporters' Assembly (TIM) and respective member associations
- International Transporters' Association of Turkey UND
- Ministries and other government institutions
- NGOs, Industry associations
- Technology users and providers, IT start-ups
- Digital transformation and innovation centers

2.3 Relevance and complementarity with strategies supported by key national stakeholders

The 11<sup>th</sup> National Development Plan (2019-2023) (NDP) emphasizes the importance of a better business environment and strengthened R&D, innovation and technology contexts. The NDP focuses on several industrial and strategic sectors and some key interventions to overall industrial progress. Interventions are mainly centred on digital transformation, support to R&D and innovation, support to critical technologies and horizontal supports to logistics and energy infrastructure for better industrial connectivity. Additionally, the NDP emphasizes the main objective of providing public services that are based on equality of opportunity, ease of accessibility and citizen orientation through clear and predictable public policies.

The 2023 Industry and Technology Strategy translates the NDP's objectives to thematic intervention areas which are high technology and innovation, digital transformation and industry move, entrepreneurship, human resources and infrastructure. There is also significant overlap between National Strategy Roadmaps defined in the "2023 Industry and Technology Strategy (2019-2023)" and the Horizon Europe Programme.

The Ministry of Industry and Technology established a Digital Transformation Platform (DTP), bringing together key partners from industry representatives for a participatory approach to policy making and published the "Digital Turkey Roadmap" (DTR) in 2018. Today the MoIT coordinates the overall digital transformation efforts for the industry and uses a policy mix and also ensures the digital transformation strategies are implemented.

The National Climate Change Adaptation Action Plan (2011-2023) (NCCAP) indicates that industry processes constitute an important part of the carbon emissions, namely 15%. While the Ministry of Environment and Urbanization sets country targets for general carbon emissions with key strategic documents and planning initiatives, it also advises sectors to curb their emissions to align with country targets and objectives. The Ministry of Trade (MoT) on 16 July 2021 released a detailed plan to adapt the European Green Deal standards in its economic activity, particularly the exporting sectors. Turkey's Green Deal Action Plan aims to support Turkey's transition to a more sustainable and resource-efficient economy in accordance with its development targets.

Thus, this action will make a great contribution to implement the strategies of the key national stakeholders through digital transformation, strengthening the related technology areas with international collaboration, realisation of the National Strategy Roadmaps and reducing the carbon emissions stemming from the industry.



## 2.4 Relevance and complementarity with EU policy and EU and other donors' assistance

The overall objective of the EU's assistance under the IPA Programming Framework, Window 4, is to strengthen economic and social development, including through education, innovation, social inclusion and employment policies, with a specific focus on private sector development as well as agriculture, rural and industrial development.

In complementarity with the priorities of the Green Agenda supported under Window 3, Window 4 aims to address the key sector priorities for structural reforms, capital investments and improvement of sectoral administrative and institutional capacities in a holistic way.

The specific objective of IPA III in the area of private sector development, trade, research and innovation (Thematic Priority 2) is to improve the business environment, innovation ecosystem and investment climate of the beneficiaries, promoting integration with EU industrial value chains in view of supporting the socio-economic recovery after the COVID-19 pandemic and increasing the competitiveness of these economies. These objectives could be reached through supporting beneficiaries in fostering private sector investment, boosting trade and increasing the innovativeness and productivity of micro, small and medium-sized enterprises (MSMEs).

Supporting digitalisation can provide great opportunities for MSMEs to improve the efficiency of production processes and their ability to innovate products and business models.

Supporting the integration of the Turkish Research Area into the European Research Area by participation in Horizon Europe and other Framework Programmes will directly contribute to increasing competitiveness, the innovation ecosystem and the EU Green Deal. Contributing to climate objectives with an expected budget to reach over one third of its total budget, Horizon Europe will be the key funding programme for leveraging public and private investments.

Finally, by reducing the carbon footprint of the targeted sectors and creating awareness on this specific issue, the action will further contribute to EU Green Deal objectives, adapting to a greener economy and integration with the EU industrial value chains.

By supporting research, innovation and technology development as well as the transition to a green and digital economy, the Action will directly contribute to the objectives of the IPA III Programming Framework, the EU Green Deal and the EU Industrial Strategy, which states that Europe needs industry to become greener, more circular and more digital while remaining competitive on the global stage.

## 2.5 Lessons learned and links with previous financial assistance

The Action has drawn the following lessons learnt from previous IPA financial assistance actions;

- According to the mid-term evaluation conducted by the Directorate for EU Affairs on participation in EU programmes, **participation has not only a quantitative dimension but also a qualitative impact for relevant sectors in Turkey and the EU**. The qualitative impact includes supporting cooperation, competitiveness, human resources development and cultural dialogue.
- By participating in the EU programmes, applicants from Turkey had the opportunity to establish partnerships with the applicants from other countries in the region and from the EU Member States. They were able to take part in networking and exchanging ideas, experiences, best practices, know-how and information technologies with the applicants from other countries. TÜBİTAK invested in additional policy tools to increase the sector's participation and competitiveness in the programme.
- EU funded actions enhanced the awareness on climate change management. Considerable capacity has been formed through these projects in climate action management. Efforts on the mitigation of climate change risks in Turkey created awareness and capacity in the key government institutions, NGOs and Ministries and helped the development of country level policies and strategies in the main areas of carbon emissions.
- Although the organisation level investments aim to function in line with the EU framework, the need for policy level initiative can only be addressed by the central government's leadership. There is lack of available sector, city and country level data to determine feasibility of digital technology development or application investments. Also, whereas there are a wide range of collaboration platforms, there is a substantial need for central coordination to prevent redundant investments and facilitate technology user-provider collaborations and sustainability.

### 3. DESCRIPTION OF THE ACTION

#### 3.1 Intervention Logic

Competitiveness and sustainability of the Turkish business ecosystem, especially SMEs will be improved,

We can ensure the Turkish participation in the Horizon Europe Programme by increasing the capacity of the Turkish research and innovation stakeholders to develop projects in the field of policymaking, coordination, research and innovation, as well as by enhancing the information and knowledge exchange among TARALs.

In addition, if Turkish researchers are willing to participate in those consortia, which will allow them to be part of the projects determining the future technologies, **THEN THIS WILL LEAD** to their enhanced integration into the European Research Area. This will furthermore develop scientific research and increase the technological capabilities of the industrial sectors in Turkey;

**AND**

In order to create an operational comprehensive system for green economy adaptation mainly in the textile and apparel with supporting chemicals and international transport sectors, we need to **improve** the policy framework for carbon footprint reduction, and build the capacity of business associations that promote this reduction, as well as raise the awareness among companies on carbon emissions.

We **assume** that companies will intensify their investment in reducing carbon emissions, transform production processes, increase companies' competitiveness and export performance.

**AND**

We can enhance the digital transformation policy ecosystem of Turkey's manufacturing by aligning it with the EU standards. This will further improve the digital transformation and innovation infrastructure and increase the digital transformation and innovation capabilities of the Turkish enterprises. We **assume** in parallel that the level of industrial production is reinstated after the COVID-19 pandemic. Furthermore, the stakeholders have to support the implementation, regulatory efforts and continuous financial support in order to increase the competitiveness of the Turkish manufacturing industry enterprises via digital transformation and the merger between the policy ecosystem and the existing digitalization infrastructures.

#### 3.2 Indicative Activities

This Action will be implemented as a Technical Assistance and the following indicative activities have been proposed to be implemented in order to achieve the foreseen OUTPUTS under each AoS:

##### **AoS 1 Supporting Research, Innovation and Technology Development**

**OUTPUT 1.1:** Improved capacity of the Turkish R&I stakeholders for policy making, coordination and research and innovation project development.

*Activity 1.1.1: Capacity building of the NCO system*

*Activity 1.1.2: Capacity building of other TARAL actors*

*Activity 1.1.3: Capacity building for policy development of TÜBİTAK through the lessons learnt from the ex-post studies and strategic road maps*

**OUTPUT 1.2:** Improved awareness raising, information and knowledge diffusion as well as networking of the TARAL.

*Activity 1.2.1: Awareness raising of TARAL and providing knowledge diffusion on Horizon Europe in Turkey*

*Activity 1.2.2: Informing, updating, and improving the knowledge and skills of information multipliers*

## AoS 2 Transition to Green Economy

**OUTPUT 2.1:** Improved policy framework for reducing the carbon footprint of the targeted sectors

*Activity 2.1.1. - Preparation of strategy documents for the transition to a green economy*

*Activity 2.1.2 – Preparation of surveys among relevant stakeholders*

*Activity 2.1.3 – Engagement of stakeholders active in the field of circular economy*

**OUTPUT 2.2:** Improved capacities of business associations to provide services in the targeted sectors to promote carbon footprint reduction practices by industry

*Activity 2.1 – Preparation of studies, plans, manuals; training and study visits to establish the service unit in Istanbul Textile and Apparel Exporter Associations (ITKIB)*

*Activity 2.2 Development of software to facilitate carbon measurement and reporting for companies*

**OUTPUT 2.3:** Raised awareness and capacities of the companies in the targeted industries regarding carbon emissions

*Activity 2.3.1: Organisation of awareness raising events and materials to promote the importance of reducing carbon emissions by individual companies*

*Activity 2.3.2: Provision of consultancy/training services to individual companies and the design of new funding frameworks to guide companies for accessing finance*

## Area of Support-3- Support to digital transformation

**OUTPUT 3.1:** The digital transformation policy ecosystem of Turkey's manufacturing industry is enhanced and further aligned with the EU

*Activity 3.1.1: Roadmap development for better integration with EU policies for digital transformation of the industry*

*Activity 3.1.2: Governance model development*

*Activity 3.1.3: Capacity Development of the key stakeholders within the governance structure*

*Activity 3.1.4: Digital technology strategic document and roadmap development*

*Activity 3.1.5: Preparation of transformation roadmaps for sub-groups of enterprises*

*Activity 3.1.6: Development of financing models and financial instruments for digital transformation*

**OUTPUT 3.2:** The digital transformation and innovation infrastructure is improved and digital transformation and innovation capabilities of SMEs are increased

*Activity 3.2.1: Creation of a functioning digitalization centre network*

*Activity 3.2.2: Improvement of service quality of existing centres*

*Activity 3.2.3: Creation of an online platform for maximum efficiency and increased coordination within the ecosystem*

*Activity 3.2.4: Improvement of awareness, capacities, capabilities of and collaboration between technology users and providers*

## 3.3 Risks and assumptions

| Category   | Risks   | Likelihood<br>(High/<br>Medium/<br>Low) | Impact<br>(High/<br>Medium/<br>Low) | Mitigating measures   |
|------------|---|---|-------------------------------------|---|
| Category-2 | Due to the increase in the national science technology and innovation funds, Horizon Europe funds may not be seen as advantageous for TARAL stakeholders. | M                                       | M                                   | The primary mitigation measure is to define new criteria for the application process to the national funding and programmes. According to this, each applicant should submit a Horizon 2020 proposal in order to get more national funding in the future. |
| Category-4 | Response of Turkey's national authorities to the trade barriers to be introduced as part of the Green Deal strategy                                       | M                                       | M                                   | Policy papers and strategies will be developed with a wide spectrum of stakeholders and government institutions. Parties are expected to adapt to changes early and use the time  |

|            |   |          |          |  |
|------------|---|----------|----------|--|
|            | may negatively affect Turkish enterprises and SMEs export capacity.   |          |          | effectively to deadlines imposed to sustain international trade.   |
| Category-1 | Due to the delay in economic growth after the COVID-19 pandemic, investments for carbon reduction issues may also be postponed. | <b>M</b> | <b>M</b> | Special attention will be given to create low interest credit lines for carbon footprint reduction investments. In addition, awareness for the efficiency improving carbon reduction measures will be increased. |
| Category-4 | Lack of complementary public interventions such as regulations and support schemes.   | <b>M</b> | <b>M</b> | Ongoing initiatives for a sustainable industrial production that is better integrated with the EU will be improved under the guidance provided by the action.  |

### 3.4 Mainstreaming

#### Environmental Protection, Climate Change and Biodiversity

Supporting the integration of TARAL into the European Research Area by participation in Horizon Europe and other Framework Programmes will support the efforts for protecting the environment and climate change. Along with this Action there will be many dissemination and supporting activities to enable corresponding TARAL stakeholders to collaborate more with European counterparts in Horizon Europe Projects inside the Green Deal Agenda. The second outcome under the Action is directly related with environment and climate change since it aims to create a fully-fledged system for the reduction of the carbon footprint in specific sectors. With the adaptation of companies to new regulations and their awareness on carbon footprint reduction and sensitivity to green deal topics, the transformation to a green economy will be smoother and faster.

#### Gender equality and empowerment of women and girls

The activities implemented under this Action will be designed to reflect the priorities and guidelines from the EU Gender Equality Strategy and policies for supporting the presence of women in the two areas of support defined under the Action. The following measures will be taken to ensure the gender equality during the implementation of the Action:

i) Specific gender targets for women researchers and entrepreneurs will be set and monitored, ii) Equal participation of women and men in all capacity building activities (right holders, potential beneficiaries and civil servants) will be ensured, iii) Targeted workshops for women entrepreneurs and researchers as well as mentorship by established women leaders will be organised, iv) Visibility of support for women researchers and entrepreneurs through customized communication campaigns executed through the press, television and radio, as well as social media will be ensured, v) Women researchers, entrepreneurs and employees will be involved in decision making processes for the strategic choices to be implemented.

The role of young women in particular has been remarkable in leading the action in the climate change issues. Women and men are not equally affected by green policies tackling climate change. Addressing the gender dimension will therefore have a key role in leveraging the full potential of these policies.

Additionally, the Action's activities should ensure safety, including the prevention of discrimination and harassment of women both as employees and consumers, in business environments, including the online sphere; harmful practices of stereotypical gender representation in advertising shall be prevented and addressed.

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1<sup>11</sup>. This implies that this is significant objective of the action

### **Other considerations / engagement with Civil Society**

The Action has been prepared and will be implemented with representatives of the private sector, non-governmental organisations NGOs, academia and other related stakeholders in the field. There will also be a systematic engagement with the civil institutions. Capacities will be built within these stakeholders groups, which will guarantee their engagement. The Action aims at the involvement of both the service providers and users, where necessary, to policymaking progress and to establish an on-going, sustainable engagement mechanism. Various levels of the relevant parties will be involved in the form of focus group meetings, task forces, workgroups, committees etc.

### **3.5 Conditions for implementation**

- The national contribution of the action will be secured via MoIT, TÜBİTAK and TİM before the signature of the contracts for the respective area of support (outcome );
- Signature of an Association agreement on Horizon Europe, which will set up Turkey's status in the programme;
- Formal appointment of a National Coordination Office of Horizon Europe which is intended to be TÜBİTAK;
- Business associations and other main stakeholders allocate necessary financial, strategic and human resources to establish the designated units and run their operations effectively.

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<sup>11</sup> Principal objective / significant objective/ not targeted

### 3.6 Logical Framework Matrix

| Results          | Results chain:   | Indicators   | Baselines (2020)  | Targets (2027)  | Sources of data   | Assumptions  |
|------------------|--|--|---|---|---|--|
| <b>Impact</b>    | To improve competitiveness and sustainability of Turkish business ecosystem, especially SMEs   | WEF World Competitiveness Index ranking<br>WIPO Global Innovation Index ranking  | 61 (year 2019)<br>39  | >61<br>>39  | World Economic Forum<br>World Intellectual Property Organization  | <i>Not applicable</i>  |
| <b>Outcome 1</b> | Scientific research and technological capabilities of industrial sectors in Turkey enhanced by further integration to European Research Area                               | Increase in participation and success rate in Horizon Europe observed<br>Research and development expenditure as a proportion of GDP<br>Researchers (in full-time equivalent) per million inhabitants<br>Number of (successful) applications in Framework Programmes from Turkey increased<br>Number of Gender Equality Plans prepared | 0,41% contribution<br>1<br>2.200<br>251<br>0                          | 1% contribution<br>2<br>3.412<br>365<br>100   | Commission Reports on Turkey<br>Minutes of EU-Turkey Sub Committee on Innovation<br>E-Corda System Reports<br>Interim and final reports of the project. | There will be no major national & international policy change affecting the official participation of Turkey in the Horizon Europe Programme.<br><br>Turkish researchers are willing to participate in those consortia which will provide them to be a part of projects determining the future technologies. |
| <b>Outcome 2</b> | A fully operational comprehensive system for adapting to green economy mainly in textile and apparel with supporting chemicals and international transport sectors created | <i>kTon/year country carbon emission decreased</i>   | <i>181.792,04 ktCO2/year equivalent realized in 1990<sup>12</sup></i> | <i>998.697,55 ktCO2/year<sup>13</sup> (2030)<br/>Green deal targets are expected to be adopted as the progress with EU accession continues.</i> | <i>TURKSTAT<br/>Climate Change Bi-Annual Reports of Turkey</i>  | Companies are investing in reducing carbon emissions<br>Transformation of production processes increase companies' competitiveness and export performance<br>Private sector support and interest in the carbon emission reduction by consumers is high   |

<sup>12</sup> 1990 is the base year for climate change projections

<sup>13</sup> 21 % less than business as usual projections targeted from the 1990 base year to 2030

|                   |   |   |  |                             |  |   |
|-------------------|---|---|--|-----------------------------|--|---|
| <b>Outcome 3</b>  | The private-sector environment, competitiveness of enterprises and access to digital technologies and services and strengthen research, technological development and innovation improved | Increase in total export volume of enterprises in the manufacturing sectors including their backward and forward linkages.  | 22.7 Billion \$<br><br>55.5 Billion TRY<br><br>0.11% | 1%<br><br>30%<br><br>10%    | MoIT Entrepreneur Information System (MoIT EIS)  | On-going development in industry related digital technology applications<br><br>Growing understanding of digital technologies and transformation appetite in the Turkish manufacturing industry<br><br>On-going alignment process with the EU |
| <b>Output 1.1</b> | Capacity of the Turkish R&I stakeholders for policy making, coordination and research and innovation project development improved.  | Number of efficient and improved system of NCO established.<br>NCP digital system consisting of online meeting tools, event tools, company health check and a fully operational project website established<br>Number of NCP trainings, study visits and project writing camps organized<br>Number of mentorship system for SMEs and Industries given<br>Number of SME package established<br>Number of ERA reports and Horizon evaluation reports prepared | 0<br>0<br>0<br>0<br>0<br>0                           | 1<br>1<br>83<br>1<br>1<br>5 | Interim and final reports of the Project<br><br>Minutes of Turkey-EU subcommittee on Innovation<br><br>Supreme Council for Science and Technology Report | Experienced European research groups maintain their enthusiasm about actively participating to the brokerage events.<br><br>Close collaboration and consensus between relevant institutions and stakeholders in Turkey is maintained.         |
| <b>Output 1.2</b> | Awareness, information & knowledge diffusion as well as networking of the TARAL improved.   | Number of events, study visits, and special days organized for awareness raising and information diffusion<br>Number of information dissemination and visibility materials produced<br>Number of tailor-made trainings & workshops for IMS organized<br>Number of intranet service dedicated to IMS system established  | 0<br>0<br>0<br>0                                     | 61<br>1<br>40<br>1          | Commission Reports on Turkey<br><br>Post-event reports of the activities<br><br>Website statistics   | TÜBİTAK will be able to provide and sustain their staff.  |
| <b>Output 2.1</b> | Policy framework for reducing carbon footprint the targeted sectors improved  | Number of strategic documents e.g. action plans produced<br>Number of surveys applied to SMEs in targeted sectors<br>Number of stakeholders participated in the preparation of policies   | 0<br>0<br>0  | 2<br>400<br>200             | Project M&E system   | Coordination among relevant institutions and organisations in the targeted sectors is successful  |
| <b>Output 2.2</b> | Capacities of business associations to provide services in the targeted sectors to promote carbon footprint reduction practices by industry improved                                      | Number of business associations capacitated that will able to provide services<br>Software for carbon footprint measurement and reporting deployed  | 0<br>0   | 4<br>1                      | Project M&E system   | There is sufficient number of companies that absorb information provided through service delivery and use it for their benefit  |
| <b>Output 2.3</b> | Awareness and capacities of the companies in the targeted industries regarding carbon emissions raised  | Number of companies in the targeted sector generating regular carbon emissions reports in the targeted sectors prepared<br>Number of companies participated in the organised events   | 0<br>0   | 200<br>2.500                | Project M&E system   | The companies selected for consultancy services and training are committed to use the acquired knowledge  |

|                    |  |   |                       |                                 |  |  |
|--------------------|--|---|-----------------------|---------------------------------|--|--|
|                    |  | Number of trainings/consultancy services conducted for reducing carbon footprint<br>Number of women entrepreneurs/companies led by women, received trainings/consultancy services<br>Number of companies reduced carbon dioxide emissions after consultancy/training services<br>Number of reports undergo a 3rd party accreditation for verification after consultancy/training services<br>Number of carbon footprint reports submitted within the project activities | 0<br>0<br>0<br>0<br>0 | 1000<br>100<br>200<br>50<br>400 |  |  |
| <b>Output 3.1.</b> | The digital transformation policy ecosystem of Turkey's manufacturing industry is enhanced and further aligned with the EU                               | Number of policies adopted<br>Number of decisions of the governance structure<br>Value of funds disseminated through developed financial mechanisms   | 0<br>0<br>0           | 10<br>10<br>2,6 Billion TRY     | The customer registration of the centres<br>MoIT data (including TUBITAK, KOSGEB and Development Agencies)<br>Project Monitoring Reports (PMRs)<br>Project Interim Reports<br>MoIT EIS | Commitment of stakeholders (public institutions, NGOs, academia etc.)<br>Ongoing complementary public interventions (regulations, support schemes etc.)  |
| <b>Output 3.2.</b> | The digital transformation and innovation infrastructure is improved and digital transformation and innovation capabilities of enterprises are increased | Number of common-use digitalization facilities that received capacity development support through governance structure<br>Number of technology users and providers received support and reduced their input costs and/or increased their sales and/or exports<br>Number of technology providers and users collaborated  | 0<br>0<br>0           | 40<br>300<br>100                | The customer registration of the centres<br>Turkish Statistical Institute (TURKSTAT)<br>Project Monitoring Reports (PMRs)<br>Project Interim and Final Reports                         | Sustained availability of public support schemes and incentives that are provided to SMEs for innovation and digitalization<br>Provision of the physical infrastructure and working capital of the centres by the centre operator(s), which will be selected via a call within the course of the Action<br>Sufficient demand for and commitment to the pilot applications<br>Service diversification via coordination between digital transformation service providers |



## **4. IMPLEMENTATION ARRANGEMENTS**

### **4.1 Financing Agreement**

In order to implement this action, it is envisaged to conclude a financing agreement with the Republic of Turkey.

### **4.2 Implementation modalities**

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures<sup>14</sup>.

#### **4.2.1 Indirect Management with an IPA III beneficiary**

This action will be implemented under indirect management by Republic of Turkey. The managing authority responsible for the execution of the action is the Ministry of Industry and Technology, Directorate General for EU and Foreign Affairs. The managing authority shall be responsible for legality and regularity of expenditure, sound financial management, programming, implementation, monitoring, evaluation, information, visibility and reporting of IPA III activities.

The managing authority shall rely on sectoral expertise and technical competence of the following intermediate bodies for policy management: Ministry of Industry and Technology. It shall ensure sound financial management of the action.

Budget implementation tasks such as calls for tenders, calls for proposals, contracting, contract management, payments and revenue operations, shall be entrusted to the following intermediate body for financial management: Ministry of Industry and Technology, DG for EU and Foreign Affairs. It shall ensure legality and regularity of expenditure.

### **4.3. Scope of geographical eligibility for procurement and grants**

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

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<sup>14</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu) Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

#### 4.4 - Indicative Budget

| Indicative Budget components   | EU contribution<br>(amount in EUR) | Indicative third party contribution,<br>(amount in EUR) |
|--|------------------------------------|---|
| <b>Outcome-1- Supporting Research, Innovation and Technology Development</b>   | <b>4 300 000</b>                   | <b>758 823*</b>   |
| Indirect management with the Republic of Turkey (IMBC)<br>cf. section 4.2.1  | 4 300 000                          | 758 823*  |
| <b>Outcome -2- Transition to Green Economy</b>   | <b>6 000 000</b>                   | <b>1 060 000**</b>                                      |
| Indirect management with the Republic of Turkey (IMBC)<br>cf. section 4.2.1  | 6 000 000                          | 1 060 000**   |
| <b>Outcome-3- Support to Digital Transformation</b>  | <b>7 000 000</b>                   | <b>1 236 000***</b>                                     |
| Indirect management with the Republic of Turkey (IMBC)<br>cf. section 4.2.1  | 7 000 000                          | 1 236 000***  |
| <b>Evaluation</b> – cf. section 5.2  | N.A.                               | N.A.  |
| <b>Audit</b> – cf. section 5.3   | N.A.                               | N.A.  |
| <b>Communication and visibility</b> – cf. section 6  | N.A.                               | N.A.  |
| <b>Contingencies</b> <sup>15</sup>   | N.A.                               | N.A.  |
| <b>Totals</b>  | <b>17 300 000</b>                  | <b>3 054 823</b>  |
| * Outcome-1- Co-Financing will be covered by TÜBİTAK<br>** Outcome-2- Co-Financing will be covered by İHKİB<br>*** Outcome-3- Co-Financing will be covered by MoIT |                                    |   |

#### 4.5 - Organisational Set-up and Responsibilities

The Managing Authority is the Ministry of Industry and Technology (MoIT) responsible for the management of the action. MoIT will be the responsible institution for the management and coordination of the Thematic Priority 2 of the Window 4 under the IPA III Programming Framework.

##### Implementation Structures

Entitlements and obligations, including those relating to access to documents, checks, publicity, modalities of handing over the Action to the implementing partner after its completion etc. as provided for in the Financing Agreement are set out in an agreement established between the MoIT as the authority responsible for the management of the programme and the implementing partner for each AoS.

| Area of Support | Implementing partner |
|-----------------|----------------------|
|-----------------|----------------------|

<sup>15</sup> Consider that contracts where no financing agreement is concluded, contingencies have to be covered by individual and legal commitments by 31 December of N+1.

|   |   |
|---|---|
| AoS1) Supporting Research, Innovation & Technology Development: | The Scientific and Technological Research Council of Turkey (TÜBİTAK) |
| AoS 2) Transition to Green Economy                              | Istanbul Textile and Apparel Exporter Associations (ITKIB)            |
| AoS 3) Digital Transformation:                                  | MoIT DG for National Technology                                       |

Each implementing partner will establish a project implementation unit (PIU) which will perform the following main tasks and responsibilities:

- Monitors the AoS's technical progress,
- Conducts the preparation of documents and the activities of the AoS,
- Reviews outputs of the AoS,
- Reports regularly to the steering committee on the activities/findings and provides recommendations for improvement.

The intermediate body for the financial management of the Action is the Ministry of Industry and Technology, Directorate General for EU and Foreign Affairs.

## 5. PERFORMANCE/RESULTS MONITORING AND REPORTING

### 5.1 Internal monitoring

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support). The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Monitoring of this Action will be performed by the respective target beneficiaries of the AoSs and the MoIT. Sectoral and programme level monitoring will be performed by respective monitoring committees.

### 5.2 Roles & responsibilities for data collection, analysis & reporting

Detailed monitoring and reporting mechanisms for the Action is provided below:

**Steering Committee:** The Steering Committee meets every six months to evaluate progress of the Operation and proposes corrective measures, if needed. The Steering Committee, co-chaired by the SRER and MoIT representatives, will ensure coordination between stakeholders and it will oversee implementation and settle possible disputes without delay. Indicative permanent members of the Steering Committee are: MoIT, Contractor/Consultant, Implementing Partner and/or project partners, Relevant Ministries/Institutions,

Delegation of the European Union to Turkey, Directorate for EU Affairs, Ministry of Foreign Affairs, Presidency of the Turkish Republic, Directorate of Strategy and Budget.

### **Proposed Monitoring Structure and Methodology:**

Within the perimeters of above-defined management structure, the Operation will be monitored:

- By the Operation Coordination Unit (OCU) on a daily and monthly basis, based on standard, brief monthly progress reports,
- By the Steering Committee, based on progress reports, through regular Steering Committee meetings, to be held every six months,
- By Advisory/Scientific Committee whenever needed,
- Ad hoc meetings, whenever needed with the participation of relevant parties.

A reporting scheme that facilitates monitoring and evaluation of the Operation will also be established. The specifics of the reporting scheme will be stipulated in the relevant description of each AoS and/or the contractual provisions. Based on this reporting scheme, the contractors will submit technical and/or contractual reports to the Operating Structure (OS) and the European Union Delegation. The OS and the EUD may also conduct site visits and spot checks in order to monitor the Operation. In summary, the Operation will be monitored, as explained above, through routine and ad hoc meetings and reporting mechanisms.

The different responsibilities for this dual internal monitoring are the following:

- Implementing partners'/ beneficiary country's monitoring, under the coordination of the National IPA Coordinator (NIPAC) , will aim at collecting and analysing data to inform on progress towards planned results' achievement to feed decision-making processes at the Action's management level and to report on the use of resources. To this aim, the implementing partner/ beneficiary country shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress monitoring reports (at least twice a year) and final reports.
- EU operational manager monitoring will aim at complementing implementing partners'/ beneficiary country's monitoring, especially in key moments of the action cycle. It will also aim at ensuring a sound follow-up on external monitoring recommendations and at informing EU management.

Both types of internal monitoring are meant to inform and provide support to external monitoring:

- External monitoring (ROM)

The Commission and/or NIPAC may undertake additional project monitoring in line with the European Commission rules and procedures set in the Financing Agreement through independent consultants recruited directly by the Commission/NIPAC for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission/NIPAC for implementing such reviews).

#### **Results data collection**

Besides the ROM review, the Commission/NIPAC may undertake action results data collection through independent consultants recruited directly by the Commission/NIPAC (or recruited by the responsible agent contracted by the Commission for implementing such reviews). Their aim would be to identify and check the most relevant results on the action.

The overall progress may also be subject to joint monitoring by the European Commission (DG NEAR) and the beneficiaries. The compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly monitored by Sectoral Monitoring committees, which will ensure a monitoring process at sector level.

### **5.3 Evaluation**

Having regard to the nature of the action, no evaluation will be carried out for this action or areas of support. On the other hand, the Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner.

The financing of the evaluation shall be covered by another measure constituting a financing Decision.

## **6. AUDIT**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a financing Decision. For the part of the action incorporating a form of financing not linked to costs but on the achievement of results, the verification mechanisms will focus on the results and performance indicators previously agreed.

## **7. COMMUNICATION AND VISIBILITY**

Visibility of EU funding and communication about objectives and impact of Actions are a legal obligation for all Actions funded by the EU, as set out in the EU communication and visibility requirements in force.

In particular, the recipients of EU funding shall acknowledge the origin of the EU funding and ensure its proper visibility by:

- providing a statement highlighting the support received from the EU in a visible manner on all documents and communication material relating to the implementation of the funds, including on an official website and social media accounts, where these exist; and
- promoting the actions and their results by providing coherent, effective and proportionate targeted information to multiple audiences, including the media.

Visibility and communication measures shall be implemented, as relevant, by the national administrations (for instance, concerning the reforms linked to EU budget support), entrusted entities, contractors and grant beneficiaries. Appropriate contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

The measures shall be based on a specific Communication and Visibility Plan, established and implemented in line with the EU communication and visibility requirements in force. The plan shall include, inter alia, a communication narrative and master messages for the Action, customised for the various target audiences (stakeholders, civil society, general public, etc.)

Visibility and communication measures specific to this Action shall be complementary to the broader communication activities implemented directly by the European Commission services and/or the EU Delegations and Offices. The European Commission and the EU Delegations and Offices should be fully informed of the planning and implementation of the specific visibility and communication activities, notably with respect to the communication narrative and master messages.

Communication activities should also take into consideration the risks of potentially related disinformation attempts, and ways of countering these, as disinformation might undermine the Union's efforts and image in the country.

## **8. SUSTAINABILITY**

AoS 1) Supporting Research, Innovation & Technology Development:

The AoS will help to improve the sustainability of the Turkish research and innovation ecosystem through higher and better integration with European Research Area. The AoS will accompany a coherent support scheme aiming at creating high tech jobs, innovative business creation, attracting knowledge, introducing new technology and ultimately boosting economic development. By creating a coordinated and more effective mix of access to finance, a sustainable support system will be created. The system will help the actors to overcome the challenges they are currently facing and strengthen their prospects for developing new innovative products and services and raise their competitiveness in the foreign markets.

Institutional sustainability of this AoS will rest with TÜBİTAK. At least one TÜBİTAK NCO personnel will participate to all the trainings, visits, consultations. Therefore, transfer of the accumulated knowledge to future recruits of TÜBİTAK will also be ensured. As regards financial sustainability, the responsibility after the Action implementation period rests with TÜBİTAK as a public institution, which receives its budget from the central authority.

#### AoS 2) Transition to Green Economy

By creating a coordinated and more effective mix of policy improvement, strengthened capacities of relevant institutions and raised awareness of companies and consumers, a sustainable support system for industry transformation will be created. The system will set the grounds to help enterprises to overcome the forthcoming challenges and strengthen their prospects in increasing their competitiveness in the Single Market. The sustainability will be ensured through regular activities of the Turkish Exporters Union, as the lead umbrella institution of exporting companies in Turkey. Istanbul Textile and Apparel Exporter Associations (ITKIB) with its two associations Istanbul Apparel Exporters' Association (IHKIB), Istanbul Textile and Raw Materials Exporters Association (ITHIB) and Istanbul Chemicals and Chemical Products Exporters' Association (IKMIB) will continue their alliance with the International Transporters' Association of Turkey (UND) and institutionally promote initiatives on carbon footprint reduction and the Green Deal topics in Turkey. Replicating the experience from this Action to all member unions in Turkey will secure sustainability.

#### AoS 3) Support to Digital Transformation:

Sustainability of governance structure (TR-SDD) will be provided with the institutional structuring consisting of an executive board, a board of directors, a general secretariat and a research board, working groups and implementing units. TR-SDD will make sure that public private partnerships will be established to govern and manage these centres in a self-sustainable manner. The political outputs of the project will be input to decision-makers and will find response in public activities. In addition, the scoreboard data integrated with MoIT EIS will come from the digital readiness assessment tool applied by the centres to SMEs.