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Table of Contents

EXECUTIVE SUMMARY **11**

1. INTRODUCTION **24**

2. OBJECTIVES AND EXPECTED RESULTS OF THE EVALUATION MISSION **25**

3. THE PSD SUPPORT PROJECTS IMPLEMENTED IN TURKEY DURING THE PERIOD 2002- 2012 .... **26**

3.1. The GROUP of MEDA PROJECTS: implemented between 2002 and 2006 with a global allocation of € 53,055,000 26

3.2. The GROUP of PRE-ACCESSION PROJECTS: implementation period from 2005 to 2010 with a global allocation of € 125,300,000 27

3.3 The GROUP of SME Grant Schemes under Regional Development Programmes: from 2004 to 2010 with a global budget of € 47,510,000 27

3.4. The GROUP of REGIONAL COMPETITIVENESS OPERATIONAL PROGRAMMES: 2007 - still ongoing 28

4. THE MAIN GROUPS OF PROJECTS CHARACTERISING EU-FUNDED SUPPORT TO PSD IN TURKEY **28**

4.1 The Projects constituting the First Pillar "Access to Finance" 28

4.2 The Projects constituting the Second Pillar "Business Development Services" 29

4.3 The Projects belonging to the Third Group. 30

5. EVALUATION QUESTIONS, JUDGEMENT CRITERIA AND PERFORMANCE INDICATORS **32**

6. FINDINGS OF THE MISSION WITH REFERENCE TO THE EVALUATION QUESTIONS **33**

6.1 Measuring the Overall Coherence of EU Support to PSD in Turkey for 2002 – 2012 33

6.1.1 Coherence of "Pillar 1: Access to Finance 34

6.1.2 Coherence of "Pillar 2: Business Development Services" 36

6.1.3 Coherence of Projects belonging to the Third Group 37

6.1.4 Coherence of EU PSD support at the meso- and micro-levels (also taking into account the existing situation at the macro-level) 38

6.2 Complementarity between EU / IFI / Bilateral Donors and Coordination of International Donors 40

6.3 Relevance, Effectiveness, Efficiency, Impact and Sustainability of EU-funded to PSD Support and of its Implementation Modalities 42

6.3.2 Relevance, Effectiveness, Efficiency, Impact and Sustainability of "Pillar 2: Business Development Services" 47

6.3.3. Relevance, Effectiveness, Efficiency, Impact and Sustainability of the Projects belonging to the Third Group. 50

6.4 Domestic Commitment of Public Institutions and Private Stakeholders at the National and Local Levels 51

7. STRATEGIC ASSESSMENT OF EU-FUNDED PSD SUPPORT DURING THE 2002-2012 PERIOD **52**

7.1 Strategic Assessment of the First Pillar "Access to Finance" 53

7.2. Strategic Assessment of the Second Pillar "Business Development Services" 55

7.3 Strategic Assessment of the Projects belonging to the Third Group. 56
7.4 Strategic Assessment of the EU-Funded PSD Support in relation to Turkey's Stabilisation and Association Agreement. 58
7.5 Other Pillars deserving further EU consideration. 61
8. ONLINE SURVEY 65
9. PERFORMANCE AND REPLICABILITY OF THE THREE KEY PROJECTS 68
9.1 The SELP Project 69
9.2 The ABIGEM Project 70
9.3 The DOKAP Grant Scheme Project (SME Component) 72
10. FOCUS OF EU-FUNDED PSD SUPPORT FOR 2014-2020 ON THE BASIS OF LESSONS LEARNT 73
10.1 Lessons Learnt 73
10.1.1 Lesson Learnt 1: Importance to agree with Turkish Authorities on the overall coverage of the various SME needs 74
10.1.2 Lesson Learnt 2: the need to specifically address SMEs and sectors having higher growth potential. 74
10.1.3 Lesson Learnt 3: Importance to properly consider know-how transfer, know-how absorption and project replication capacity in designing and implementing programmes 75
10.1.4 Lesson Learnt 4: Need to avoid the exploitation of the potential beneficiaries of SME Grant Schemes by private consultants 76
10.1.5 Lesson Learnt 5: Need to avoid direct EU involvement in funding construction works in Turkey77
10.2 Focus of EU-Funded PSD Support in Turkey in 2014–2020 77
11. PERFORMANCE INDICATORS TO BE USED IN THE NEXT PROGRAMMING CYCLE FOR EU-FUNDED PSD SUPPORT IN TURKEY IN 2014-2020 80
12. RECOMMANDATIONS 83
12.1 Improving the implementation of EU-funded projects through the flow of information collected from other EU programmes. 83
12.2 To improve the implementation of EU-funded projects through the flow of information collected from programmes funded by other donors. 83
12.3 To assess a project's know-how transfer, absorption and replicability capacity in order to increase the general efficiency of EU-funded projects. 84
12.4 To dedicate PSD support to the most dynamic SMEs all over the country 85
12.5 To assess the achievements of EU-funded PSD support projects and programmes more frequently, e.g. through Monitoring and Evaluation 87
12.6 To enforce the EU Acquis in Turkish SMEs by supporting the implementation of EU standards and best practices 87
12.7 To strengthen Donor Coordination in order to considerably enhance aid effectiveness 88
13. CONCLUSIONS 88

ANNEXES..90

ANNEX 1 – LIST OF THE OFFICIALS INTERVIEWED DURING THE MISSION

ANNEX 2 – MAIN CHARACTERISTICS AND CONTENTS OF THE EU PROGRAMMES SUPPORTING PSD IN TURKEY DURING THE PERIOD 2002 – 2012

ANNEX 3 – PRINCIPLES AND MAIN LINKED POLICY ACTIONS INDICATED IN THE SME CHARTER

ANNEX 4 – DOKAP QUESTIONNAIRE AND ANSWERS RECEIVED

ANNEX 5 – SELP-II QUESTIONNAIRE AND ANSWERS RECEIVED

ANNEX 6 – ABIGEM QUESTIONNAIRE AND ANSWERS RECEIVED

LIST OF ACRONYMS & ABBREVIATIONS

ABIGEM	**European-Turkish Business Centre**
ACEMUT (region)	**Afyon, Çorum, Erzurum, Malatya, Usak, and Trakya (region)**
AKKM (region)	**Agri, Konya, Kayseri and Malatya regions**
BSTDB	**Black Sea Trade and Development Bank**
CAD	**Computer-Aided Design**
CAM	**Computer-Aided Manufacturing**
CEB	**Council of Europe Development Bank**
CFCU	**Central Finance & Contracts Unit**
CIP	**Competitiveness and Innovation Programme**
DEKKAT (Provinces)	**Denizli, Eskişehir, Kayseri, Konya, Adana, Trabzon provinces**
DG	**Directorate General**
DOKAP (region)	**Eastern Black Sea Region**
EADP	**Eastern Anatolia Development Programme**
EBRD	**European Bank for Reconstruction and Development**
EC	**European Commission**
EIB	**European Investment Bank**
EIP	**Entrepreneurship and Innovation Programme**
EQ	**Evaluation Question**
ESOB	**Union of Chambers of Tradesmen and Craftsmen**
EU	**European Union**
EUD	**Delegation of the European Union**
FDI	**Foreign Direct Investment**
GAGF	**Greater Anatolia Guarantee Facility**
GAP-GIDEM	**SME and Entrepreneurship Development Project in the South-Eastern Anatolia Region**
IAC	**Investment Advisory Council**
IFI	**International Financing Institution/s**
IPA	**Instrument for EU Pre-Accession**
ITKIB	**Istanbul Textile and Apparel Exporter Associations**
MEDA	**Mesures d'Accompagnement (Support Measures)**
MIPD	**Multi-Annual Indicative Planning Documents**
KGF	**Kredi Garanti Fonu (SME Guarantee Fund)**
KfW	**Kreditanstalt für Wiederaufbau (KfW Bank)**
KOSGEB	**SME Development Organisation**
M&A	**Mergers and Acquisitions**
MATRA	**MAatschappelijke TRAnsformatie, i.e. Societal Transformation**
MEUA	**Ministry of EU Affairs**
MLSS	**Ministry of Labour and Social Security**
NCC	**National Coordination Centre**
NDP	**National Development Programme of the Turkish Government**
NGO	**Non-Governmental Organisation**
NIPAC	**National Coordinator for the Instrument for Pre-Accession (IPA)**
NPAA	**The National Programme for the Adoption of the EU Acquis**
NPL	**Non-Performing Loan**
OECD	**Organisation for Economic Development and Cooperation**

OFID/OPEC	**OPEC Fund for International Development**
OHS	**Occupational Health and Safety**
OIZ	**Organised Industrial Zone**
OPEC	**Organisation of Petroleum-Exporting Countries**
OVI	**Objectively Verifiable Indicator of achievement**
PSD	**Private Sector Development**
pNDP	**Preliminary National Development Plan**
RCOP	**Regional Competitiveness Operational Programme**
SBA	**Small Business Act for Europe**
SBS	**Small Business Support**
SELP	**Small Enterprises Loan Programme**
SKE (provinces/ region)	**Samsun, Kastamonu and Erzurum provinces / region**
SME	**Small- and Medium-sized Enterprise**
TBC	**Turkish Business Centres**
TESK	**Confederation of Turkish Tradesmen and Craftsmen**
TESKOMB	**Tradesmen-Craftsmen and SMEs in Turkey**
TL	**Turkish Lira**
TOBB	**Union of Chambers and Commodity Exchanges of Turkey**
TORs	**Terms of Reference**
TUAF	**Turkish General Confederation of Shoemakers**
TUBITAK	**Scientific and Technological Research Council of Turkey**
TURKAK	**Turkish Accreditation Agency**
TURKSTAT	**Turkish Statistical Institute**
TurSEFF	**Turkey Sustainable Energy Financing Facility**
UFT	**Under-Secretariat for Foreign Trade**
UN	**United Nations**
UNDP	**United Nations Development Programme**
UNIDO	**United Nations Industrial Development Organisation**
WBG	**World Bank Group**
WES	**European Network to Promote Women's Entrepreneurship**
YOIKK	**Coordination Council for the Improvement of the Investment Environment**

EXECUTIVE SUMMARY

Objective and Scope of this Evaluation

Background

The European Commission has been providing support to private sector development in Turkey since the late 1990s. Within this framework, several EU programmes have been implemented mainly in the form of traditional project financing including Technical Assistance and know how transfer. PSD covers a wide range of activities involving both public and private institutions and organisations and stretches over several sectors, each of them having specific needs and requiring specialised approaches.

This leaves room for interventions by several international donors, such as bilateral institutions and International Financial Institutions which have been active in supporting PSD activities in Turkey. The EU, along with the European Investment Bank (EIB) Group and the European Bank for Reconstruction and Development (EBRD), has been and still is the main international donor operating in Turkey.

In particular, EU implemented several programmes during the MEDA period (2002–2006) and under the "Pre-Accession" phase (2005–2010). Additionally, several SME grant schemes were implemented under the Regional Development Programmes (2004–2010), while under the IPA (2007–2013), additional support to PSD was provided through the Regional Competitiveness Programmes.

Now, after more than ten years of support to Turkey's private sector development effort, the EU decided to launch a global independent evaluation of its PSD support activity implemented during the period 2002–2012 along with a more in-depth evaluation of three specific programmes, namely:

- The Small Enterprise Loan Programme (SELP) - Phases I and II;
- The EU-Turkey Business Centres (ABIGEMs) Project's Phases I, II and III; and
- The SME component of the Grant Scheme implemented under the DOKAP[1] Regional Programme.

In the period under review, EU-funded support to private sector development in Turkey consisted of 2 main pillars, which together absorbed almost 75 % of the overall EU funding dedicated to the private sector, and of a third group of projects implemented in different stages and contexts and having different scopes. The three main categories of EU projects dedicated to PSD support were the following:

Pillar 1 – Access to Finance: SELP-I; SELP-II and the 4 SME Grant Schemes – € 107.5 M, i.e. approx. 49% of EU-funded support to PSD in Turkey for 2002-2012

Pillar 2 – Business Development Service Centres: the 3 ABIGEM projects and the GIDEM Centres – € 67 M, i.e. roughly 30% of EU-funded support to PSD in Turkey for 2002-2012

[1]Eastern Black Sea Region

The Third Group of Projects included: a) three projects dedicated to women (Support to Women Entrepreneurs I and II; Incubators for Women Entrepreneurs); b) two projects dedicated to Clusters (Development of a Clustering Policy; Fashion and Textile Cluster); c) four projects dedicated to specific sectors (Supporting Subcontractors in the Automotive Sector; Shoemaking Training Institution; Vocational Training in the Clothing Sector; Environmental Standard in the Textile Sector); d) an "atypical" project dedicated to the setting-up of an industrial zone (Industrial Restructuring of Șanlıurfa) and e) a small project having a more general objective (EU On-Line). In total, these projects absorbed about € 50 M, i.e. approx. 21% of EU-funded support to PSD in Turkey for 2002-2012.

The Evaluation

The global objective of this evaluation assignment was to conduct a strategic assessment of the EU's past and present support to Private Sector Development in Turkey during the period 2002-2012 and to provide recommendations for future actions.

More specifically the mission was requested to:

a) Assess to what extent international donor support to PSD in Turkey fits together and whether it leaves any large or significant gaps;

b) Provide an overall analysis of EC support to PSD, and the relevance, efficiency, effectiveness and impact of past EC support;

c) Analyse the likely impact and sustainability of on-going EC assistance to PSD, and whether PSD receives the necessary domestic political commitment;

d) Assess the coherence between EC support at the meso- and micro-levels, and between the various EC funding instruments which provide support to PSD in Turkey;

e) Assess three key projects, namely SELP-I and SELP-II; ABIGEM Phases I, II and III; and the SME component of the DOKAP Grant Scheme; in terms of efficiency, effectiveness, impact and sustainability;

f) Provide recommendations to improve EC financial support to PSD and propose indicators for measuring the future performance of that support.

Methodology

The evaluation methodology consists of 4 key stages, including: Inception, Desk Research, Field Missions and the (Draft) Final Report. The main instrument underpinning the evaluation consists of 6 key evaluation questions that focus on limited number of key issues:

1) **Coherence:** To what extent were the project objectives and intervention logic coherent with the EU principles and strategies concerning support to PSD, namely - in global / general terms - with the main principles/guidelines of the EU Policy for SMEs as stated in the EU SME Charter (and as of 2009 with the "Small Business Act (SBA) for Europe"), as well as with the principles that have inspired the Entrepreneurship and Innovation Programme

(EIP), and the main criteria guiding the EIB Group's approach to financing SMEs? To what extent is EU-funded Support to PSD coherent at the meso- and micro-levels (also considering the situation at the macro-level)?

2) **Relevance:** To what extent has EU-funded support contributed to the beneficiaries' requirements, Turkey's country needs and priorities?

3) **Effectiveness:** To what extent have the project results and specific objectives been achieved? Have the right things been done?

4) **Efficiency:** To what extent have the project activities been delivered adequately to Turkey's beneficiaries? Have things been done right?

5) **Impact:** To what extent have the project objectives been achieved as intended, in particular in terms of SME development, increased competitiveness of the Turkish private sector, PSD institutional capacity building, Turkey's economic integration into the EU market?

6) **Sustainability:** To what extent have/are the project outcomes and the flow of benefits continued/likely to continue after external funding has ended?

In accordance with the Terms of Reference, the Evaluators have also addressed the following criteria:

- **Complementarity** of EU-funded support to PSD with other multi- and bilateral donor programmes implemented in the field of PSD in Turkey.
- **Domestic commitment** of Turkey's line public institutions and private sector stakeholders
- **Performance and replicability of the 3 key projects**
- **Focus of EU-funded support to PSD for 2014-2020**

Data Collection Method and Analysis

Data collection and analysis progressed as follows:

1) In-depth review and analysis of the project documents received from DG Enlargement and the EU Delegation to Ankara. Preliminary conclusions were drawn and verified.

2) Preparation of a reference questionnaire based upon the 6 Evaluation Questions to collect further information from the selected stakeholders during the scheduled field missions (face-to-face interviews) and telephone interviews. Reconciliation and validation of the preliminary results into solid findings.

3) Field missions to Turkey were organised for face-to-face interviews, during which the data already collected was fine-tuned. Field missions took place from May 1st to 15th 2013.

4) A presentation of preliminary evaluation findings was conducted by the Evaluation Team at the EU Delegation in Ankara on May 17th 2013.

5) On the basis of the data collected during the preparation phase and the field missions, the Evaluation Team submitted to the EU Delegation their findings, conclusions and recommendations in accordance with the agreed Work Plan.

This Final Evaluation Report focuses more particularly on data analysis, findings and conclusions and formulates several key recommendations to improve the next programming cycle in the field of EU-funded support to private sector development in Turkey for the 2014-2020 period.

Key Evaluation Findings and Conclusions

The main conclusion of our evaluation is that overall the EU-funded projects under review in this Final Evaluation Report pertaining to EU-funded Support to Private Sector Development in Turkey have been successful. The results achieved against those initially sought have been significant and relevant within the framework of this EU-funded support to PSD and Turkey's political context. However, there is room for improvement in the next programming cycles.

Coherence

Overall, the Evaluators are of the opinion that PSD support projects under Pillar 1, which was the main pillar in terms of funding and which included SELP Programmes, were coherent with the Small Business Act's Principle VI and also with the SME Charter's corresponding Principle. The SME Charter used to be the main reference document for most of their respective implementing periods (Principle facilitating SME access to credit). They were also in line with the EU principles and strategies reducing economic disparities between regions. However, as regards the SME grant schemes, none of the SBA and SME Charter principles and their related policy actions recommend using grants as SME development promotion tools, but rather insist on facilitating access to credit (venture capital, micro-credit, mezzanine financing, etc.). Instead, the SME Grant Schemes were used as tools for encouraging, where possible, SME growth to help the economy and employment at the local level with a view to reducing economic disparities between Turkey's regions. This approach makes the grant schemes coherent with EU policies and strategies.

As regards Pillar 2's two main projects, namely the ABIGEM Centres and the Entrepreneur Support Guidance Centres (GIDEM), none of the ten principles of the SME Charter and the Small Business Act recommend setting up such centres as a specific action linked to any appropriate EU SME policy. However, these two programmes can be considered in line with the SME Charter's Principles I (education and training in entrepreneurship) and X (Develop stronger, more effective representation of small enterprises' interests at the European Union and national levels).

All projects included in the Third Group are considered fully coherent with several of the SME Charter principles. Moreover, most sectoral programmes can be considered coherent at the meso- and micro-levels, although those specifically dedicated to policy-makers in the field of SME development in Turkey were quite limited in number and scope (meso-level). Finally, at the macro-level, EU funding is insufficient to have a direct impact on Turkey's PSD, considering the size of the country and its needs. Nevertheless, EU-funded support contributed to showing a concrete way to utilise support to private sector development as one of the tools for reducing regional economic disparities in Turkey. In particular, with EU support, progress was made on enterprise and industrial policy instruments and sector policies.

Relevance, Efficiency, Effectiveness, Impact and Sustainability

Overall, the SELP projects should be considered as highly relevant since they focused on SMEs and on types of loan that were almost neglected by the Turkish banking system at the time of their implementation. The SELP programme proved to be very relevant to SMEs also in the new selected Regions. Moreover, the SELP projects responded to specific needs expressed by SMEs regarding the availability of loans (access to credit). Their Efficiency and Effectiveness were positive, since all financial resources available were timely and fully utilised and the system had very limited losses in terms of loan repayments by the borrowing SMEs. As for Impact, the external Economic Impact Assessment carried out at project completion revealed that SELP-I had been “quantitatively successful” in terms of number of loans disbursed and jobs retained and created as a result. Therefore, when considered under the point of view of their Relevance, Effectiveness, Impact and Sustainability, the SELP projects should be considered as a true ***success story***. Actually, both phases, SELP I and SELP II have been highly successful in terms of loan disbursements as well as repayments. However, currently, SELP II has progressively been losing traction and is heavily dependent upon economic convenience demonstrated by banks and their branches in proposing SELP II loans instead of other products also available to their clients.

Now, in the light of the huge disproportion between the characteristics of SELP and SME Grant Scheme interventions, the Evaluators are of the opinion that the latter were quite “oversized” with respect to the real needs of the large majority of SMEs established in Turkey’s less developed regions. Drastically reducing the maximum amount of the disbursed grants would have helped a higher number of SMEs to invest, grow and create new jobs and therefore a greater contribution to the development of the less developed regions would have been possible. Consequently, the Evaluators are of the opinion that, from this point of view, the SME Grant Schemes, including DOKAP, partly lacked efficiency and had an impact well below what could have been achieved through a different approach. Finally, the Evaluators consider that better consideration for these specific observations on the SME Component of Grant Schemes could have helped increase the overall performance of the SME Grant Schemes that followed.

The Evaluators can only confirm the findings put forward in an independent Economic Impact Assessment of February 2006 in respect of Phase 1 of the ABIGEM Centres, which was very positive in terms of Relevance, Effectiveness and Impact. All three ABIGEMs set up under Phase 1 were working effectively and their services created a measurable positive impact on local economic development. However, as regards Efficiency and Sustainability, it must be pointed out that at the time when this evaluation’s field mission was conducted, only the Izmir and Kocaeli ABIGEM Centres were operational, while the Centre in Gaziantep had been virtually closed down more than two years ago. Phase 2 of the ABIGEM project supported the creation of 12 new ABIGEM Centres in as many provinces. However, the Evaluators noted that currently there was a significant difference in the operational activity of the ABIGEM Network, as several Centres were performing very well (as was the case of the ABIGEM Centres in Izmir, Erzurum and Trabzon), while other Centres had very limited activity, e.g. in Malatya and in Gaziantep where the Centres had ceased their activity. The information provided by TOBB, the National ABIGEM Network Coordinator, did not help the Consultants to have a clear picture of the activities implemented by each ABIGEM Centre. The Evaluators are of the opinion - based upon their visits to several ABIGEM Centres -

that these Centres are highly - if not totally - dependent upon the attitude of the local Chambers and more specifically upon the Chamber Chairmen. Under RCOP, only Phase III of the ABIGEM project was considered by the Consultants for this evaluation. As already mentioned, this project – which was still under implementation when the mission took place – consists in enlarging the ABIGEM Network to four new Centres in Batman, Hatay, Sivas and Van. Looking at the overall Efficiency of the ABIGEM project, it must also be noted that its Phase II benefitted partly from the know-how accumulated during Phase I, thus shortening its duration and the resulting costs. The same could be said of Phase III.

The external Economic Impact Assessment carried out for the GAP-GIDEM project one month before its completion was very positive in terms of relevance, efficiency and effectiveness, especially in respect of: a) the number of participants in the training sessions and seminars organised by the project; and, b) the clients who benefitted from information services and received consulting /advisory/ guidance services. The project was also considered very likely to generate a positive Impact on the local economy. However, this impact was very short-lived or did not materialise, since all GIDEM Centres stopped their activities within one year of the end of EU funding and local entrepreneurs were reluctant to pay for "intangible intellectual services". Finally, it must be pointed out that the UNDP considers that the GAP-GIDEM project was successful, since it facilitated the preparation of a Regional Development Strategy for the GAP Region that has since then been the main driving policy paper for the development of that Region. However, the Evaluators are of the opinion that although this Strategy Paper represents a strong achievement of the project, from an efficiency point of view it seems very difficult to justify such an important document with a five-year programme with a € 9.2 million budget.

In general, the projects pertaining to the Third Group were very relevant. They were delivered effectively and efficiently and achieved important results in terms of impact and sustainability. For example, the projects "Supporting Women Entrepreneurs" and "Training and Consultancy Centres for Women Entrepreneurs" are considered by TESK, its main beneficiary, as very useful and successful, since they have paved the way for important and concrete results in the field of assistance to female entrepreneurship. A similarly positive assessment about the project "Incubators for Women Entrepreneurs" was expressed by KOSGEB, which used to be its main beneficiary. On the basis of information collected during the Field Phase, the Evaluators knew that the project managed to fully achieve and even surpass its expected results while, at the same time, endowed KOSGEB with the capacity to replicate similar activities. The project "Industrial Restructuring of Sanliurfa" mainly focused on funding the infrastructure of the "Industrial Organised Zones (OIZ)" in this province, including the construction of a water treatment plant for OIZ 1 and 2. The programme achieved all its expected results and currently the Industrial Organised Zone is fully occupied by SMEs of various sectors and types. However, in terms of efficiency, the programme was quite weak, as it is been reported that EU procedures are so inadequate in the field of real estate, more specifically construction works, that eventually the costs of monitoring the construction works far exceed the final costs for identical facilities, at least according to Turkey's real estate market prices and conditions.

Complementarity with other multi- and bilateral donor programmes

It is impossible to address this criterion without referring to Donor Coordination or the lack thereof. Today, Turkey faces major challenges such as strong demographic growth, rapid urbanisation, uncontrolled depletion of natural resources, economic and technologic changes and the need for huge infrastructure investments to sustain high economic growth. Turkey's domestic resources are not sufficient to meet these needs and challenges. Moreover, the EU-funded IPA is neither adequate, nor sufficient to cover all of Turkey's needs for technical assistance and investment, which strengthens the case for donor coordination and synergies. However, the IPA can be used as leverage. The same holds true for other EU funding for private sector development, including through the EBRD and the EIB Group. In this respect, it must be pointed out that the EU is by far the first international multilateral donor in Turkey. The two government institutions dealing with Donor Coordination in Turkey at the moment are the Treasury's Directorate General for Foreign Economic Relations and the Directorate for Financial Cooperation of the Ministry of EU Affairs (MEUA), also known as the National IPA Coordinator, or NIPAC. The Treasury coordinates the funding and activities of investment-related IFIs, such as the Council of Europe Development Bank (CEB), the European Investment Bank (EIB) or KFW, but not the UNDP, UNIDO, etc. The EU Delegation also conducts donor coordination meetings with the representatives of EU member states on a thematic basis every month. However, the Evaluators have noted that there is still room for improvement of the various donor coordination mechanisms in Turkey.

Domestic commitment of Turkish public institutions

Regarding political/institutional commitment demonstrated by the line beneficiaries with respect to EU-funded PSD support programmes and projects, the Evaluators are of the opinion that this commitment has generally been quite strong and that all institutions have been very keen to facilitate the project implementation activities in which they were involved, in order to benefit from project results to the largest possible extent. However, it should also be pointed out that over time institutional commitment has declined within a few of these institutions. For example, it has been the case of several Chambers of Commerce, which are still not really convinced of the usefulness to strongly promote ABIGEM services. Several other public institutions have been so positively affected by the EU-funded PSD support projects in which they were involved and also by the results achieved that they have highlighted their readiness for, and commitment to, future EU PSD support projects. However, the role of Turkey's private SME associations and organisations in EU projects has been very marginal, not to say non-existent, since EU-funded PSD support projects mainly addressed public or semi-public institutions. Finally, the Evaluators have noticed that Turkish SMEs always seem to be ready to take advantage of all available programmes, incentives and services provided by any kind of national institutions and/or foreign donors as long as they are useful, accessible and cheap.

Strategic Assessment of EU-funded PSD support for 2002 -2012.

In evaluating the overall EU intervention in the field of PSD, the Evaluation Team also considered the following two relevant strategic reference documents:

- The "Trade and Private Sector Policy and Development, Support Programmes funded by EU External Assistance" of November 2010.

- The “Turkey Progress Report 2012” issued by DG Enlargement and more spcifically its Chapter 6 “Company Law”, Chapter 20 “Enterprise and Industrial Policy” and Chapter 22 “Regional Policy and Coordination of Structural Instruments”.

From this more strategic point of view, **the most positive EU intervention under Pillar I has been SELP**, which has managed to promote local banks by granting loans to almost 19,000 SMEs for a total amount exceeding € 189,000,000. SELP’s main achievement was that, thanks to specialised TA provided to partner banks, it made those banks aware of the importance of SMEs as reliable clients for the banking system. SELP should be considered as a very positive programme, fully in line with the tools and methods recommended by the “Trade and Private Sector Policy and Development, Support Programmes funded by EU External Assistance” document. From this point of view, SELP is a real EU success story and a good practice and right approach example.

As regards the 4 **SME Grant Schemes,** the Evaluation Team is well aware that their justification and intervention logic were strictly linked to their objectives supporting Regional Development in the regions lagging behind economically. However, grants to SMEs always run the risk of being a very tricky tool for promoting local development since providing a grant to one specific SME may undermine the development of its competitors, which, in turn, affects local economic development (competition distortion, of which the Evaluators came across concrete examples during the field phase). Therefore the Evaluators are of the opinion that an appropriate mechanism governing grants to SMEs should have been set up to disburse grants aiming to support both SMEs and Regional Development growth, and to reduce to the largest extent possible the risk of adversely affecting the competitors of beneficiary SMEs.

As regards **Pillar 2**, the Evaluators consider that the EU approach to setting up totally new legal entities for providing services to SMEs is in line with the tools and methods put forward in the document entitled “Trade and Private Sector Policy and Development, Support Programmes funded by EU External Assistance”. However, other approaches have also been proposed to support local consultants, such as the EBRD’s Small Business Facility (SBF) Programme.

Now is probably the right time for the EU and the EBRD to conduct a joint evaluation in order to identify the pros and cons of their respective approaches. This type of evaluation is very important especially since the EU and EBRD SME schemes were relevant and could be extended to other international donors. Over the last few years, both institutions have accumulated rather extensive experience in these various schemes and it would be very useful to see which one has worked better in Turkey and why. The present evaluation could help to find out which of the EBRD or the EU scheme is more appropriate to specific regions and also to what extent local conditions may lead donors to prefer one approach over the other.

Finally, taking into account that Phase III of the ABIGEM Project will be completed next year, it seems very useful, as was also specifically recommended in the “Trade and Private Sector Policy and Development, Support Programmes funded by EU External Assistance” document, to design - in cooperation with TOBB – an appropriate “exit strategy” for this long-term EU-funded TA project in order to ensure that once EU-funded support has been completed the overall network will not only continue to improve its performance, but that it will also be able to replicate the project in the provinces where new ABIGEM Centres may be useful to the local SME community.

As regards projects included in the **Third Group,** it is interesting to note that, in general, all these (relatively) small projects have achieved their intended objectives and expected results. Moreover, several of these projects were considered success stories and were presented as best practice examples. In addition, these projects were characterised by a strong knowhow transfer capacity by means of international TA, and also by strong absorption capacity as demonstrated by the beneficiary institutions. This was certainly the case of the three projects included in the sub-group of gender-related projects, (i.e. **Supporting Women Entrepreneurs-Phase I", "Training and Consultancy Centres for Women Entrepreneurs" and "Incubators for Women Entrepreneurs"),** which exceeded the planned results. It is very obvious that these projects are very much in line with the methods recommended by the EU to support gender-related issues in promoting PSD (see paragraph on gender–related issues in "Trade and Private Sector Policy and Development, Support Programmes funded by EU External Assistance").

Similar success is reflected in the sub-group of projects related to **Cluster and Clustering Policy Support**. In this case, the beneficiary institution also confirmed the good results achieved and the appropriate know-how transferred at the end of the project.

Finally, positive results have also been achieved by the "**Industrial Restructuring of Sanliurfa**", even if several negative points were put forward to the Evaluators over the efficiency of EU commitment to financing construction works.

In conclusion, taking into account that these (relatively) smaller and very focused projects were generally able to achieve appropriate and significant results, the Evaluators have considered useful to compare them with the other EU approaches to promoting both PSD and Regional Development and more particularly the DOKAP SME Grant Scheme, especially in terms of SME and job creation.

On the basis of the analysis carried out by the Evaluators (even considering the limits of this type of analysis and the caution with which its conclusions should be drawn), it is possible to conclude that the DOKAP project's capacity to create / retain jobs was considerably smaller than similar capacity demonstrated by some of the small projects of the Third Group.

Strategic Assessment of the EU-Funded PSD Support in relation to Turkey's Stabilisation and Association Agreement.

EU-funded PSD support in Turkey in 2002-2012 was underpinned by various logics and principles. In particular, MEDA support was provided within the framework of a common strategy, which included Turkey along with all Mediterranean countries in the efforts made to enhance their general political and economic relations with the EU. However, further to the adoption of the first Accession Partnership for Turkey by the Council in March 2001, EU assistance to Turkey started focusing on all complex aspects related to a Candidate Country's overall needs. Eventually the Commission proposed a revised Accession Partnership in 2005, which was adopted by the Council on 1st February 2008. Within this framework, Turkey is now eligible to each of all the five IPA components, which means that (JBM: “so that” does not make sense here) - starting with the Pre-Accession projects - the overall EU-funded PSD support was intended to facilitate and accelerate the fulfilment by Turkey of the EU membership criteria. Therefore the Evaluators have tried to understand to what extent the projects addressed to the Turkish private sector have contributed to this general objective, especially with reference to Chapter 6 “Company law”, Chapter 7 “Intellectual Property Rights”, Chapter 7 “Competition” and Chapter 20 “Enterprise and Industrial Policy”.

According to the Progress Reports on Turkey, the main progress achieved by Turkey towards EU Acquis alignment has been in the field of “Enterprise and Industrial Policy” (Chapter 20). In this field, Turkey has over the past few years adopted several appropriate strategies for the industrial sector. In particular, an “Industrial Strategy and Action Plan (2011-2014)” was adopted in 2011, thus meeting the key requirement for EU Acquis alignment in this area. Turkey has also continued implementing the SME Strategy and Action Plan approved for 2011-2013. These papers were well in line with the SBA and the corresponding EU approaches. After being revised, the draft Turkish Commercial Code entered into force on 1 July 2012. Turkey completed the assessment process for the Small Business Act together with the Western Balkans and the EU, with successful results achieved more particularly in the field of small entrepreneurship and responsive administration.

KOSGEB, Turkey’s SME development organisation, has continued supporting Turkish SMEs under different programmes according to a project-based approach. In addition, Turkey has continued providing loan programmes for SMEs via various banks with interest rate-subsidy support from KOSGEB and via Halkbank.

Turkey has continued to participate in the EU Entrepreneurship and Innovation Programme (EIP) and is an active member of the Enterprise Europe Network (EEN). The country performs well by developing measures to promote opportunities for SMEs within the framework of the Competitiveness and Innovation Programme (CIP). Finally, Turkey adopted an Export Strategy and Action Plan in June 2012.

Taking into account Turkey’s significant progress and achievements in the field of “Enterprise and Industrial Policy” (Chapter 20), it is realistic to conclude that EU-funded PSD support has contributed to drawing the attention of Turkish policy-makers to the importance of SMEs and the private sector for country’s overall development. So, EU-funded PSD support has helped Turkey’s institutions and organisations to become more sensitive - at the national and regional levels – to the importance of implementing efficient policies and measures for enhancing this sector.

Similar progress was made in the field of “Company Law” (Chapter 6). As regards this issue, the latest Progress Report on Turkey underlines that the country has been making progress in this area. On the other hand, only limited progress has been made in the fields of “Intellectual Property Rights” (Chapter 7) and “Competition Policy” (Chapter 8). As a matter of fact, the Progress Report stressed that a regulation on intellectual and industrial property rights (IPR) and a law on IPR enforcement procedures in line with the EU Acquis need to be adopted and the capacity of the judiciary and of the customs administration needs to be strengthened with a view to enhancing legal enforcement in those fields more effectively.

Finally, as regards competition policies, Turkey only partly addresses the real priorities in this area. Limited progress can be reported in this chapter. Turkey enforces anti-trust and mergers and acquisitions (M&A) rules effectively.

In conclusion, it should be pointed out that EU-funded PSD support has greatly helped Turkey to align closer to the EU Acquis in the fields of "Enterprise and Industrial Policy" (Chapter 20) and "Company law" (Chapter 6). To the contrary, only limited progress can be reported in the field of "Intellectual Property Rights Chapter" (Chapter 7). However, as Chapter 8 "Competition Policy" was not opened, only limited progress can be reported in this Chapter. To be sure, this leaves room for further well-focused EU support.

Performance and replicability of the 3 key projects

The Consultants have been requested to carry out a more in-depth evaluation of the three following projects:

- **SELP-I** and **SELP-II**
- **ABIGEM Project** (Phases I, II and III)
- **DOKAP SME Grant Scheme**

As regards SELP projects, the Consultants are of the opinion that there is no longer a need for any other EU direct funding programme in Turkey, since the attitude of Turkey's banking market and banking system has now changed dramatically in favour of the SME sector. However, this does not mean that there is no problem at all for SMEs in terms of access to credit. Actually, this is a permanent problem also in the more developed countries, as growing SMEs intensify and diversify their financial needs accordingly. Specialised European SME Support Financial Institutions, such as the EIB Group and the EBRD, now provide funding for SMEs. In conclusion, the Consultants now recommend that SELP should not be replicated, since this EU programme has been replaced efficiently by more specialised banking and international financial institutions.

The situation in Turkey is totally different now than it was a few years ago, as more capacity building options are available to SMEs. For example, the EBRD under its Small Business Support (SBS) facility has been trying to establish a network of qualified private consultants instead of using the ABIGEM Network (in the provinces where the Centres have been created) and also instead of setting up new SME-support structures. Similarly, on a regular basis, KOSBEG and RDAs all over Turkey launch public tenders for services to SMEs, trying to use the best consultants at the local level, regardless of whether they are ABIGEM Centres or local private companies. This means that a network of local consultants exists at the local level, so that EU-funded support to local SME Development Centres is no longer a priority. Moreover, with the decision to adopt the SME Charter and the SBA, the EU has clearly indicated that the best approach to supporting SMEs does not consist in setting up new SME Development Centres, but rather in improving the business environment by enhancing the already existing public and private institutions and organisations and by leaving the creation of new entities aside for very special cases to be considered only when other options are not possible. For all those reasons and despite the relative success of the ABIGEM Project, the Consultants consider that there is no reasonable justification to replicate this project and its approach.

Grants to SME are not always the most performing tool for promoting job creation, enterprise development and supporting local / regional development. In any case, specific measures should be put in place in order to avoid causing competition distortion between SMEs whenever grants are resorted to. The Evaluators are of the opinion that grants may be tools for special and well-defined purposes and should be used preferably only when access to usual funding sources is very difficult. This could be the case for sectors or investments which, independently from being located in a well-developed or less developed region, have so big potential and high risks that banks would not accept to finance them. In such cases, a mix of owner's equity and venture capital along with a reasonable amount of grant money could be a suitable solution. Therefore preference should be given clearly to grant-funding of innovative projects linked to applied research and technology transfer. Grants may also be considered as an appropriate tool for funding - even in the less developed regions - SMEs and /or SME clusters working together with universities and/or research centres with a view to producing innovative materials or goods. Grant beneficiaries could also be SMEs developing good projects and belonging to high-potential sectors: industrial robotics, healthcare robotics and robotics for the aged and the disabled, renewable energy and energy efficiency, nano-materials and nanotechnologies, biotechnologies and innovative waste treatment techniques may be an example of high-potential and added-value sectors, for which Grant Schemes may be the right solution, especially when access to traditional funding sources is too difficult for SMEs.

New Focus of EU Support to PSD in Turkey for 2014-2020

1) EU support to PSD should not be limited only to less developed regions
2) EU-funded support should be extended to SMEs located in all Regions
3) EU-funded support to PSD should focus on sectors and SMEs having high potential for growth and competitiveness at the national and/or international levels.

Overall Evaluation Rating

Notwithstanding some weaknesses that have affected, albeit to various degrees, some of the projects evaluated as part of the sample selected for this evaluation in their respective design and implementation phases, considering that, in general, they succeeded in achieving relevant results in line with the EU strategies and Turkish national policies for PSD, the overall rating for the EU-funded Public Sector Development Support Programme in Turkey for 2002-2012 is "***Satisfactory***".

Main Lessons Learnt

Lesson 1: Importance to agree with the Turkish Authorities the overall coverage of the several and diverse SMEs needs

Lesson 2: Need to specifically address SMEs and Sectors having higher growth potential

Lesson 3: Importance to properly consider capacities in the fields of know-how transfer, know-how absorption capacity and project replication for designing and implementing programmes

Lesson 4: Need to avoid the exploitation of the potential beneficiaries of SME Grant Schemes by private consultants

Lesson 5: Need to avoid direct EU involvement in funding construction works in Turkey

Other Pillars deserving further EU consideration

6) Quality Infrastructure

7) Intellectual Property Rights (IPRs)
8) Business Enabling Environment
9) Investment Promotion and Facilitation
10) Innovation & Technology Transfer
11) Labour safety (OHS)

Priority Recommendations

1) To improve the implementation of the EU-funded projects through the flow of information collected from other EU programmes.
2) To improve the implementation of EU-funded projects through the flow of information collected from programmes funded by other Donors.
3) To assess a project's know-how transfer, absorption and replicability capacity in order to increase the general efficiency of EU-funded projects.
4) To dedicate PSD support to the most dynamic SMEs all over the country
5) To assess the achievements of PSD support projects and programmes more frequently (e.g. through monitoring and evaluation)
6) To enforce the EU Acquis in Turkish SMEs by supporting the implementation of EU standards and best practices
7) To strengthen Donor Coordination in order to considerably enhance aid effectiveness.

Overall Conclusion

This complex Evaluation was conducted by the Consultants with great commitment and dedication, since they very well understood the importance of this assignment and of its results for the EU, for the other International Donors and also for Turkish Institutions. Actually, this assignment represents a case of good practice to be taken into account by all stakeholders involved in PSD support in Turkey. As a large country with a fast-growing economy, Turkey has a private sector that deserves international donor support tailored to and commensurate with, its specific needs and potential. Turkey's role in international markets over the next decades will heavily depend upon its capacity to fully exploit its SME sector's huge potential for growth. EU-funded support should help Turkey achieve these objectives. The Consultant's expectation is that this Report will help the EU contribute to this ambitious task.

1. INTRODUCTION

The European Commission has been providing support to private sector development in Turkey since the late 1990s. Within this framework, several EU-funded programmes have been implemented mainly in the form of traditional project financing including Technical Assistance and know how transfer. PSD support covers a wide range of activities involving both public and private institutions and organisations and stretches over several sectors, each of them having specific needs and requiring specialised approaches. This leaves room for interventions by several international donors, such as bilateral institutions and International Financial Institutions, which have been active in supporting PSD activities in Turkey. The EU, along with the European Investment Bank (EIB) Group and the European Bank for Reconstruction and Development (EBRD), has been and still is the main international donor operating in Turkey. More particularly, the EU implemented several programmes during the MEDA period (2002 – 2006) and under the “Pre-Accession” phase (2005 – 2010). Additionally, several SME grant schemes were implemented under the Regional Development Programmes (2004 – 2010), while under the IPA (2007 – 2013) additional support to PSD was provided through the Regional Competitiveness Programmes (RCOP).

The EIB Group has been an active partner in Turkey's economic development since the first EU-Turkey Association Agreement entered into force over 50 years ago in 1964. The EIB Group has run several SME loan programmes, while also being involved in corporate finance and investment in infrastructure development projects. It should also be mentioned that the Council of Europe Development Bank (CEB) cooperates with the German Development Bank[2] (KfW) in running several municipal and SME financing programmes together with the EU. Moreover, Turkey became an EBRD country of operations as of 1 November 2008. Since then, the EBRD has launched loan programmes for energy efficiency and renewable energy investment, micro-finance and private equity investment. As far as the other main international donors active in the field of PSD support are concerned, it should be mentioned that the World Bank Group (WB) supports Turkey through a number of tools designed to complement the Government's initiatives and that the Agence Française de Développement[3] (AFD) provides loans to reduce greenhouse gas emissions and to support regional development. As usual, the EU supports PSD through grants while IFIs mainly provide loans.

After more than ten years of support to Turkey’s private sector development effort, the EU strongly feels the need to have an independent evaluation of its overall activities in this field in order to improve future PSD support on the basis of the main lessons learnt from the period subject to this evaluation. This need is even intensified by the fact that only very few of the EU programmes intended for PSD support in Turkey were formally evaluated at the end of their implementation phases or after completion. Therefore the EU decided to launch a global evaluation of its PSD support activity implemented during the period 2002 – 2012 along with a more in-depth evaluation of three specific programmes, namely the Small Enterprise Loan Programme (SELP) - Phases I and II; the EU-Turkey Business Centres (ABIGEM) Project’s Phases I, II and III; and the SME component of the Grant Scheme implemented under the DOKAP[4] Regional Programme. It is worth

[2] KreditanstaltfürWiederaufbau – Credit Institution for Reconstruction, or KfW (Germany)
[3] French Development Agency
[4] Eastern Black Sea Region

mentioning that the EU is the only international donor who decided to launch an overall assessment of its activity addressing PSD support, so that it would be very welcome if other donors followed the EU example in order to have an opportunity to utilise different experiences and approaches for better supporting Turkey's private sector in a joint effort resulting from enhanced donor coordination and cooperation.

This Final Evaluation Report is based upon the analysis – carried out during the Desk Phase - of the main documentation made available to the Consultants on EU programmes in the field of PSD support in Turkey, as well as upon the face-to-face interviews and meetings organised by them during the Field Phase and upon the main findings of the mission over the same period. The Report presents the independent evaluation conducted by the Experts and puts forward lessons learnt and recommendations that the Evaluation Team has considered important. The cut-off date for this Report is June 30th, 2013.

The Experts completed the mission as planned and met with all relevant stakeholders (only one interview with a key stakeholder could not be organised). The Experts are reasonably convinced that their field missions helped them to have a clear understanding of the overall EU activity implemented in the field of PSD support in Turkey during the period 2002-2012. Consequently, they consider that this Evaluation and the recommendations presented therein are well-founded and hope that these recommendations will facilitate the improvement of future EU-funded programmes in this field.

While the Experts remain solely responsible for any potential error or inconsistency in the present document, they acknowledge that the successful conclusion of their mission was greatly facilitated by the kind support provided by the various institutions and line beneficiaries they met with especially at the local level.

Therefore the Experts would like to express their gratitude to all senior officials, civil servants and their respective institutions, who have helped and supported them to various degrees through all phases of their mission.

2. OBJECTIVES AND EXPECTED RESULTS OF THE EVALUATION MISSION

The global objective of the mission was to conduct a strategic evaluation of past and present EU-funded support to Private Sector Development (PSD) in Turkey during the period 2002-2012 and to provide recommendations for the next programming cycle in the field of PSD support in Turkey for 2014-2020.

The mission was requested more specifically to:

a) Assess to what extent international donor support to PSD in Turkey fits together and whether it leaves any large or significant gaps;

b) Provide an overall analysis of EC-funded support to PSD, and the relevance, efficiency, effectiveness and impact of past EC-funded support;

c) Analyse the likely impact and sustainability of ongoing EC assistance to PSD and whether PSD receives the necessary domestic political commitment;

d) Assess the coherence between EC support at the meso- and micro-levels, and between the various EC funding instruments which provide support to PSD in Turkey;

e) Assess three key projects, namely SELP-I and SELP-II; ABIGEM Phases I, II and III; and the SME component of the DOKAP Grant Scheme, in terms of efficiency, effectiveness, impact and sustainability;

f) Provide recommendations to improve the EC's financial support to PSD and propose indicators to measure the future performance of that support.

3. THE PSD SUPPORT PROJECTS IMPLEMENTED IN TURKEY DURING THE PERIOD 2002- 2012

During the 11-year period considered under this evaluation, the EU-funded programmes aimed to support PSD, each of them being characterised by the specific legal framework within which it was approved, funded and implemented. The full list of these programmes grouped with reference to their relevant legal framework and implementation period is presented hereinafter in the following sections of this paragraph. As regards the ABIGEM, SELP and DOKAP programmes, for which the Consultants were requested to carry out a detailed assessment, a more in-depth presentation and analysis are included in the next paragraphs. Annex 2 provides a brief description of the contents, main characteristics and achieved results of all EU-funded PSD support programmes implemented in Turkey in the 2002-1012 period. It should be stressed, however, that all information and data of Annex 2 are presented within the limits of the documentation provided to the Evaluators and supported, whenever possible, with information collected directly during the mission.

Partly or entirely missing documentation has more particularly affected those oldest projects with a minor budget. However, it should be noted that even though this issue limited, to some extent, the overall evaluation, it did not affect the mission up to the point of preventing the Consultant from conducting a coherent analysis of the overall EU-funded support to PSD in Turkey and, on this basis, from proposing well-substantiated conclusions and recommendations for further interventions in the field of PSD support.

3.1. The GROUP of MEDA PROJECTS: implemented between 2002 and 2006 with a global allocation of € 53,055,000

- **Business Centres (Phase 1)** : *Budget € 16,400,000*
- **Entrepreneur Support and Guidance Centres (GIDEMs)***: Budget € 9,200,000*
- **Supporting Women Entrepreneurs (Phase I):** *Budget € 1,040,000 funded by the EU + € 266,400 contributed by TESK.*

- **EU On-Line**: *Budget € 770,000*
- **Supporting Subcontractors in the Automotive Sector**: *Budget € 1,245,000*
- **Shoemaking Training Institution**: *Budget € 1,900,000*
- **Vocational Training in the Clothing Sector**: *Budget € 1,500,000*
- **Environmental standards in textile sector**: *Budget € 1,000,000*
- **Small Enterprise Loan Programme – Phase I (SELP-I):** *Budget € 20,000,000*

3.2. The GROUP of PRE-ACCESSION PROJECTS: implementation period from 2005 to 2010 with a global allocation of € 125,300,000

- **Small Enterprise Loan Programme – Phase II (SELP-II):** *Budget € 40,000,000*
- **Business Centres (Phase II):** *Budget € 32,500,000*
- **Fashion and Textile Cluster (I & II):** *Budget € 17,000,000*
- **Development of a Clustering Policy:** *Budget € 6,000,000*
- **Training and Consultancy Centres for Women Entrepreneurs:** *Budget € 4,800,000*
- **Technical Assistance for Development of Incubation Centres for Supporting Women:** *Budget € 3,500,000*
- **Industrial Restructuring of Şanlıurfa:** *Budget € 21,500,000*

3.3 The GROUP of SME Grant Schemes under Regional Development Programmes: from 2004 to 2010 with a global budget of € 47,510,000

- **Eastern Anatolian Development Programme (66 Contracts) :** *Budget € 4,425,000*
- **Regional Development in the Samsun, Kastamonu and Erzurum NUTS II Regions (SKE Programme, 204 Contracts under the SME Grant Component):** *Budget € 14,175,000*
- **Regional Development in the Agri, Konya, Kayseri and Malatya Nuts II Regions (AKKM programme, 277 Contracts under the SME Grant Scheme Component):** *Budget € 20,575,000*
- **Regional Development in the TR90 NUTS II (DOKAP[5]) Region (DOKAP SME Grant Scheme, 103 Contracts):** *Budget € 8,335,000*

[5] DOKAP is the acronym derived from Eastern Black Sea Regional Development Plan (DOKAP) prepared by the Japanese International Cooperation Agency. It includes the following provinces: Artvin, Bayburt, Giresun, Gümüshane, Ordu, Rize and Trabzon.

3.4. The GROUP of REGIONAL COMPETITIVENESS OPERATIONAL PROGRAMMES: 2007 - still ongoing

- **Business Centres (ABIGEM-Phase III):** *Budget: € 8,500,000 (i.e. € 6,375,000 from EU + € 2,125,000 from the National Budget)*

4. THE MAIN GROUPS OF PROJECTS CHARACTERISING EU-FUNDED SUPPORT TO PSD IN TURKEY

Looking at the overall set of the above-indicated EU-funded projects in the field of PSD support in Turkey, it appears evident that EU-funded interventions were mainly focused on three major groups of projects pertaining to the overall EU strategy for promoting SMEs and the Private Sector in Turkey. These groups are the following: 1) “Access to Finance”, 2) “Business Development Services”. These two categories of projects represent the two main “Pillars” of EU intervention, since they jointly absorbed almost 75% of EU funds dedicated to PSD support in Turkey. Then there is a third category consisting of smaller projects that are difficult to be classified under a unique, homogeneous title as they were implemented in different periods and contexts. Therefore, for the clarity of this report, even if included in a broad “Third Group”, these projects will be classified further into more coherent and homogeneous sub-groups and analysed accordingly. Grouping all projects under one of those three main groups allows for better focusing the evaluation of the overall EU-funded support to PSD through a more strategic approach in order to have a comprehensive overview of the results that it has achieved. At the same time, this will limit - and hopefully avoid - the risk of putting too much emphasis on each of the specific projects, which would likely jeopardise and disperse the main focus of this evaluation.

Therefore the Evaluators will hereinafter assess the coherence, effectiveness, efficiency and sustainability of the EU-funded interventions with regard to the three main groups presented above instead of using an approach strictly linked to the chronology of project implementation. So the overall set of Evaluation Questions will refer to the above-indicated groups. As was also suggested to the Evaluators by the Commission Services, this approach is more appropriate to present and understand the most significant results of EU contributions to the reinforcement of Turkey’s private sector.

4.1 The Projects constituting the First Pillar “Access to Finance”

The first pillar consists of “**SELP-I**” and “**SELP-II**” projects, as well as of the 4 “**SME Grant Schemes**”. Their total budget allocations amount to € 107,510,000, which represents almost 46% of the overall EU budget allocation to PSD support for the period considered. **Therefore “Access to Finance” can be considered as the main EU commitment to PSD support in Turkey over the last decade, a commitment characterising, to some extent, the overall EU-funded intervention in this field.** However, the approaches used for helping Turkish SMEs to get financial resources were very dissimilar and, as a matter of fact, so were their results. Actually, **SELP** made funding available in order to increase the resources of a number of selected banks for granting loans to

SMEs, while the **SME Grant Schemes** directly provided funding to selected SMEs for supporting their investments.

SELP, which used a total amount of € 60,000,000 in EU resources, managed to promote local banks by granting loans to almost 19,000 SMEs for a total amount exceeding € 189,000,000. It is very important to note that the insolvency rate under the SELP scheme was almost zero. But SELP's main achievement was to make those banks aware of the importance of SMEs as reliable clients for the banking system. This was actually achieved through specialised TA provided to the participating banks. This kind of meso-level TA was so important and successful that it helped to convince other banks and other Financial Institutions to enter the SME credit market. SELP's main success is illustrated by two factors: the first one, as already mentioned, lies in the very limited rate of losses of the overall system and the second one, even more important, is that now Turkish SMEs can more easily have access to credit, even without resorting to SELP.

On the other hand, the **4 SME Grant Schemes** together consumed a total budget of € 47,510,000, i.e. about 21% of the overall EU allocation to PSD support in Turkey for the 2002-2012 period. The intervention logic of the Grants Schemes was clearly very different from that of the SELP projects, since they were launched in the context of Regional Development focusing on the Regions lagging behind economically. The SME Grants aimed essentially to provide models encouraging the growth of any kind of enterprise in order to concretely contribute to economic and employment growth in Turkey's less developed regions. Thus, in a period of 7-8 years, 650 SMEs benefitted from the grants which overall covered 50% of investment costs up to max. € 100,000 per SME. It is worthwhile to observe that, in order to serve 650 enterprises, the 4 Grants Schemes have used a total budget equivalent to almost 80% of the SELP budget.

4.2 The Projects constituting the Second Pillar "Business Development Services"

The second Pillar includes the "**ABIGEM**" Network and the "**GIDEM Centres**" projects. The total amount allocated to these projects was approx. € 67,000,000 i.e. roughly 28% of the overall EU resources dedicated to PSD support in Turkey for 2002-2012. So **this Pillar is second in terms of allocation and utilisation of EU financial resources in favour of PSD support in Turkey.**

The results of these actions are quite in jeopardy. The **GIDEM Centres** which, while still operational, were positively assessed by an independent consultant, disappeared shortly after EU-funding support ceased. Therefore the only relevant and still alive result of this project, which ended in November 2007, consists in the Regional Competitiveness Agenda for the whole GAP Region, which the project achieved towards the end of its implementing period. This Agenda was adopted by the regional authorities and funded by the Government. Ever since, this document has represented the main pillar upon which all subsequent development policies and economic initiatives in the Region are based. The overall budget of the project was € 9,200,000.

On the other hand, the **ABIGEM Network,** which was first set up in 2002, is now generally characterised by strong and well-performing Centres, while two of them, respectively in Gaziantep and Malatya, are in a more critical condition. In total, the Network includes 19 Centres, which were created under 3 successive phases, as follows:

- Phase 1 - Business Centres, with a budget of € 16,400,000, started in 2002 and ended in 2006. Three Turkish Business Centres (TBC or ABIGEM) were set up, respectively in Izmir, Gaziantep and Kocaeli;
- Phase 2 - Business Centres, with a budget of € 32,500,000, helped to set up 12 additional Centres, respectively in Adana, Afyonkarahisar, Çorum, Denizli, Erzurum, Eskişehir, Kayseri, Konya, Malatya, Trabzon, Trakya and Uşak. One component of this project also supported the creation of a National Coordination Unit for the Network under the aegis of TOBB.
- Phase 3 - Business Centres, with a total budget of € 8,500,000, whose aim is to set up four new Centres, respectively in Sivas, Hatay, Batman and Van. The project was launched in 2011 and is still ongoing. Phase 3 is expected to be completed in 2014.

The 3 ABIGEM Projects adopted the same approach to the institutional framework and the legal status of Centres. The ABIGEM Centres were set up as commercial companies, whose main stakeholder was the local Chamber of Commerce, while other partners were represented by local institutions and /or private organisations and, sometimes, also by TOBB. The Chambers were selected on the basis of several criteria, one of which being the specific commitment of local Chambers to financially supporting their respective Centres. It was therefore agreed that the local Chambers would at least provide office space for the Centres and also cover its operational costs.

4.3 The Projects belonging to the Third Group.

Under this group, it is possible to pool a series of smaller and ad-hoc projects referring mainly to specific topics and sectors.

Three of them can be classified under one single sub-group of projects based upon a gender-related issue scope. They include the “**Support to Women Entrepreneurs I and II**” projects and the “**Incubators for Women Entrepreneurs**” project. The first of these 3 projects (“Supporting Women Entrepreneurs – Phase 1) was implemented in the MEDA period while the other two were implemented under the Pre-Accession Phase. The global budget for the 3 projects amounted to € 9,300,000 (i.e. about 4% of the overall EU funds dedicated to PSD support in Turkey).

Another 3 projects may be classified under the homogeneous sub-group of “cluster” support. They include the “**Development of a Clustering Policy**” and the “**Fashion and Textile Cluster – Phase I &II**” projects. They were implemented under the Pre-Accession Phase and their global budget amounted to € 23,000,000 (i.e. about 10% of the overall EU funds dedicated to PSD support in Turkey).

An additional coherent sub-group of project includes 4 projects dedicated to supporting competitiveness in specific sectors. They included the following projects: “**Supporting Subcontractors in the Automotive Sector**”, “**Shoemaking Training Institution**”, “**Vocational Training in the Clothing Sector**” and “**Environmental Standard in the Textile Sector**”. All those projects belong to the MEDA period and their global budget amounts to € 5,645,000 (i.e. 2,4 % of EU funding dedicated to PSD support in Turkey).

Finally, another 2 projects must be mentioned, namely the small "**EU On-Line**" project (a MEDA project with a budget of € 770,000, i.e. roughly 0.3% of EU funding dedicated to PSD support in Turkey) and the rather unconventional project "**Industrial Restructuring of Sanliurfa**" (a Pre-Accession project having a budget of € 21,500,000, i.e. about 8% of EU funds dedicated to PSD support in Turkey).

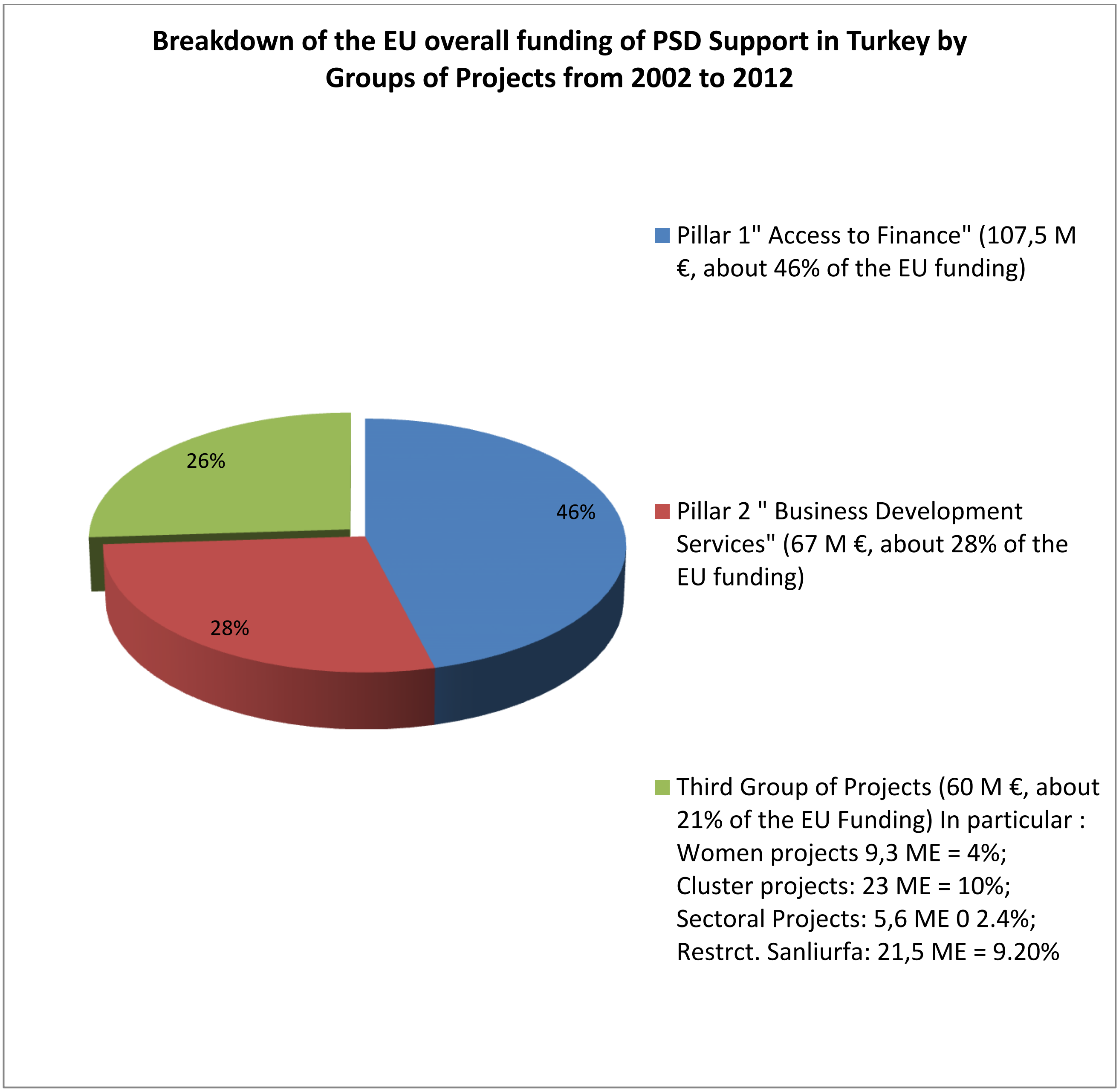
It is worth mentioning that the global budget of all projects belonging to the third group amounts to roughly € 60,000,000, i.e. approx. 26% of the overall EU funding dedicated to PSD support in Turkey for 2002-2012. Consequently, **this group of projects is less well-endowed in terms of EU funding. Notwithstanding, some of these projects have achieved quite remarkable results.**

The sub-group of **projects intended for women** had TESK, ESOB and KOSGEB as main beneficiaries and deserve a special mention for their significant achievements and generally outstanding performance.

It should be pointed out that in the sub-group of the "Cluster" projects, € 13,000,000 of the overall allocation of € 23,000,000 was used for supply tenders related to the "**Fashion and Textile Cluster**" project. The main beneficiaries of this sub-group of projects were the Under-Secretariat of the Ministry for Foreign Trade (UTF) and the "Istanbul Textile and Apparel Exporters Association" (ITKIB).

Finally, it is worth pointing out that the "**Industrial Restructuring of Sanliurfa**" was an atypical EU-funded project, since it mainly financed construction works (infrastructure development) in Sanliurfa's industrial occupied zone.

The following chart provides a clear view of the breakdown of the overall EU funds allocated by pillar to PSD support in Turkey during the period under consideration for this evaluation.



5. EVALUATION QUESTIONS, JUDGEMENT CRITERIA AND PERFORMANCE INDICATORS

Both the Desk Research Phase and the Field Phase of the mission have greatly helped the Evaluation Team to properly answer the 15 Evaluation Questions (EQs), which were formulated during the Inception Phase. These questions may be classified in accordance with the following main homogenous groups:

a) Overall Coherence of EU-funded support to PSD in Turkey (EQ1, EQ2, EQ3, EQ4);
b) Complementarity between EU / IFI / Bilateral Donors support (EQ5, EQ6);
c) Relevance, Effectiveness, Efficiency, Impact and Sustainability of EU-funded support to PSD and its implementing modalities (EQ7, EQ8, EQ9);

d) Domestic commitment demonstrated by Turkey's public institutions and private stakeholders at national and local levels (EQ10, EQ11);
e) Performance and replicability of the three key projects (EQ12);
f) Focus of EU-funded support to PSD for the 2014 – 2020 period on the basis of Lessons Learnt and Best Practices. Performance indicators to be used in the next programming cycle (EQ13, EQ14, EQ15).

Consequently, the answers to each specific EQ are presented hereinafter according to the set of homogenous groups of questions. These answers will refer to the above-indicated three main pillars, while a special emphasis and a more careful analysis will be dedicated – within this framework – to the three projects that the Consultants were requested to evaluate more comprehensively, i.e. SELP Phases I and II, ABIGEM Centres and the SME component of the DOKAP Grant Scheme.

6. FINDINGS OF THE MISSION WITH REFERENCE TO THE EVALUATION QUESTIONS

6.1 Measuring the Overall Coherence of EU Support to PSD in Turkey for 2002 – 2012

The first set of EQs included in this group covers the issue related to the overall Coherence of EU-funded support to PSD in Turkey, as follows:

- EQ1: In the 2002-2012 period, was EU-funded Support to PSD in Turkey coherent - in global / general terms - with the main principles/guidelines of EU Policy for SMEs as stated in the EU SME Charter (and as of 2009 with the "Small Business Act (SBA) for Europe"), as well as with the principles underpinning the Entrepreneurship and Innovation Programme (EIP) and the main criteria guiding the EIB approach to financing SMEs?
- EQ2: If not, then is this lack (or partial lack) of coherence justified by the specific situation and environment of Turkish SMEs and private sector? In this case, what EU actions / projects were more in line with those principles and which one(s) strongly diverged from them?
- EQ3: Have the EU principles been considered fully or partly by EU-funded Support to PSD / actions? In case a few principles have not been addressed, can this be justified by the existing conditions in Turkey's SME / private sector environment?
- EQ4: Has EU-funded Support to PSD been coherent at the meso- and micro-levels (also taking into account the existing situation at the macro-level)?

In order to properly answer these EQs, the Consultants have examined the degree of coherence of EU-funded Support to PSD in Turkey in the 2002-2012 period with respect to the main policy documents pertaining to the overall EU strategy in this field, namely[6]:

- "European Community Cooperation with Third Countries": The Commission's approach to future support to private sector development (May 2003);
- "Trade and Private Sector Policy and Development, Support Programmes funded by EU External Assistance" – Tools and Methods – Reference Document N° 10 (November 2010);
- "The EU SME Charter" approved by EU leaders at the Feira European Council of 19-20 June 2000, and
- "The Small Business Act" adopted in June 2008 (superseding the "EU SME Charter").

The last two are the most useful and practical documents for assessing the coherence of EU-funded PSD support in Turkey. Actually, both of them include a clear set of fundamental SME policy principles, to which all EU Member States (and Candidate Countries) should be committed. They are very similar though, since the Small Business Act (SBA) represents only a sort of "improvement" to the previous Charter, so that the underpinning policy principles of the two documents are highly comparable.

Finally, it is important to underline that Turkey ratified the European Charter for Small Enterprises in April 2002 and since then has participated in all EU initiatives fostering, updating and improving its implementation. All Turkish strategic official papers regarding SME support and development (i.e. the "SME Strategy and Action Plan" adopted over the period considered by this evaluation) explicitly refer to the SME Charter as the main reference document within the framework of the pre-accession process. Moreover, Turkey was involved in the consultation process of formulating the SBA and as of 2011 was included in the SME Policy Index Survey, which is published by DG ENTR/OECD/ETF and financed by the IPA, aiming to assess progress in SBA implementation in the Western Balkans and Turkey.

The Policy Principles underpinning the SME Charter and the main indicative policy actions linked to each of them are indicated in Annex 3 to this Report.

6.1.1 Coherence of "Pillar 1: Access to Finance

As already mentioned, "Access to Finance" was the main Pillar – in terms of funding allocation - of EU support to PSD in Turkey during 2002-2012. Actually, almost half of all EU funds was dedicated to this pillar in various ways.

[6] As far as the MEDA Projects are concerned since they were planned and designed in 1996-98 when none of the here listed documents was adopted, the main policy reference document considered is the "Euro-Mediterranean Partnership for MEDA".

In this respect, the EU resorted to two different approaches: the two SELP Programmes, which helped SMEs to get loans, and the four SMEs Grants Schemes, which helped SMEs located in the less developed regions to make investment supporting up to 50% of their related costs through grants.

The Evaluation Team is of the opinion that both **SELP Projects were highly coherent with Principle VI of the SBA**, which recommends facilitating access to credit for SMEs. Actually, SELP II was in line not only with the SBA, but also with the EU principles and strategies for reducing economic disparities between regions, since it extended the loan scheme coverage to 49 new provinces in the less developed regions. SELP II also increased the loan ceiling up to € 50,000 from the previous € 30,000 under SELP I.

As regards the 2nd component of this pillar consisting in SME Grant Schemes, it should be mentioned that during the period taken into account by the evaluation mission, the four SME Grant Schemes implemented were the following:

- The "**EADP SME Grant"** implemented in 2004-2007 with 66 contracts and a total budget of € 4,425,000;
- The "**SKE SME Grant**" implemented in 2005-2008 with 204 contracts signed for a total budget of € 14,175,000;
- The "**AKKM SME Grant**" implemented in 2006-2009 with 277 contracts and an overall budget of € 20,575,000;
- The "**DOKAP SME Grant**" implemented in 2007-2010 with 103 contracts and an overall budget of € 8,335,000.

In total, 650 grant contracts were concluded in the 2004-2010 period for a total amount of € 45,510,000.

When assessing the Coherence of the SME support grant approach against the SME Charter and SBA Principles it should be stressed that none of those Principles and their related policy actions suggest using grants as an SME development promotion tool. To the contrary, they strongly recommend facilitating SME access to credit, more particularly risk capital, micro-credit and mezzanine finance (Principle VI).

However, in this case, the grant approach found its main justification within the scope of the Regional Development programmes, which - in line with the Preliminary National Development Plan (pNDP) for the 2004-2006 period - established a strategic programming framework for pre-accession financial assistance for Turkey's economic and social cohesion with the EU. The Regional Development Programmes were designed according Axis 4 of the pNDP and aimed essentially to reduce Turkey's interregional development disparities - inter alia – by supporting and enhancing local SMEs.

In this sense, the SME Grant Schemes were used as a tool for encouraging the growth of any kind of SME having the potential to support economic development and employment at the local level.

This rationale contributes to making the SME Grant Schemes coherent with EU Policies and Strategies despite its lack of specific consistency with the SBA. In this respect, it should be noted that the "European Charter for Small Enterprises 2009 – Good Practice selection" and the "SBA 2010/11 Turkey" refer to a few SME grant schemes as "good practice" examples. However, those grant schemes were adopted with procedures totally different from those applied by the EU SME Grant Schemes in Turkey. Actually, as regards the "European Charter for Small Enterprises 2009 – Good Practice selection", all reported cases of "good practice" refer to grants made available only for very special purposes, such as:

a) Supporting development by profits reinvestment;
b) Encouraging women to become entrepreneurs;
c) Respecting eco-standards
d) Energy efficiency;

Similarly, the SBA 2010/11 explicitly mentions as a "good practice" the "Entrepreneurship Support Programme of KOSGEB" which – inter alia – also covers grants. However, once again, not all entrepreneurs are eligible to these grants, but only those who "graduated" from "KOSGEB-approved" training programmes.

Moreover, these grants are coupled with a loan mechanism and are targeted specifically to start-ups, female and disabled entrepreneurs offering capital and credit support for starting a new activity and for additional machinery and equipment.

All these grants represented "good practice" examples just because they were very focused and were delivered within the framework of schemes with clear and restricted criteria. This was not at all the case of the EU SME Grant Schemes in Turkey, which were made available to all kinds of SMEs. A more in-depth analysis of the EU Grant Schemes will be presented hereinafter in the present Final Report.

In conclusion, the opinion of the Evaluators is that the overall coherence of Pillar 1 is "Satisfactory".

6.1.2 Coherence of "Pillar 2: Business Development Services"

The two main projects included in this Pillar are the ABIGEM Centres and the **"Entrepreneur Support and Guidance Centres – GIDEM"** (€ 9,200,000). Actually, the ABIGEM Project is considered as a unique project only for reasons of simplicity and clarity of the present Report while, in reality, it consists of 3 successive phases, which contributed to the setting up of a network of 19 ABIGEM Centres plus a National Coordination Unit at TOBB in Ankara.

These two projects represent the two different models tested in Turkey for providing services to SMEs, thus increasing their competitiveness in the national and international markets.

It should be noted, however, that none of the 10 Principles of the SME Charter or of the Small Business Act specifically suggest the setting-up of such Centres as a specific policy action linked to the implementation of any appropriate SME policy. In this sense, the EU approach is open to different solutions in the sense that the most appropriate solution to the local conditions should be preferred and implemented. Therefore the EU considered obviously that the setting-up of specific Business Services Centres was more suitable for supporting SME growth in the Turkish SME environment. Nevertheless, it is interesting to notice that the EBRD preferred to develop a network of local private consultants for achieving results comparable to those[7] of the EU. However, opting for this EU approach in order to implement specific actions linked to the objectives of EU SME policy may have been not only acceptable, but even recommended if local SMEs had been better supported by such tools in achieving the results envisaged by the SME Charter. Consequently, these two programmes may also be considered as in line with the SME Charter's Principles I and X which insist respectively on the need to create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded, and on supporting and encouraging SMEs to benefit from market growth all over the world, in particular through market-specific support and business-training activities.

In conclusion, the opinion of the Evaluators is that the overall coherence of Pillar 2 is "Satisfactory".

6.1.3 Coherence of Projects belonging to the Third Group

In general, all projects included in this wide-ranging Group should be considered as very much in line with several of the SBA Principles.

More specifically**,** the three projects included in the gender-related sub-group **("Supporting Women Entrepreneurs" Phase I**, "**Training and Consultancy for Women Entrepreneurs-**" and" **Incubators for Women Entrepreneurs**") fit very well with Principle I of the SME Charter and also with its envisaged policy actions, which especially recommend "*Fostering entrepreneurial interest and talent, particularly amongst young people and women*".

On the other hand, the sub-group of the Cluster projects, respectively the "**Development of a Clustering Policy**" and **Fashion and Textile Cluster (I & II**) projects, focused on improving Turkey's competitiveness in international markets by exploiting the synergies between Turkish and European clusters and this objective is definitely in line with SBA principles. More particularly, the two projects supporting the Fashion and Textile Cluster aimed to enhance international SME competitiveness in the textile and clothing sectors by increasing SME networking in the textile and clothing (T/C) sector at the local, national and European levels, and to strengthen public and private support structures for SMEs in the same sectors. It is evident that both of them should be considered well in line with Principle VII of the Small Business Act, which emphasises the importance of clustering and encourages SME internationalisation through their participation in innovative clusters.

As regards the sub-group of projects supporting specific sectors **"Shoemaking Training Institution", "Supporting Subcontractors in the Automotive Sector"**, **"Vocational Training in**

[7] A more careful reflection about the existence of these two dissimilar approaches will presented hereinafter.

the Clothing Sector" and **"Environmental Standard in the Textile Sector"**), it should be mentioned that, in general, detailed information was missing. However, they may be considered, at least in principle, as substantially in line with Principle VIII of the same policy documents, which emphasises the need to upgrade SME skills.

The "**Industrial Restructuring of Sanliurfa**" project is of a quite atypical nature compared with the usual forms of EU-funded PSD support in Turkey. Actually, under this project, the EU funded construction works, namely infrastructure for OIZ 2 and a waste water treatment plant for OIZ 1 and OIZ 2), and also TA for the creation of a competitive SME environment in the OIZs and for the identification of strategic sectors. However, from a coherence perspective, this project may be considered in line with Principles VII and VIII of the Small Business Act, which recommend facilitating the creation of a competitive environment and supporting environmental standards.

Finally, it should be noted that the Evaluators were not able to collected any information on the **"EU On-Line" project.**

In conclusion, the opinion of the Evaluators is that the overall coherence of the Third Group of projects can be considered as "Highly Satisfactory".

6.1.4 Coherence of EU PSD support at the meso- and micro-levels (also taking into account the existing situation at the macro-level)

As regards the meso- and the micro-levels, it should be noted that several sectoral programmes, more particularly "**Supporting Women Entrepreneurs**", "**Supporting Subcontractors in the Automotive Sector**", "**Shoemaking Training Institution**", "**Vocational Training in the Clothing Sector**", "**Fashion and Textile Cluster**", "**Development of a Clustering Policy**", "**Training and Consultancy for Women Entrepreneurs**" and "**Incubators for Women Entrepreneurs**", "**Environmental Standard in Textile Sector**" and "**Industrial Restructuring of Şanliurfa**", may be considered coherent with their approach, which were intended for individual SMEs and specific sectors at the same time.

However, it should be underlined that the programmes specifically targeting policy-makers to improve the quality of Turkey's overall SME policy were quite limited in number and scope. Actually, only the "**Development of a Clustering Policy**" and the "**Fashion and Textile Cluster**" projects may be considered as having this approach and this specific objective.

Consequently, at the meso-level the overall EU support to PSD appears to be partly coherent with the EU strategy for this sector.

Finally, as regards Coherence at the macro-level, it should be noted that the volume of EU funding available for supporting PSD in Turkey during the period under evaluation, even if quite significant, was not sufficient to have a direct macro-economic impact on Turkey's private sector development. Actually, considering the size of Turkey and its private sector, direct impact would have been very limited, even if those funds would have been characterised by a strong sectoral and geographical focus. In this respect, it should be mentioned that the Turkish economy has been growing by an average 5% per year since 2002 and that the country is one of the main trading partners of the EU-28.

So, even if the direct economic impact generated by EU-funded PSD support is not measurable in scientific terms, it should be stressed that EU projects intended for the less developed regions have improved the SME environment, especially in terms of:

1) Facilitating access to finance (through Pillar 1 projects);
2) Quantity and quality of the services put at the disposals of local SMEs (through Pillar 2 projects).
3) Through a positive change in the attitude of TOBB and the overall system of local Chambers of Commerce towards crucial SME relevance to local development (always through Pillar 2 projects).

In this sense, EU-funded PSD support has shown a concrete way to use PSD support as a tool to reduce regional economic disparities. Moreover, on the basis of the EU example, other Donors as well as private and especially public institutions followed suit and gradually enlarged the same path.

One additional important point that should be considered as far as EU-funded PSD support in Turkey is concerned with respect to the country's macro-economic situation, is that SELP-I, which started in 2002, represented a very coherent solution to the specific difficulties encountered by SMEs in accessing credit during the Turkish financial crisis of 2001. The same observation applies to SELP-II, which became very beneficial to SMEs, once the financial crisis of 2008 started to affect Turkey's economy and SMEs. Therefore the SELP-I and SELP-II programmes responded adequately to the specific strains caused by Turkey's macro-economic situation at the time of their implementation. However, it was also impossible for these two projects to measure the specific macro-economic impact of the almost 18,000 SMEs supported by SELP-II with total loans exceeding € 189,000,000. Actually, also taking into account these very important results, it should be noted that they were achieved in 8 years and on a territory covering 49 Turkish provinces, which makes the overall macro-economic impact very "diluted".

Finally, in terms of overall coherence at the macro-level of EU-funded PSD support, it should be mentioned that several projects funded by EU in this area contributed to raising political awareness of the country's national and regional authorities on the importance of this sector for Turkey's economic and social development. As a result, consideration for the SME environment has increased and over the years policy-makers have devoted further interest and commitment to designing and implementing more adequate PSD support policies.

The 2012 Progress Report on Turkey shows very clearly that, in the field of PSD and industrial policy principles, Turkey has over the past few years adopted several adequate strategies addressing the private sector. In particular, quite recently, the "Industrial Strategy and Action Plan (2011-2014)" was adopted in 2011. Turkey also continued implementing the SME Strategy and Action Plan approved for 2011-2013. This document was fully in line with the SBA and the corresponding EU approaches. Turkey also completed the assessment process for the Small Business Act together with the Western Balkans and the EU, with successful results particularly on small entrepreneurship and responsive administration.

Moreover, in August 2012, the Coordination Council for Improvement of the Investment Environment (YOIKK) issued an Action Plan for 2012-2013. A large number of regulations were adopted in April 2012 in order to cut red tape in business start-ups while the draft Turkish Commercial Code entered into force on 1 July 2012.

So it may be concluded that as a result of EU-funded PSD support, a process of mutual and synergic enhancement of macro-level coherence has been taking place in Turkey between EU-funded PSD support projects and Turkish PSD support strategies. Within this PSD support process, the EU has helped the Turkish authorities to design adequate policies aligned with EU approaches. At the same time, the enhanced Turkish strategies for PSD support and the industrial sector have helped the EU to design and implement projects more consistent with national PSD support strategies.

6.2 Complementarity between EU / IFI / Bilateral Donors and Coordination of International Donors

The EQs related to Complementarity between the various activities implemented by the EU, International Financial Institutions and Bilateral Donor Support are the following:

- EQ5: To what extent has the EU / IFI / Bilateral Donor support been complementary to PSD in Turkey?
- EQ6: More particularly, to what extent was PSD support provided by the various EU funding instruments complementary in terms of Access to Finance for SMEs?

To answer both these questions, we need to raise the critical issue of Donor Coordination and Aid Effectiveness in Turkey. The best general definition of Donor Coordination could be as follows: “Coordination amongst multilateral and bilateral donor institutions and effective allocation of financial sources to avoid overlaps, increase the effectiveness of donor funds and create synergy from cooperation”. The notion of Donor Coordination is very close to the EC definition, whereas it may have a completely different meaning for other IFIs. The EU is generally very committed to Donor Coordination, whereas other IFIs could have a lighter version of Donor Coordination in mind. For example, other IFIs also have their own rules and procedures and cannot always make commitments as they like, especially if those cannot be budgeted ahead firmly. As a result, they prefer to refrain from any strong declaration and commitment in terms of strategy and mobilisation of resources.

The lack of efficient Donor Coordination may negatively affect Aid Effectiveness (as defined in the principles of the Paris Declaration of 2005), as the various donor strategies, policies, conditions of assistance, rules and procedures in terms of preparation, procurement, disbursement and monitoring/reporting lead, deliberately or not, to competition between donors and their respective activities, which can distract focus from strategic objectives, duplication of effort in research, analytical work and funding, can restrict overall absorption capacity by the beneficiaries and can lead to inadequate technical and administrative capacity of project implementers.

Today, Turkey's economy faces the following major problems:
- Huge infrastructure investments to sustain high growth rates
- Economic and technological changes
- Strong demographic growth
- Rapid urbanisation
- Uncontrolled depletion of natural resources

In short, there is a very urgent need to adopt concrete measures for alleviating these issues in line with the EU harmonisation process, which requires significant investment e.g. in the fields of urban infrastructure and superstructure.

Turkey's local funds are not sufficient to meet the investment needs. In this respect, exploring alternative financing sources and modalities is essential. Today, the main funding resources come from local and international sources, such as transfers from the central government budget, loans from the local banking market, foreign borrowings, multilateral development institutions, bilateral development agencies, commercial banks loans and EU funds. For example, the IPA is neither adequate, nor sufficient to cover all of Turkey's needs for technical assistance and investment, which strengthens the case for donor coordination and synergies. However, the IPA can be used as leverage. The same holds true for other EU funding sources for private sector development, including the EBRD and the EIB Group. In this respect, it must be pointed out that the EU is by far the first international multilateral donor in Turkey.

The Global Financial Crisis of 2008 restricted Turkey's commercial bank lending capacity and put an increased demand on multilateral and development banks. Commercial bank lending dried up for project financing in emerging markets, including Turkey. Development finance institutions are aware of the pressures to step in and fill the financing gap for investment projects. Increasing support of multilateral and bilateral agencies definitely relieves pressure on project financing, but never enables to fully replace commercial sources altogether. The level of cooperation between multilateral and bilateral agencies should be increased. Adopting a complementary perspective rather than a competitive approach should be the priority.

The two government institutions dealing with Donor Coordination in Turkey at the moment are the Treasury's Directorate General for Foreign Economic Relations and the Directorate for Financial Cooperation of the Ministry of EU Affairs (MEUA), also known as the National IPA Coordinator, or NIPAC. The Treasury coordinates the funding and activities of investment-related IFIs, such as the Council of Europe Development Bank (CEB), the European Investment Bank (EIB) or KFW, but not the UNDP, UNIDO, etc. The National Programme for the Adoption of the Acquis (NPAA) sets a framework for Donor Coordination at the policy level. In the early days of EU-Turkey cooperation of the late 1990s, Donor Coordination was covered in the Linked Activities sections of project fiches, focusing essentially on the avoidance of activity duplication not so much with other IFIs, but rather on a bilateral basis. In 2013, the NIPAC was asked to organise Donor Coordination. So far, two rounds of discussions on Donor Coordination with IFIs have already taken place. IFIs have been invited to submit their ideas and proposals. Moreover, Turkey's 9th seven-year National

Development Programme (NDP) for 2007-2013 has included PSD in its top priorities, which means that PSD is fully eligible to EU funding. Each year, several meetings are organised by the Treasury to ensure Donor Coordination in reviewing the Needs Assessment Document (which is a permanent process). IFIs and line ministries take part in start-of-year, middle-of-year and end-of-year meetings. At the middle-of-year meetings, a mid-term evaluation of the Needs Assessment Document is conducted. At end-of-year meetings, results of the past year are evaluated and a new strategy is developed or fine-tuned for the next year. However, the question for Turkish authorities is also how to get better EU support.

The EU Delegation conducts Donor Coordination meetings of the EU Member States on a thematic basis every month. For instance, in 2008, the meetings focused on gender equality and women's rights, internal market and customs union, 7th Framework Research Programme, EU Member States bilateral cooperation, environment, UN briefing and regional competitiveness. More and more information sessions are organised as EU Member States have scaled back their bilateral assistance since the IPA was introduced. When and where relevant, IFIs are also invited to participate in donor coordination meetings. On an ad-hoc basis, the EUD conducts donor coordination meetings with other IFIs, such as the EIB Group, the WBG, the UN as the main players and also KfW, AFD, the Dutch MATRA bilateral assistance programme, etc. A database of projects funded by EC and EU Member States was established by the EU Delegation in 2005 as a response to difficulty in getting easy access to relevant information on bilateral contributions of EU MS.

In conclusion, Donor Coordination represents a real challenge in the field of Private Sector Development in Turkey. The development of an improved partnership on financial and technical cooperation between Turkish authorities on the one hand and the EC, other IFIs and bilateral donors on the other hand can also improve development and implementation of sectoral programmes under IPA 2.

6.3 Relevance, Effectiveness, Efficiency, Impact and Sustainability of EU-funded to PSD Support and of its Implementation Modalities

The EQs related to the relevance, effectiveness, efficiency, impact and sustainability of the EU support to PSD in Turkey are the following:

- EQ7: To what extent has EU support to PSD in Turkey been relevant, effective and efficient? In particular, have the selected EU implementation modalities been relevant and efficient?
- EQ8: Has EU support been well targeted in order to produce the maximum impact? At which degree have the monitoring system and mechanisms been relevant and effective? What was its measurable impact?
- EQ9: To what extent are the results of EU-funded PSD support in Turkey likely to be sustainable after EU support ends?

For this set of EQs, it is also useful and practical to present the related answers against the three main Pillars characterising EU-funded PSD support in Turkey.

Specific comments on Relevance, Effectiveness, Efficiency, Impact and Sustainability of the three main projects evaluated by the Consultants, namely **Phases I, II and III of ABIGEM Centres**; **SELP-I and SELP-II**; and the **SME component of the DOKAP Grant Scheme,** have also been included in this section.

6.3.1 Relevance, Effectiveness, Efficiency, Impact and Sustainability of the "Pillar 1: Access to credit"

From a Relevance, Effectiveness, Impact and Sustainability point-of-view, the **SELP project** should be considered as a true success story. Actually, both phases, i.e. SELP I and SELP II, were highly successful in terms of loan disbursements as well as loan repayments. The TA provided by the "Frankfurt School of Finance and Management" to relevant staffers of the participating banks was well designed and properly delivered. Moreover, passing from SELP I to SELP II, the project focused specifically on the less developed regions and adopted a few improvements to its operational activity, which helped to increase the maximum loan amount and to extend the maximum loan repayment period.

Overall, the project should be considered as highly relevant, since it focused on SMEs and on types of loans that were almost neglected by the Turkish banking system at the time of its implementation.

SELP-I's Efficiency and Effectiveness were positive, since all financial resources available were timely and fully utilised and the system had very limited losses in terms of loan repayments by the borrowing SMEs.

As for Impact, the external Economic Impact Assessment carried out at project completion revealed that SELP-I had been "quantitatively successful": it disbursed 2,394 loans amounting to a total € 38,000,000 and an estimated 26,021 jobs were retained / created, i.e. 3,532 jobs created and 22,489 jobs retained (although, according the same document, these numbers are difficult to assess). Based upon the above, the project was also considered "qualitatively successful", since it helped Turkish SMEs to improve their competitiveness through enhanced access to credit. Moreover, the Turkish commercial banks selected for participation in SELP-I developed their capacity to seize opportunities offered through SME loans (new market niche). Finally, it must be underlined that SELP-I paved the way for SELP-II, which, compared with SELP-I, succeeded in enlarging its operational activity to 49 provinces in the less developed Regions and also in improving the loans mechanism.

As for **SELP-II**, it must be pointed out that SELP-I's extension into SELP-II was approved on the basis of SELP-I's positive final evaluation results. However, it was decided to shift SELP-I's focus from the previous regions to 49 provinces in the less developed regions, including 4 EADP Regions, while - thanks to the increased budget – it was also possible to raise the maximum ceiling of loans to € 50,000 per loan and to increase their maximum term to 5 years. As regards the selection of partner banks, as was the case for SELP-I, a third party due diligence process was resorted to, which led to the selection of three large banks with extensive branch networks in the targeted regions, plus mid-size banks active in those areas. At the end of this programme, i.e. in December 2013, all funds available are expected to have been used fully. So far, the loans disbursed by the partner banks have been repaid without any major problem and, at least at the moment, there are not specific reasons to assume that this trend will not continue until the end of the project.

The programme proved to be very relevant to SMEs in the new selected Regions. SELP answered specific needs expressed by SMEs in terms of loan availability. Therefore, the project can be considered both relevant and effective.

So far SELP-II's economic impact has not been assessed. However, on the basis of information collected directly by the Evaluation Team, it appears that the project, which under SELP-I played a very positive role in inducing Turkish banks to consider SMEs as important clients, could now be competing with several credit lines available to SMEs through specific programmes supported by the EBRD, EIB, AFD and also by the Turkish government. In this respect, it can be stated that SELP is the victim of its own success. Currently, SELP is progressively losing traction and is heavily dependent upon economic convenience shown by banks and their branches in proposing SELP-II loans instead of other products also available to their clients. Information on SELP-II operational activity is available up to end-2012, when the total number of disbursed loans was 17,548 for a total amount of € 189,449,692. According to the data released by the lending banks at the end of 2012, SELP-II succeeded in creating 12,795 new jobs and in retaining 49,722 jobs. Therefore, in view of those data, SELP-II's economic impact should be considered very important.

Eventually it is interesting to note that while the maximum loan amount made available by SELP was 50,000 € (for investment only since for working capital the maximum amount was 30,000 €), the average amount for each of the almost 18,000 loans effectively disbursed was approx. € 10,000 only. Moreover, out of the almost 18,000 loans disbursed, only slightly more than 4,000 (23%) were used for investing in equipment. The average amount of those loans was approx. €13,500, while there were only 422 loans (2%) included in the € 30,000-50,000 range. This clearly means that SMEs located in the less developed regions were mainly interested in small loans, which most probably seems to fit better with their needs for investment and working capital.

It may be useful to remember that the **4 Grant Schemes** succeeded in disbursing a total 650 grants to as many SMEs located in the less developed regions. As regards the effectiveness of those grants, given that they were available during a 7-year period, it should be stressed that a more dynamic approach to implementing those grant facility projects could have contributed to further increasing their overall capacity to achieve the Regional Development Strategy's objectives.

Actually, since the main objective of this Strategy was to increase local development through job creation and SME growth, the priority should have been to progressively direct the grants at the SMEs investing in projects with higher job-creation capacity or higher capacity to generate spill-over effects, and even small and local SMEs such as those established for sub-contracting purposes.

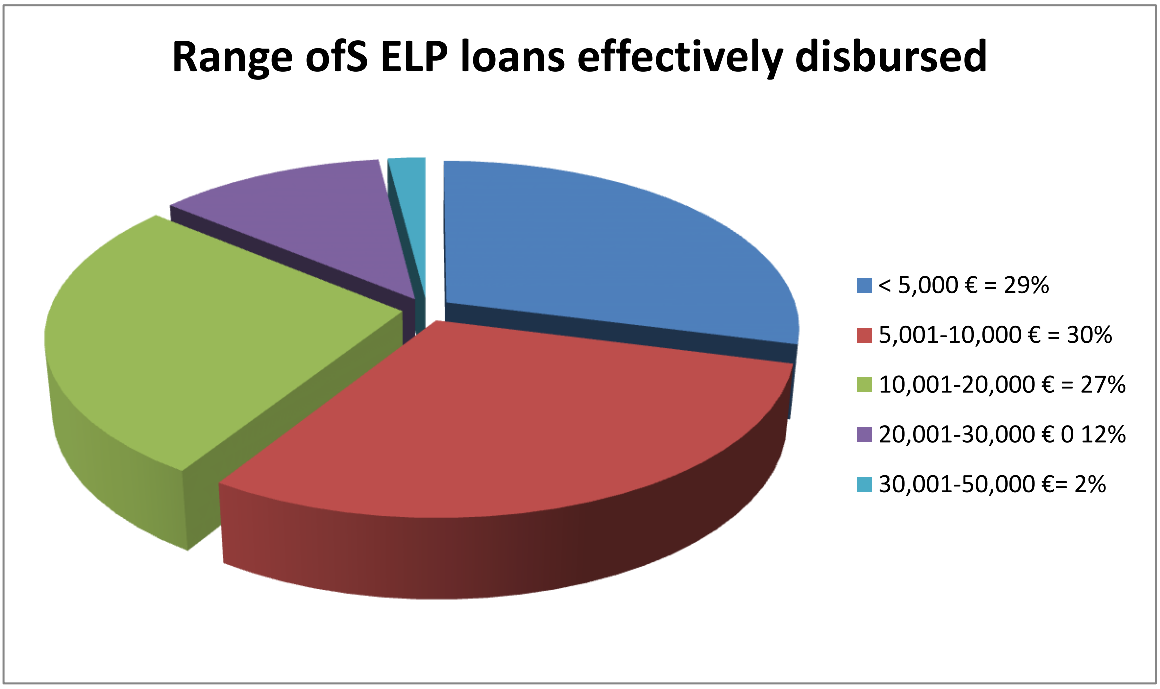
Far from affecting the overall functioning mechanism of the Grant Schemes, the adoption of this approach would have helped to more consistently increase their potential to accelerate the development of Turkey's lagging behind Regions, thus making them even more effective with respect to general EU PSD policy and to the Regional Development Strategy's objectives. In this respect, it could have been sufficient - when passing from one scheme to the next one - to introduce a few very simple and basic priority criteria regarding the applicant and / or its investment instead of putting all applicants on equal terms in the 4 Grant Schemes.

One additional important issue lies with the total amount of grants disbursed and its correlation with the effective needs for investment of the beneficiary SMEs, especially when comparing this investment with similar loans for capital expenditure under SELP II. In this respect, it should be noted that the global amount disbursed for the 650 awarded grant was € 47,510,000, which makes the total amount of the average grant disbursed exceeds € 73,000,000 €. However, this average amount refers to the overall SME grant system supported by the EU while it is interesting to notice that the four SME Grant Schemes showed a clear tendency to progressively increase the amounts disbursed starting from the average € 67,000 per grant of the EADP Scheme to € 69,500 per grant of the SKE Scheme, the € 74,200 per grant of the AKKM Scheme to the almost € 81,000 per grant of the DOKAP Scheme, which distributed 103 grants for a total € 8,335,000.

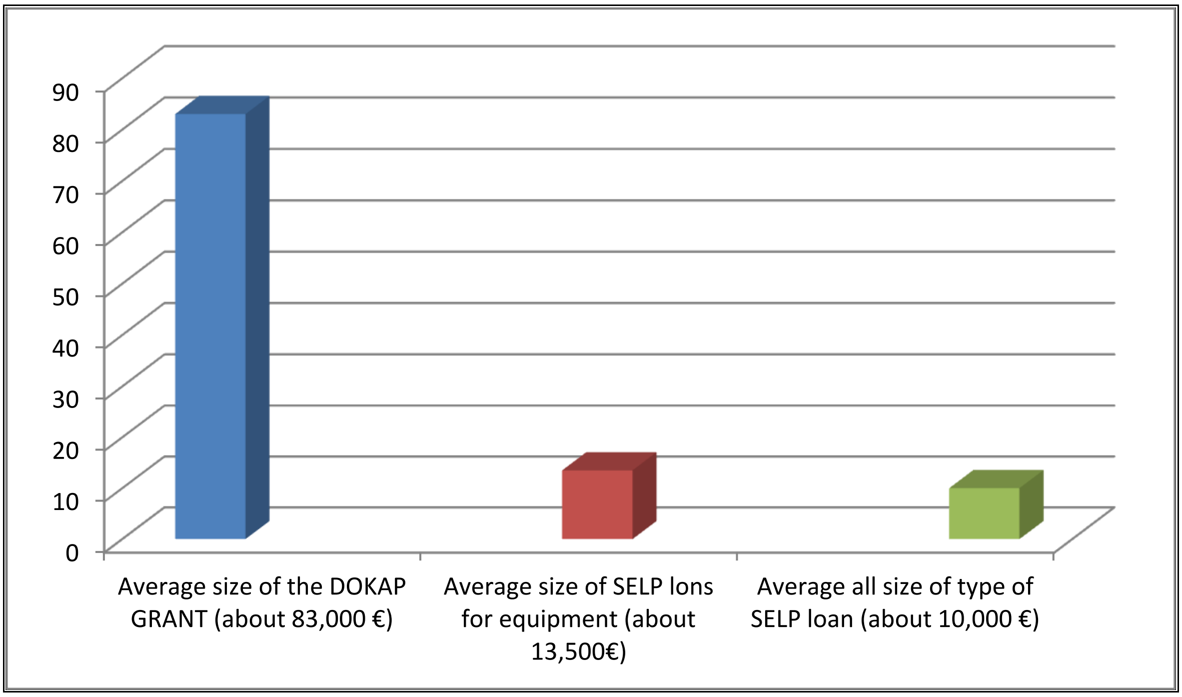
In this sense, it is fair to say that the SME Grant Schemes followed the trend of inflation and/or of the SME inclination to invest in ever more sophisticated - and therefore ever more expensive - equipment. From, this point of view, the efficiency and effectiveness of Grant Schemes might be considered as improving over time.

However, given that the average amount of loans disbursed by SELP to invest in equipment was approx. € 13,500 and that only 422 SMEs applied for loans for investment in the range of € 30,000 – 50,000, it is very impressive to note the difference with the SME Grant schemes which, always for investing in equipment, disbursed grants amounting to an average € 73,000 and even € 81,000 in the case of DOKAP.

The first chart below shows the range of SELP loans effectively disbursed, while the second chart compares the average size of SELP loans with that of DOKAP's SME grants.



Average size of DOKAP's SME Grant Scheme vs. average size of SELP loans for equipment and average size of all types of SELP loans



The Evaluators are of the opinion that this striking difference deserves careful analysis since it may imply that SELP and DOKAP did not target the same type of SMEs. The SELP project is perhaps more responsive to the needs of smaller and/or weaker enterprises, while the SME Grant Schemes was targeting the larger and/or healthier ones. However, this does not seem to have been the case, since the Grant Schemes were targeting all sorts of SMEs in Turkey's less developed regions and, as matter of fact, no (or very few) strong SMEs should have existed in these areas.

In the light of the huge disproportion between the characteristics of SELP's and the SME Grant Schemes' interventions, the Evaluators are of the opinion that the latter were quite "oversized" with respect to the real needs of the large majority of SMEs in the regions lagging behind. In this sense, drastically reducing the maximum amount of the disbursed grants would have helped a higher number of SMEs to invest, grow and create new jobs and therefore a greater contribution to the development of Turkey's less developed regions would have been possible.

Consequently, the Evaluators are of the opinion that, from this point of view, the SME Grant Schemes, including DOKAP, partly lacked efficiency and had a lower impact than what could have been possible to achieve with a different approach.

This opinion is very much in line with an important issue raised in the "Impact Assessment Report" on the SKE Grant Scheme (one of the very few Impact Assessment Reports on Grant Schemes that was available to the Evaluation Team), which was quite critical to its SME component, while giving a positive assessment of Local Development Initiatives and Small Scale Infrastructure projects (which were two of the overall SKE Scheme's components). For example, in terms of quality of investment support, the document mentions that "*the SME Grant Schemes only concerned procurement of machinery and plant and in a limited range of already established sectors, mostly low or mid-tech industries servicing "internal markets" (regional/local markets)"*, while in terms of Effectiveness, it highlights that "*Under the SME programme a modest level of new jobs was created, new machinery purchased and beneficiary companies having immediate enhancement to their business activities*". However, the Report was more positive in terms of Sustainability, indicating that "*Under the SME Grant programme most projects illustrated sound management and resources capable of sustaining the immediate effects of grant support*".

The Evaluators consider that a more appropriate consideration of these specific observations put forward in this Report on the SKE Grant Scheme's SME Component, which ended in 2008, could have helped to increase the overall performance of the next SME Grant Schemes.

In conclusion, it should be stressed that it is always an awkward exercise to compare programmes implemented under different principles, periods and logics. Therefore it is also evident that the above comparison between the SELP and DOKAP projects cannot be taken to reflect absolutely straightforward value and significance. However, the Evaluators are of the opinion that this comparison, even within its indicative meaning, raises several interesting questions on the best approach to be used for promoting SME growth and job creation. Therefore, in the future, before the grant approach in the field of PSD should be approved or rejected, a comprehensive in-depth assessment of all available alternatives should be carried out.

6.3.2 Relevance, Effectiveness, Efficiency, Impact and Sustainability of "Pillar 2: Business Development Services"

As already mentioned, the ABIGEM Network was set up through 3 successive phases. As far as **Phase I** is concerned, it must be pointed out that an independent Economic Impact Assessment was conducted in February 2006, i.e. at the end of the project. This Assessment was very positive in terms of Relevance, Effectiveness and Impact. Its main conclusion was that all three ABIGEMs worked effectively and that their services created a measurable positive impact on local economic development. The Assessment Report estimated the total economic impact at approx. € 55 million, which indicates that each euro invested in the project generated almost € 3.5. The ABIGEMs generated their most noticeable economic impact on exports.

However, as regards Efficiency and Sustainability, it must be pointed out that when the evaluation mission was being conducted, only the Izmir and Kocaeli ABIGEM Centres were still operational, while the Centre in Gaziantep had virtually been closed down more than two years ago[8].

[8] The reasons for its closure, as far as the Experts were informed during the interview they organised in Gaziantep, is that the local Chamber is no longer interested in having an ABIGEM Centre in Gaziantep since it does not correspond to its development strategy also taken into account that the Chamber got a new EU project under RCOP.

Therefore, during the field missions, the situation was that only two of the three ABIGEM Centres supported by Phase I were still operational.

Phase II supported the creation of 12 new ABIGEM Centres in as many provinces. The Field Phase of this Evaluation helped the Consultants to note that currently there is a significant difference in the ABIGEM Network's operational activity, as several Centres are performing very well (as was the case of the ABIGEM Centres in Izmir, Erzurum and Trabzon), while other Centres are having very limited activity e.g. in Malatya and Kaiseri, and in Gaziantep the Centre has simply ceased its activity. The information provided by TOBB, the National ABIGEM Network Coordinator, did not help the Consultants to have a clear picture of the activities implemented by each ABIGEM Centre. The Network's 2012 Annual Activity Report provided by the National Coordinator (TOBB) consisted of a very basic Excel table with no explanatory note. In particular, no information on the specific activities carried out and services provided by each Network member was included.

Based upon their visits to several ABIGEM Centres, the Consultants are of the opinion that these Centres are highly - if not totally - dependent upon the attitude of the local Chambers and more specifically upon the Chamber Chairmen. Therefore, if one Chairman considers that the local ABIGEM is useful to the Chamber and the local SME business environment, he will be keen to support the local ABIGEM. Conversely, without any support from their respective local Chamber Chairmen, ABIGEM Centres face tremendous difficulty in remaining financially viable and professionally operational.

Eventually, as for **Phase II**, it is also worth mentioning that the project was divided into three main components, namely DEKKAT and ACEMUT, while a third component consisted in TA to TOBB to enhance its capacity to coordinate the overall national ABIGEM Network. Regarding this component, the mission ascertained that all ABIGEM Directors, whom they interviewed, declared that there was no coordination of the Network. No meetings have been organised by TOBB over the last two-three years, no exchange of information takes place amongst the ABIGEM Centres, no inputs are provided by the National Coordinator (TOBB), to whom the Centres send monthly data on their activities, but never receive any feedback. The opinion of ABIGEM Directors is that TOBB does not generate any added value to the Network.

The lack of Network coordination may contribute to isolating ABIGEM Centres which, as a result, may be compelled to solve on their own any difficulty encountered at the local level.

Under RCOP, only **Phase III** was considered by the Consultants for this evaluation. As already mentioned, this project – which was still under implementation when the mission took place – consists in enlarging the ABIGEM Network to four new Centres in Batman, Hatay, Sivas and Van.

Looking at the overall Efficiency of the ABIGEM project, it must also be noted that Phase II benefitted partly from the know-how accumulated during Phase I, thus helping to shorten its duration and the resulting costs. The same could be said of Phase III.

Actually, it should be stressed that whereas it was deemed necessary to fund a 4.5-year programme for Phase I, only two years' funding for Phase II and III was then considered sufficient. This made practically possible to halve the costs of each of the Centres set up under Phases II and III compared with Phase I's similar costs. As a matter of fact, while the average annual costs of setting up each of the 19 ABIGEM Centres was almost the same for each of them (i.e. approx. € 1,200,000 per Centre/per year), the longer duration requested by Phase I meant that the cost of setting up each of the first 3 ABIGEM Centres was almost twice as much as the cost of setting up the next 16 Centres (set up under Phases II and III). More specifically, the setting up of each of the first 3 Centres cost € 5,466,607 (on average), while the remaining ABIGEM Centres needed only € 2,562,000 each (on average).

As for the **GAP-GIDEM** project, an external Economic Impact Assessment was also carried out one month before its completion. The Assessment Report was very positive, especially in respect of: a) the number of participants in the training sessions and seminars organised by the project; and b) those client SMEs who benefitted from information services and received consulting /advisory/ guidance services. According to this Report, the project created an economic value of TL 10 for each TL invested in project activities and it is estimated that GIDEM services had, since 2003, been instrumental in generating a total revenue of € 14,029,595 for the local economy and investment worth € 27,565,221, while being instrumental in raising the corporate sales volume by € 60,466,843 and exports by € 11,366,750, and also in reducing unemployment by 1,688 units.

Consequently, on the basis of this document, the Evaluators consider that the project achieved significant results and contributed to improving the local economy by responding to a need clearly expressed by the regions where it was implemented. In this sense, the project proved to be highly Relevant and Effective and also capable of generating a positive Impact on the local economy.

However, this impact was very short-lived, since all GIDEM Centres stopped their activities within one year after EU funding stopped. The explanation provided by the UNDP, several Chambers of Commerce and other stakeholders was that during programme implementation the Centres provided their services to local SMEs on a free-of-charge basis and, once the programme was completed and EU-funding stopped, they were obliged to charge SMEs for their services. Nevertheless, they soon realised that entrepreneurs were far from willing to pay for this type of "intangible product". It must be noted that this long-term EU-funded project was implemented in addition to a previous project which had been assisting the same GIDEM Centres for more than four years, i.e. from 1997 to 2002, under the "Southeast Anatolia Sustainable Human Development Programme". This project was co-funded and co-managed by the GAP Regional Development Administration and the UNDP. It is therefore very striking that, even if financially supported for ten years, all GIDEM Centres collapsed within 12 months after international funding ended.

Finally, it must be pointed out that the UNDP considers that the GAP-GIDEM project was successful, since it facilitated the preparation of a Regional Development Strategy for the GAP Region that has since then been the main driving policy paper for the development of that Region. The Evaluators are of the opinion that this Strategy paper definitely represents a strong achievement of the project, but from an Efficiency perspective, it seems very difficult to justify such an important document with a five-year programme having a € 9.2 million budget.

6.3.3. Relevance, Effectiveness, Efficiency, Impact and Sustainability of the Projects belonging to the Third Group. [9]

In general, the projects included in this Group and in its more homogeneous sub-groups were very relevant. They were delivered effectively and efficiently and achieved important results in terms of Impact and Sustainability.

More specifically, the projects belonging to the sub-group related to gender issues, respectively "**Supporting Women Entrepreneurs-Phase I", "Training and Consultancy Centres for Women Entrepreneurs" and "Incubators for women entrepreneurs"** are real success stories of EU-funded PSD support in Turkey. In particular, as regards the "**Supporting Women Entrepreneurs**" and **"Training and Consultancy Centres for Women Entrepreneurs"** projects, TESK, which is its main beneficiary organisation, considers both these projects as very useful and successful. TESK is of the opinion that they have paved the way for important and concrete results in the field of assistance to female entrepreneurship. Moreover, they have also strengthened TESK's capacity to promote business activities and support businesswomen helping women entering the world of business.

A similarly positive assessment about the project **Incubators for Women Entrepreneurs** was expressed by KOSGEB that used to be its main beneficiary. On the basis of information collected during the Field Phase, the Consultants knew that the project managed to fully achieve and even exceed its planned results while at the same time endowed KOSGEB with the capacity to replicate similar project activities.

The three projects included in the sub-group of cluster policies and actions, respectively "**Development of a Clustering Policy**" and "**Fashion and Textile Cluster I & II**" should also be considered as good programmes that have helped the line beneficiaries to accelerate PSD. In particular, the "**Development of a Cluster Policy**" project has enabled the UFT as its main beneficiary to design and implement important policy actions in the field of sectoral clusters. The UFT considers that the economic impact of cluster policies and measures on the selected sectors was also highly positive in terms of competitiveness at both the national and international levels. The cluster project have also introduced a new and important PSD support scheme for national and regional authorities. On the other hand, within the framework of a specific cluster analysis of this sector, the "**Fashion and Textile Cluster**" project supported the setting-up of a Textile and Fashion Cluster model, including a Fashion Institute, R&D Centre and Consultancy Centre. These institutions were also endowed with important technical supplies. The EU Delegation in Ankara

[9] Due to the lack of relevant documents, the Consultants were not in a position to conduct any sensible and well-founded evaluation of the following projects: "Supporting Subcontractors in the Automotive Sector", "Environmental Standards in the Textile Sector", "EU On-Line", "Vocational Training in the Clothing Sector" against the EQs under consideration in this section.

informed the Evaluators that this project was presented to the Joint Monitoring Committee as a best practice example.

The "**Industrial Restructuring of Sanliurfa**" project mainly focused on funding the infrastructure of the "Industrial Organised Zones (OIZ)" in this province, including the construction of a water treatment plant for OIZ 1 and 2. The programme achieved all its expected results and currently the Industrial Organised Zone is fully occupied by SMEs of various types. From this point of view, the project may be considered as relevant to the local economy and has proved to have a consistent degree of Impact and Sustainability. However, the Consultants were informed that in terms of Efficiency the programme was quite weak. Actually, according to the UNDP, which is the institution that provided the TA component under this programme, EU procedures are completely inadequate in the field of real estate, more specifically construction works, as these procedure are so burdensome that eventually the costs of monitoring the construction works far exceeds the final costs of similar facilities, at least according to Turkey's real estate market prices and conditions. It must be pointed out that the Consultants received the same comments during the field interviews conducted with several other line stakeholders.

Finally, the Executive Summary of the "**Shoemaking Training Institution**" project indicates that the project achieved all its expected results in the fields of: a) Training in the shoemaking sector; b) Dissemination of the latest technological and managerial knowledge in the sector; c) Delivery of advisory services directly to SMEs. The project started in April 2002 and ended in June 2006. However, it should be noted that, in light of the field interviews conducted by the mission with KOSBEG, it appeared that there no longer is any memory of this project amongst KOSGEB's current staff.

6.4 Domestic Commitment of Public Institutions and Private Stakeholders at the National and Local Levels

The next two EQs cover commitment of public institutions and private SME organisations with respect to EU-funded PSD support:

a) <u>Domestic political/institutional commitment</u>:

- EQ10: What has political/institutional commitment of public institutions at the national and local levels been with respect to EU-funded support to PSD?
- EQ11: What has the level of political/institutional commitment of SME Private Organisations / Associations and of the final beneficiary SMEs been?

Regarding political/institutional commitment demonstrated by the stakeholders with respect to EU-funded PSD support programmes and projects, the Evaluators are of the opinion that in general this commitment has been quite strong and that all institutions have been very keen to facilitate project implementation in which they were involved, in order to benefit from them to the largest possible extent. However, it should also be pointed out that over time institutional commitment declined progressively in a few of these institutions. It is the case of several Chambers of Commerce, which are still not really convinced of the strong need to promote ABIGEM services, or of some bank branches involved in the SELP project, which, due to changing conditions in Turkey's credit market, feel that SELP is only one amongst several alternatives offering suitable loans to their client SMEs and is not always the best one.

Moreover, several other public institutions have been so positively affected by the EU-funded PSD support projects in which they were involved and also by the results achieved that they have highlighted their readiness for, and commitment to, future EU PSD support projects. This is the case, for example, of UFT, KOSGEB and TESK, whose management considers that their involvement in now completed EU-funded activities dealing with SME support have provided them with very positive results and that it would be very positive for them to once again take part in future similar programmes.

The role of Turkey's private SME associations and organisations in EU projects has been very marginal, not to say non-existent, since EU-funded PSD support projects mainly addressed public or semi-public institutions. As a result, the Consultants are not in a position to make any further comments on this issue. Similarly, the limited number of SMEs directly interviewed during the field missions prevents the Consultants from producing a rational and sound assessment of SME commitment to EU programmes on PSD support in Turkey. In this respect, the only point that may be highlighted by the Consultants is that they have noticed that Turkish SMEs always seem to be ready to take advantage of all available programmes, incentives and services provided by any kind of national institutions and/or foreign donors as long as they are useful, accessible and cheap.

7. STRATEGIC ASSESSMENT OF EU-FUNDED PSD SUPPORT DURING THE 2002-2012 PERIOD

The previous sections of this Evaluation Report were mainly dedicated to the assessment of each of the three Pillars with respect to Coherence, Relevance, Effectiveness, Efficiency, Impact and Sustainability. It is now sensible to present the Evaluation Team's assessment of the EU intervention in the field of PSD, especially with respect to the following two relevant strategic reference documents:

- the "Trade and Private Sector Policy and Development, Support Programmes funded by EU External Assistance" of November 2010, which puts forward the logic, tools and methods suggested by the EU for PSD actions on the basis of the experience accumulated over the past few years and on the basis, inter alia, of the Paris Declaration on Aid Effectiveness (2005) and the subsequent Accra Agenda for Action (2009).
- The "Turkey Progress Report 2012" issued by DG Enlargement and especially its Chapter 6 "Company Law", Chapter 20 "Enterprise and Industrial Policy" and Chapter 22- "Regional Policy and Coordination of Structural Instruments".

Finally, in this section, the Evaluators will also highlight what they consider to be best practices successfully adopted in EU-funded PSD support interventions in Turkey. Other relevant aspects will also be presented in the following sections.

7.1 Strategic Assessment of the First Pillar "Access to Finance"

The most positive EU intervention under this Pillar is SELP, which used a total € 60,000,000 in EU resources and managed to promote local banks by granting loans to almost 19,000 SMEs for a total amount exceeding € 189,000,000. It is very important to note that the rate of insolvency under the SELP scheme was almost zero. But SELP's main achievement was that, thanks to specialised TA to the partner banks, it made those banks aware of the importance of SMEs as reliable clients for the banking system. This kind of meso-level TA was so important and successful that it helped to convince other banks and other Financial Institutions to enter the SME credit market. Thanks to SELP, Turkish SMEs can now have access to credit more easily. Consequently, SELP should be considered as a very positive programme, fully in line with the tools and methods recommended by the "Trade and Private Sector Policy and Development, Support Programmes funded by EU External Assistance" document. From this point of view, SELP is a real EU success story and an example of good practice and good approach.

Finally, it should also be mentioned that the € 60 million made available by the EU, used mainly as a guarantee fund which was not affected by the rate of losses, is still there and can be used for supporting Turkish SMEs. Actually, while this assignment was being conducted, another mission by international experts was preparing the exit strategy for SELP which is expected to expire by end-2013, so that the best use of the funds still available should be approved.

SELP's only weak point could be that it was not able to include KGF in its functioning scheme. Actually, as mentioned in the "Turkey Progress Report", KGF has always been considered by the Turkish authorities as an important tool for facilitating SME access to credit and in 2012 the Guarantee Fund Corporation's capital structure was further improved and its branches expanded. Including KGF in the SELP scheme would have helped Turkish SMEs to achieve even better results and probably to link KGF better and permanently to the Turkish banking system as regards loans for SMEs.

As regards the 4 **SME Grant Schemes,** the Evaluation Team is well aware that their justification and intervention logic were strictly linked to their objectives supporting Regional Development in the regions lagging behind economically. In this sense, the pNDP included this type of interventions essentially targeting: a) support to small-scale infrastructure constructions; b) support to local initiatives and c) support to building and strengthening institutional capacity. So a set of coherent measures was made available to develop the regional economy.

However, the Evaluators would like to draw attention to the fact that dealing with SME grant schemes is a matter totally different from providing grants for infrastructure development, local initiatives or public institutions. SMEs are private entities whose purpose is to make profit in a (more or less) competitive market, which, of course, is not the case of the other beneficiaries of the grant schemes considered here.

So, as regards the SME market and environment, it should also be considered that providing a grant to one specific SME may undermine the development of its competitors, which, in turn, affects local economic development (competition distortion). This is not just an example of abstract economic theory. When interviewing the line beneficiaries of EU grants in the DOKAP Region, the Evaluators met with the representatives of one construction company involved mainly in local public procurement, who declared explicitly that their grant increased their competitiveness so considerably that their competitors were rapidly marginalised and were forced into bankruptcy. In this respect, the Evaluators fully agree with the comment included in the above-mentioned Impact Assessment Report on the SKE Grant Scheme: "*Some companies - those which did not receive grants or for whatever reason did not have access to the grant - may have been adversely affected"* and further on *"without comparing the results achieved by those companies which were provided grants against those which received no support, it is almost impossible to verify the scale of impacts on regional or local economies.*

Therefore the Evaluators are of the opinion that grants to SMEs should not be avoided a priori, but that a more sophisticated and appropriate mechanism should be set up – even in the less developed regions - for disbursing grants to SMEs (against the grants given to other more public or more socially oriented beneficiaries/ objectives). This specific grant mechanism should aim to support SMEs and Regional Development growth, while at the same time reducing as far as possible the risk of adversely affecting the competitors of beneficiary SMEs.

In this sense, while the logic underpinning regional development and the objective to reduce Turkey's regional disparities should remain the priorities, in order to further enhance the achievement of these objectives, different approaches to SME Grant Schemes could have been developed.

One of the possible approaches has already been suggested in Section 5.3.1, which compares the SELP with Grant schemes. Another approach, which, at least in the opinion of the Evaluators, could have helped to achieve the Regional Development Strategy's objectives more rapidly and more consistently, would have consisted in proposing a new specific financial product to SMEs. This product would have consisted of two parts: 50% as a SELP loan and 50% as an SME grant. Its maximum amount would have remained the same as above (i.e. € 100,000), so that the same investment was supported. Ideally, this new financial product could have been proposed to eligible SMEs directly by SELP partner banks. Adopting this approach would have contributed to increasing the number of grant beneficiaries in the less developed Regions while, at the same time, reducing the risk of negatively affecting competitors of the beneficiary SMEs. So the partner banks would also have increased their interest to work with SELP while at the same time providing strong and professional support to SME Grant Schemes. Finally, this joint action would have contributed to producing a more significant economic impact in terms of local and regional economy growth and job creation.

In conclusion, the Evaluators are of the opinion that in order to strengthen EU PSD support's overall Efficiency and Impact and also to increase support to Turkey's Regional Development, it is necessary to create significant synergies between EU-funded projects and not only to consider them as isolated tools to be used always in the same way, year after year. In this respect, Pillar 1 could have served as an appropriate tool for adopting this more dynamic approach to EU-funded PSD support.

7.2. Strategic Assessment of the Second Pillar "Business Development Services"

The EU approach to setting up totally new legal entities for providing services to SMEs is in line with the tools and methods put forward in the "Trade and Private Sector Policy and Development, Support Programmes funded by EU External Assistance" document. However, other approaches have also been proposed to support local consultants, such as the EBRD's Small Business Facility (SBF) Programme.

Now is probably the right time for the EU and EBRD to conduct a joint evaluation in order to identify the pros and cons of their respective approaches. Over the last few years, both institutions have accumulated rather extensive experience in these various schemes and it would be very useful to see which one has worked better in Turkey and why. This evaluation could help to find out whether the EBRD or the EU scheme is more appropriate to specific regions and also to what extent local conditions may lead to prefer one approach to the other. This type of evaluation is very important, especially since EU and EBRD SME schemes were relevant and could be extended to other international donors operating in Turkey, such as the EIB Group, UNDP, WBG, BSTDB, CEB, OFID/OPEC, etc.

Taking into account that huge resources and efforts have been dedicated by the EU to setting up a network of business centres in Turkey (and by the EBRD to its own PSD support scheme), this evaluation is not a trivial exercise at all. Moreover, it should be noted that the possibility to have access to reliable and very qualified business advice will also remain one of the main basic conditions for supporting SME growth, especially in Turkey's less developed regions, over the next years. Consequently, this evaluation would not just be an exercise to merely satisfy curiosity about past activities, but would also be an important tool for better structuring further PSD support in Turkey's well- and less-developed Regions.

Once again, the Evaluators are of the opinion that synergies between projects and donors as well as the clever use of project experience accumulated over the years should always be encouraged in order to strengthen the capacity of EU interventions to generate ever more significant impacts. Pillar 2 could provide a very good opportunity for this type of approach.

Finally, one specific issue lies with the ABIGEM Network. Taking into account that Phase III of the ABIGEM Project will be completed next year, it seems very useful, as was also specifically recommended in the "Trade and Private Sector Policy and Development, Support Programmes funded by EU External Assistance" document to design - in cooperation with TOBB – an appropriate "exit strategy" for this long-term EU TA project in order to ensure that once EU-funded support has been completed the overall network will not only continue to improve its performance, but that it will also be able to replicate the project in the provinces where new ABIGEM Centres may be useful to the local SME community.

7.3 Strategic Assessment of the Projects belonging to the Third Group.

A series of smaller and ad-hoc projects mainly referred to as specific topics and sectors are included in this Group.

It is interesting to note that in general all these (relatively) small projects achieved their objectives and expected results. Moreover, several of these projects were considered success stories and presented as best practice examples. In addition, these projects were characterised by a strong know how transfer capacity by means of international TA and also by strong absorption capacity as demonstrated by the beneficiary institutions. As already mentioned, this was certainly the case of the three projects included in the sub-group of gender-related projects, (i.e. **Supporting Women Entrepreneurs-Phase I", "Training and Consultancy Centres for Women Entrepreneurs" and "Incubators for Women Entrepreneurs"),** which exceeded the planned results. The Evaluators were informed that the knowledge gained from the training sessions helped the female participants in the programme not only to change their own lives, but also to improve the lives of their families.

It is very obvious that these projects are very much in line with the methods recommended by the EU to support gender-related issues in promoting PSD (see paragraph on gender–related issues in "Trade and Private Sector Policy and Development, Support Programmes funded by EU External Assistance").

Similar success is reflected in the sub-group of projects related to **Cluster and Clustering Policy Support**. In this case, the beneficiary institution also confirmed the good results achieved and the appropriate know-how transferred at the end of the project.

Finally, positive results were also achieved by the "**Industrial Restructuring of Sanliurfa**", even if several negative points were put forward to the Evaluators over the efficiency of EU commitment to financing construction works.

In conclusion, taking into account that these (relatively) smaller and much focused projects were generally very capable to achieve good and significant results, the Evaluators consider that it is useful to compare them with the other EU approaches to promoting both PSD and Regional Development.

In particular, to verify the overall Efficiency of EU funding allocated to PSD in Turkey, it is also useful to compare the results - especially in terms of SME and job creation - achieved by means of the small budgets allocated to some of the projects included in third Group with the corresponding results that should have been achieved by the budget allocated to the DOKAP SME Grant Scheme.

It should be stressed that conducting this kind of analysis is rather a theoretical exercise, since the DOKAP SME Grant Schemes were only targeting the SMEs located in one of the less developed regions, which was not the case of the projects considered here. Moreover, comparing different situations and conditions is always an awkward exercise and its conclusions should always be dealt with carefully.

Nevertheless, the Evaluators are of the opinion that this type of reasoning may very well contribute to helping the EU to better address the issue of limited EU financial resources, especially during the programming phase for further EU-funded PSD support and regional development interventions, in order to increase the overall economic impact of EU-funded support.

The starting point of the Evaluation Team's reasoning is that, as already mentioned, the DOKAP SME Grant Scheme, with its € 8,335,000 budget funded by the EU, helped 103 SMEs to make investments for roughly € 16.5 million. The overall impact of these investments in terms of jobs created / retained is not available but, as we shall see, this does not undermine our analysis.

On the other hand, the smaller budgets allocated to several projects belonging to the third Group achieved the following results[10]:

- **Supporting Women Entrepreneurs** (Budget € 1,040,000): 1,700 women trained, 380 of whom started their own businesses
- **Vocational Training in the Clothing Sector** (Budget € 1,500,000) **:** 14,876 persons trained and 2,364 persons placed to jobs after training sessions were completed
- **Training and Consultancy Centres for Women Entrepreneurs** (Budget € 4,800,000)**:** 11,498 women trained, 253 of whom set up their businesses by the end of the project
- **Technical Assistance for Development of Incubation Centres for Supporting Women** (Budget € 3,500,000)**:** 4 Business Incubators were established respectively in Çorum, Hacibektas, Kütahya and Pendik[11]; 71 women entrepreneurs rented these incubators as tenants;

The main point to be considered here is that the € 10,840,000 allocated to those 4 smaller projects achieved the following results in terms of job creation and SME growth:

- 3,068 jobs were created (including through self-employment), and
- 704 new SMEs were created (or enhanced as incubator tenants)

So, less than € 11,000,000 generated over 3,000 jobs with an average cost of slightly more than € 3,500 for each job created.

In order to demonstrate the same job creation capacity by those small projects, the € 8.3 million provided by the EU to the DOKAP SME Grant Scheme should have created / retain approx. 2,359 jobs, i.e. roughly 23 jobs for each of the 103 beneficiary SMEs in the targeted region.

Even without a formal assessment of the DOKAP SME Grant Scheme's overall impact, it is possible to say that this project's capacity to create / retain jobs was well below that rate and was

[10] Data derived from relevant project documentation. Not all projects classified under the third Group were covered by relevant documentation including this type of data.

[11] During the field phase of this mission, KOSGEB informed the consultants that currently all four Incubators were operational and that those in Kütahya and Pendik were performing particularly well, with full support from the local municipalities which intend to enlarge them due to high demand for services from start-ups.

considerably smaller than similar capacity achieved by the small projects considered here. Actually, it should be pointed out that the DOKAP beneficiary SMEs, which were interviewed by the Evaluators during the field phase, were all within in the size-range of 5-10 employees. Only one employed 10-15 persons.

Finally, as regards SME growth, it should be underlined that the DOKAP SME grants supported the growth of 103 SMEs, while the 4 small projects supported a total of 704 SMEs, of which 633 were start-ups.

In conclusion, even taking into account the limits of this type of analysis and the caution with which these conclusions should be drawn, the Evaluators are of the opinion that this type of analysis and comparison should be developed further and applied more systematically, since it may greatly help the EU to more efficiently allocate its own resources to reducing regional disparities through SME and job creation and retention.

In this respect, what should be stressed is that smaller but well focused projects are sometimes more effective and efficient in achieving EU objectives than bigger projects. Therefore a careful analysis of the most appropriate approaches and methodologies could considerably enhance both the EU Regional Development Strategy and PSD support.

7.4 Strategic Assessment of the EU-Funded PSD Support in relation to Turkey's Stabilisation and Association Agreement.

EU-funded PSD support in Turkey in 2002-2012 was underpinned by various logics and principles. In particular, MEDA support was provided within the framework of a common strategy, which included Turkey along with all Mediterranean countries in the efforts made to of enhance their general political and economic relations with the EU. However, further to the adoption of the first Accession Partnership for Turkey by the Council in March 2001, EU assistance to Turkey started focusing on all complex aspects related to a Candidate Country’s overall needs. In October 2002, it was decided that the Commission would propose a revised Accession Partnership for Turkey. Moreover, in its recommendation of October 2004, the Commission proposed that, with a view to guaranteeing the sustainability and irreversibility of the political reform process, the EU should continue to closely monitor progress achieved in the field of political reform. Finally, the Commission proposed a revised Accession Partnership in 2005, which was adopted by the Council on 1st February 2008.

In line with the Accession Partnership documents, Turkey was requested to develop a plan including a timetable and specific short- and medium-term priorities intended to address the Accession Partnership principles.

Within this framework, the annual (and, more recently, the biannual) Pre-Accession Economic Programmes (PEPs) represent the engagements and objectives gradually established by the Turkish authorities in order to progressively fulfil the Copenhagen criteria for EU membership, while the annual Turkey Progress Report represents the EU assessment of the country’s progress towards the EU Acquis. On the other hand, the Multi-annual Indicative Planning Documents (MIPDs) establish, for each candidate country, the specific allocation of EU funds to support this process through the five IPA components12. Turkey is eligible to each of all the five components.

In this respect, the overall EU-funded PSD support – at least starting with the Pre-Accession projects - was intended to facilitate and accelerate the fulfilment by Turkey of the EU membership criteria. Therefore the Evaluators have tried to understand to what extent the projects addressed to the Turkish private sector have contributed to this general objective, especially with reference to Chapter 6 “Company law”, Chapter 7 “Intellectual Property Rights”, Chapter 7 “Competition” and Chapter 20 “Enterprise and Industrial Policy”.

According to the Progress Reports concerning Turkey, the main progress achieved by Turkey towards EU Acquis alignment is in the field of “Enterprise and Industrial Policy” (Chapter 20). In this field, Turkey has over the past few years adopted several appropriate strategies for the industrial sector. In particular, an “Industrial Strategy and Action Plan (2011-2014)” was adopted in 2011, thus meeting the key requirement for EU Acquis alignment in this area. Turkey has reported an 85% success rate in implementing the actions planned in the strategy for the first year. This rate is based on the completion of activities, but no impact assessment has so far been carried out.

Turkey also continued implementing the SME Strategy and Action Plan approved for 2011-2013. These papers were well in line with the SBA and the corresponding EU approaches. Moreover, in August 2012, the Coordination Council for Improvement of the Investment Environment (YOIKK) issued an Action Plan for 2012-2013. A large number of regulations were adopted in April 2012 in order to cut red tape in business start-ups.

After revisions, the draft Turkish Commercial Code entered into force on 1 July 2012. Turkey completed the assessment process for the Small Business Act together with the Western Balkans and the EU, with successful results particularly on small entrepreneurship and responsive administration. In order to promote the entrepreneurship culture in society, Turkey established an Entrepreneurship Council consisting of business-related NGOs and Ministries.

Some progress was made in order to facilitate SME access to finance, the capital structure of the Guarantee Fund Corporation was improved and its branches expanded. The number of technology development zones increased to 43 in 2011, of which 32 are currently operational.

KOSGEB, the SME Development Organisation, continued supporting Turkish SMEs under five different programmes according to a project-based approach. KOSGEB disbursed a total of about € 80 million in 2011 for these programmes, excluding interest-rate subsidy operations. Its budget has been considerably increased for 2012 so that it can have greater outreach. In addition, Turkey continued providing loan programmes for SMEs via various banks with interest rate-subsidy support from KOSGEB and via Halkbank.

[12] (IPA-I) Transition Assistance and Institution Building component; (IPA-II) Cross-Border Cooperation component, which applies to border regions between beneficiaries, member states, candidate countries and countries in pre-accession status; (IPA III, IV and V) Regional, Human Resources and Rural Development components.

Turkey continued to participate in the EU Entrepreneurship and Innovation Programme (EIP) and is an active member of the Enterprise Europe Network (EEN). The country performs well by developing measures to promote opportunities for SMEs within the framework of the Competitiveness and Innovation Programme (CIP).

Finally, Turkey adopted an Export Strategy and Action Plan in June 2012.

Taking into account Turkey's important progress and achievements in the field of "Enterprise and Industrial Policy" (Chapter 20), it is realistic to say that EU-funded PSD support contributed to drawing the attention of Turkish policy-makers to the importance of SMEs and the private sector for the overall development of the country. So, EU-funded PSD support has helped Turkey's institutions and organisations to become more sensitive - at the national and regional levels – to the importance to implement efficient policies and measures for enhancing this sector. For example, a clear illustration of this result is that the need to help SMEs get access to loans, which was well emphasised by the SELP projects, was well understood by the Turkish authorities that tried to solve this issue by enhancing the Guarantee Fund and KOSGEB's interest rate subsidies.

Similar progress was made in the field of "Company Law" (Chapter 6). As regards this issue, the latest Progress Report on Turkey underlines that the country has been making progress in this area. The establishment of the Turkish Accounting and Auditing Standards Authority was an important achievement in this direction, even if the capacity of the commercial judiciary and business organisations still needs to be strengthened in order to deal with the changes generated by new legislation.

On the other hand, only limited progress was made in the fields of "Intellectual Property Rights" (Chapter 7) and "Competition Policy" (Chapter 8). As a matter of fact, the Progress Report stressed that a regulation on intellectual and industrial property rights (IPR) and a law on IPR enforcement procedures in line with the EU Acquis need to be adopted and the capacity of the judiciary and of the customs administration need to be strengthened with a view to enforcing more effectively.

Eventually, as for competition policies, Turkey only partly addresses the real priorities in this area. Limited progress can be reported in this chapter. Turkey is enforcing anti-trust and mergers and acquisitions (M&A) rules effectively. However, recent legal developments raise concerns over the Competition Authority's ability to continue carrying out its operations independently. No progress has been made in the area of state aid, while a number of existing state aid practices conflict with Customs Union rules. In conclusion, the Progress Report stresses that in the field of state aid Turkey is not yet sufficiently prepared.

As previously reported, several initiatives were taken (working on quality infrastructure, assessing the regulatory burden, supporting reforms in fields of customs, IPR, etc.). Some progress was made on enterprise and industrial policy instruments and sector policies.

In conclusion, it should be stated that EU-funded PSD support has greatly helped Turkey to align closer to the EU Acquis in the fields of "Enterprise and Industrial Policy" (Chapter 20) and "Company law" (Chapter 6). To the contrary, only limited progress can be reported in the field of "Intellectual Property Rights Chapter" (Chapter 7). However, as Chapter 8 "Competition Policy" was not opened, only limited progress can be reported in this Chapter. To be sure, this leaves room for further well-focused EU support.

7.5 Other Pillars deserving further EU consideration.

PSD is a very complex and multifaceted field, where several different factors affect its support and growth. This Report has so far presented the three main pillars that characterised EU-funded support to Turkish Private Sector Development over the past 10/11 years. It should be noted, however, that several other pillars or thematic aspects are essential to the development of the SME sector in Turkey, but they were not taken sufficiently on board by EU projects. As clearly indicated by the EU strategy in this field, these thematic aspects mainly include: Quality Infrastructure, Business Enabling Environment and Investment Promotion and Facilitation, Occupational Health and Safety (OHS) rules and their enforcement. Similarly, some relevant SBA principles have not been sufficiently considered – in the period taken into account in this evaluation - by EU-funded PSD support in Turkey. For example, this was the case of several important policies addressing the role played by public authorities and administrations in the field of PSD, such as: a) Principle III: *Design rules according to the "Think Small First" principle by taking into account SME characteristics when designing legislation, and simplify the existing regulatory environment*; b) Principle IV: *Make public administrations responsive to SME needs, making life as simple as possible for SMEs, notably by promoting e-government and one-stop-shop solutions;* c) Principle V: *Provide guidance to authorities on how they may apply the EC public procurement framework in a way that facilitates SME participation in public procurement procedures*.

Also very limited was the coherence with the SBA's Principle VIII, which aims to promote the upgrading of SME skills and all forms of innovation, to encourage SME investment in research and participation in R&D support programmes, transnational research, and active intellectual property management.

Nevertheless, the Evaluators are of the opinion that upon the transition from MEDA to Pre-Accession, EU-funded support to PSD in Turkey started to address not only specific needs of SMEs, but also the important issue of improving the role and capacity of public institutions to deal adequately with SMEs. The "Development of a Clustering Policy" project, which helped the UFT and Public Institutions to considerably strengthen their capacity to implement adequate policies and actions for cluster promotion all over Turkey, provides a good example of the new Pre-Accession approach. In this sense, it can be stated that the transition from MEDA to Pre-Accession helped EU-funded support to PSD in Turkey gain in coherence and in efficiency.

As indicated in the previous paragraph, several of these issues are also included in the various Chapters of the reform process conducted by Turkey in preparing for EU membership. Therefore, taking these thematic aspects into consideration is important for Turkey's general economic and social development and also for the EU accession process.

It is evident that EU funds cannot support all needs of the Turkish private sector and that suitable priority choices should be made in the project programming phase. Consequently, concentrating EU funds only on the three pillars indicated above may have been the right decision.

Eventually, it should be mentioned that beyond the achievements made on Chapters 6, 7, 8 and 20, progress was also made on Chapter 22 “Regional Policy and Coordination of Structural Instruments”, where, for example, within the framework of a general reorganisation of public administration, several by-laws were adopted for restructuring various Ministries, including the Ministry of Industry and Trade (MoIT), the Ministry of Transport (MoT) and the Ministry of Labour and Social Security (MoLSS). These by-laws provide for the legal basis establishing the various units in charge of coordination and programming, budgeting, tendering, contracting, execution, financial management and supervision of EU co-funded project activities.

All this progress in the specific Chapters of the EU Accession process may justify the fact that over the last few years EU-funded support to PSD in Turkey has been addressing mainly, if not exclusively, such thematic fields as Access to Finance, Competitiveness and Business Development Services. These thematic fields have been considered more as foreign TA targets than those areas where Turkey was abler to achieve progress on its own, as shown in the “Turkey Progress Reports”.

The following TABLE 1 offers a general and synthetic view of the degree of Coherence, Relevance, Effectiveness, Efficiency, Impact and Sustainability of the three Pillars, including the various EU-funded interventions in favour of PSD for 2002-2012.

On the other hand, TABLE 2 refers to the three programmes, namely SELP-I and SELP-II; ABIGEM Phases I, II and III; and the SME component of the DOKAP Grant Scheme, which the Consultants were requested to evaluate more comprehensively.

TABLE 1: SUMMARY OF THE EVALUATION OF THE THREE "PILLARS"

PILLARS	Coherence	Relevance	Effectiveness	Efficiency	Impact	Sustainability
PILLAR 1: "ACCESS TO FINANCE" (SELP and SMEs Grant Schemes projects)	**Satisfactory**	**Highly satisfactory**	**Highly satisfactory**	**Satisfactory**	**Satisfactory**	**Satisfactory**
PILLAR 2 " BUSINESS DEV. SERVICES" (ABIGEMs Network and GIDEM Centres projects)	**Satisfactory**	**Highly satisfactory**	**Satisfactory**	**Unsatisfactory**	**Satisfactory**	**Unsatisfactory**
THIRD GROUP OF PROJECTS - Sub-groups: a) "Gender Issue": **"**Support to Women Entrepreneurs I and II"; "Incubators for Female Entrepreneurs"; **b) "Cluster":** "Development of a Clustering Policy"; "Fashion and Textile Cluster"; **c) Sectoral Projects:** Supporting Subcontractors in the Automotive Sector"; "Shoemaking Training Institution"; "Vocational Training in the Clothing Sector"; "Environmental Standard in the Textile Sector"; **d) Other Projects:** "Industrial Restructuring of Sanliurfa"; "EU On-Line"	**Highly Satisfactory**	**Highly Satisfactory**	**Highly satisfactory**	**Highly satisfactory**	**Satisfactory**	**Highly Satisfactory**

TABLE 2: SUMMARY OF THE EVALUATION OF THE THREE Projects: "SELP I &II", "ABIGHEMs Phase I, II, and III", "DOKAP SME Grant Scheme."

PROJECTS	Coherence	Relevance	Effectiveness	Efficiency	Impact	Sustainability
SELP I & II	Highly Satisfactory	Highly satisfactory	Highly satisfactory	Higly Satisfactory	Highly Satisfactory	Higly Satisfactory
ABIGEMs Phase I, II & III	Satisfactory	Highly satisfactory	Satisfactory	Satisfactory	Satisfactory	Barely Satisfactory
DOKAP SME Grant Scheme	Satisfactory	Satisfactory	Satisfactory	Satisfactory	No rating possible	Satisfactory

8. ONLINE SURVEY

According to the TORs for this assignment, the Evaluators were to conduct an "on-line survey of the SMEs supported by the programmes under evaluation". Therefore in agreement with the EU Delegation and the Task Manager, the Consultants prepared three specific questionnaires[13] addressed respectively to; a) the beneficiaries of the "**DOKAP Grant Scheme**", b) the "**ABIGEM**" client SMEs, and c) the SMEs that have received "**SELP-II**" loans.

It was decided to send the questionnaires directly to each of the DOKAP beneficiary SMEs explaining the reasons and the importance of the survey and asking them to send back the questionnaires properly filled in. As for the ABIGEM clients and SELP borrowers, a special link was created on the webpage of ITALTREND (one of the Consortium members to whom the contract for the mission was awarded), where the concerned SMEs could find and fill in the questionnaires. Then TOBB, in its capacity of the ABIGEM Network coordinator, was requested to inform the Directors of all the ABIGEM Centres that the survey with the related questionnaires was to be filled in by their clients via ITALTREND's website. A similar approach was adopted for SELP-II loans. The Evaluators explained to KfW Deputy Director in Ankara the survey's importance and modalities. In turn, KfW asked the four partner banks to inform – through their local branches – that their client SMEs having obtained a SELP loan would receive the questionnaire and why it was important to fill it in.

The beneficiaries were asked to fill in the three questionnaires within a two-week period after being informed of this request, i.e. between Monday 17 June and Saturday 29 June 2013. A reminder was also sent to all line beneficiaries at the beginning of the second week. Since at the end of the second week, only 2 questionnaires were received on the DOKAP Grant Scheme, it was decided to give one more week to the beneficiaries to fill in the questionnaires. As far as the DOKAP project is concerned, the process was fully completed on 6 July 2013.

The results of the survey in terms of filled-in questionnaires received were as follows:

a) **DOKAP Project**: in total, only 6 filled-in questionnaires were received, which represents 5.83% of the total number of grants disbursed to SMEs under this scheme. Obviously, this poor result does not help the Evaluators to derive any findings - significant and acceptable from a statistical perspective - on the opinion of the beneficiaries over the disbursed grants and their economic impact. However, it could be of interest to find out what these six respondents said. The first question was about the way in which they were informed of the existence of this facility: 2 beneficiaries were informed by their local Chamber, while another 2 beneficiaries were informed by a consultant, 1 by a colleague and the last one

[13] The copies of the three questionnaires used for the Survey can be found in the Annexes to this Report. They also include the detailed results of the survey related to each question.

through “other sources”. The average grant disbursed amounted to € 49,288 and helped each beneficiary SME to make an average investment of € 105,241 *(these data were derived from only 5 of the 6 respondents, since one of them was not clear enough in his answers)*. The difference between the amount of the grant and the overall investment was covered by a loan in 4 cases and by the resources of the applicant in 2 cases. The application procedure (which was undertaken by the same beneficiaries in 3 cases and by a consultant in the remaining 3 cases) was considered by all 6 respondents as “Relatively complex and lengthy”. It is interesting to note that 1 of the 6 beneficiaries said that even without the grant he would have carried out the investment, while 2 declared that they would not have done so and, eventually, the other 3 confirmed that in any case they would have carried out their investment, but that this investment would have been smaller. Regarding the impact of the grants on their annual turnover, 2 beneficiaries reported that it had had a “rather big impact”; 2, that the impact had been “moderate”; and 2, that the grant had only had “a small impact”. 2 respondents said that the grant had helped them to secure jobs and 4 that it had contributed to creating new jobs. As regards the number of jobs created or secured, only 2 beneficiaries answered that the grant had facilitated the creation of 5 and 6 new jobs respectively. Finally, the beneficiaries said that, in general, the grant had had a “moderate” or a “small” impact on their respective company’s product diversification effort. Only 1 said that it had had a very big impact. Finally, the opinion of the beneficiaries was that the grant had had a “moderate” impact on corporate vision and management structure (3 answers) or a small impact on them (3 answers).

b) **SELP-II Project**: in total, 54 filled-in questionnaires were received. The number of received answers represents only 0.308% of the overall number of beneficiaries of this loan scheme which was 17,548 as at 31.12.2012. Therefore, once again, the survey does not offer – in statistical terms – any reliable results/information. Moreover, it should be noted that out of the 54 filled-in questionnaires received, 50 came from clients of only one bank, namely Iș Bank. Akbank’s and Garanti Bank’s clients sent 4 questionnaires in total (2 for each bank), while no answer was sent by Șekerbank’s clients. No clear information was provided on the branches of the banks whose clients answered the questionnaires. In conclusion, the online survey did not help the Evaluators to get any reliable information on the SELP-II project.

   However, just for the sake of knowing what the few SMEs that filled in the questionnaires actually answered, it is interesting to note that 41 clients (77.26%) were informed directly by the banks of the existence of the SELP loans facility and that no more than 35 (64.81%) were informed, before signing the contract, that their respective loans were funded by an EU programme. 10 clients (18.51%) were informed only upon signing the loan contracts with their respective banks or during loan implementation, while 5 (9.26%) were never informed at all. The average maturity amount of the disbursed loans was TL 323,620, while their average maturity term was 23.7 months. The major part of the loans (i.e. 31 corresponding to 57.40%) were used for covering working capital needs, while only 7 (12.96%) were contracted for buying equipment. The remaining loans were used both for working capital and investment purposes. In general, all respondents found that the procedure for getting

SELP loans was “very simple and quick” or at least “relatively simple and quick”. No respondent indicated that it was “complex and lengthy” or “relatively complex and lengthy”.

Finally, as regards job creation resulting from the loans, 33 respondents (61.11%) said that their loans had helped them to secure existing jobs, 5 (9.26%) said that it had helped them to create new jobs and 12 (22.22%), that the loan had had no impact on job creation at all.

c) **ABIGEM Project**: the total number of filled-in questionnaires received amounted to 120. Since TOBB informed the evaluators that the overall number of ABIGEM Network clients was around 10,000, the number of received questionnaires correspond to about 1.20% of them. Moreover, it should be noted that out of the 19 ABIGEM Centre clients, only a few clients of 11 Centres filled in the questionnaires. Actually, no answer was received from Gaziantep, Afyonkarahisar, Çorum, Eşkisheir, Konya, Uşak, Hatay and Şivas, while only 1 filled-in questionnaire was received from the Adana and Erzurum Centres. The clients who sent the highest number of filled-in questionnaires were from Kocaeli (42 answers, i.e. to 35% of all filled-in questionnaires received), followed by Trakya (20 questionnaires or 16.67%). So, in total, over half of the filled-in questionnaires received (exactly 51.67%) came from these two Centres. Also considering Denizli (17 questionnaires corresponding to 14.17%) and Van (12 questionnaires or 10% of the total received ones), the number of respondents from these four Centres covers over three quarters of the total. In conclusion it should be stressed that - despite TOBB’s kind and professional support in facilitating the survey – 8 Centres did not take part in the survey and out of the other 11 Centres, 4 provided 75% of all filled-in questionnaires received.

Once again, it should be stressed that the low rate of answers received along with their unbalanced distribution amongst the ABIGEM Network prevents this survey from effectively representing the existing situation in any reliable statistical terms and even kills any ambition to do so. However, even in this case, it could be somewhat interesting to find out more on the contents of the filled-in questionnaires received.

So, the filled-in questionnaires received from the ABIGEM Network’s clients provided the information hereinafter.

For the SMEs the major source of information on the ABIGEM CENTRES and their activity was (and this is not surprising) the local Chambers of Commerce (55 respondents, corresponding to 45.83% of the filled-in questionnaires received). 97 SMEs (80.83% of the respondents) were trained by the ABIGEM Centres and training was provided mainly in the field of “entrepreneurship” (39 SMEs, or 32.50%). 84 SMEs (or 70%) benefitted from consulting services, especially in the field of grant applications (48 respondents, or 40%). 54 SMEs (45%) received ABIGEM services on a totally free-of-charge basis, while 61 (50.83%) paid for them: the other 5 SMEs did not answer this question. The quality of the services was very highly appreciated: 95 respondents said they had been “very useful” to them, while only 4 clients (3.33%) noted that they had been very “useless” or “relatively useless”. This high level of appreciation was confirmed by the 83 clients (69.17%) who declared that they would recommend ABIGEM services to a colleague "even if a fee should be paid". As regards the impact of the services received on the annual turnover, 32 respondents (26.66%) said that it had been "very significant" or "significant", while 53 (44.16%) answered that no impact or very little impact had been registered.

As regards job creation resulting from the services provided by the ABIGEM Centres, 47 clients (42.34%) said that there had been no impact, while 35 (30.63%) declared that existing jobs had been secured and 30 (27.03%) answered that the assistance received had helped them to create new jobs. Finally, when asked to compare the quality of ABIGEM services to similar services provided by private consultants, 90 clients (75%) answered that the former were either "much better" or "better", while only 4 SMEs (3.33%) declared that they had been worse. The same situation arose over the costs of ABIGEM services vs. those charged by private consultants. Actually, 83 clients said that ABIGEM services were either "far cheaper" or "cheaper", while only 4 clients (3.33%) declared that they were "more expensive".

In conclusion, it should be stressed that the Online Survey concerned only three programmes, namely ABIGEMs, SELP-II and the DOKAP Grant Schemes. All of them were intended mainly for Turkey's less developed regions so that, in principle, the Survey could have been an important tool for assessing the EU capacity to tackle the problems encountered by SMEs in those areas by making adequate solutions available to developing the local Private Sector.

However, despite the support provided by TOBB and by the SELP-II Director, the rate of answers received was too low for drawing any reliable, statistically significant conclusion. In this sense, the Survey confirmed the difficulties that other projects encountered in implementing this kind of activity in the past. Actually, the very limited number of answers received as well as their unbalanced distribution with regard to their respective total statistical population made it impossible for the Evaluators to conclude rationally that these limited views effectively reflected the reality as a whole. Eventually, it should be acknowledged that the Survey provided only rather narrow, albeit often quite positive, insights into the existing situation for the DOKAP, SELP-II and ABIGEM projects, but did not add any substantial information to that already collected by the Evaluators on the basis of the documents analysed during the Desk Phase and on the basis of the face-to-face interviews conducted during the Field Phase.

9. PERFORMANCE AND REPLICABILITY OF THE THREE KEY PROJECTS

The Consultants have been requested to carry out a more in-depth evaluation of the three following projects:

- "**SELP-I**" and "**SELP-II**"
- "**ABIGEMs Project**" (Phase I, II and III)
- "**DOKAP SME Grant Scheme**"

Information on these projects has already been provided in the previous section to this Final Evaluation Report, so that the main EQ that still needs to be answered is the following:

- EQ12: To what extent have the three key projects been successful? To what extent are they replicable?

9.1 The SELP Project

Both phases of SELP were successful. SELP focused and still focuses on a neglected but important segment of the credit market represented by SMEs seeking small loans. Moreover, the project intervened in two critical macro-economic situations in Turkey: the 2000-2002 crisis and the 2008 financial crisis, which has extended its negative effects until now. Consequently, SELP has been playing the role of “ice breaker” by “sowing the seeds” to help Turkish banks understand that SMEs may be very important and reliable clients despite their relatively small sizes. The fact that the disbursed loans registered a very low loss rate confirmed both the scheme’s efficiency and the sound creditworthiness of this special SME lending market segment.

However, it must be pointed out that the Turkish banking sector and loan market changed and improved considerably over the last decade, so that a larger and more diversified portfolio of financing instruments is now available to Turkish SMEs. It seems very rational to assume that, thanks to increased competition between private banks, market conditions for SMEs in terms of access to credit will improve even more in the coming years. On the other hand, the following data show very clearly that SELP’s activity in the SME lending market has been progressively decreasing over the last years:

- 7,274 loans of 2009 (for a total amount of € 80,702,349)
- 5,374 loans of 2010 (for a total amount of € 46,750,787)
- 1,603 loans of 2011 (for a total amount of € 15,595,700)
- 3,297 loans of 2012 (for a total amount of € 44,400,855).

Access to leasing is now also possible for SMEs, which was not the case until a very recent past. Moreover, several IFIs have entered the Turkish market over the last few years and are currently offering specialised financial support to SMEs in the form of loans, venture capital and mezzanine finance. In this respect, it is worth mentioning that the EBRD through its “Private Sector Support Facility to Turkey” - which includes the “Turkey Sustainable Energy Financing Facility (TurSEFF)” - provides SMEs with loans and TA, namely through its Small Business Support (SBS) Facility. On the other hand, the EIB has made available the “SME Recovery Support Loan” programme. Both the EBRD and EIB Group’s programmes received financing from the EU-funded project called “Crisis Response Package”.

Moreover, the EIB Group supports Turkish SMEs mainly through 3 financing pillars, as follows:

- Infrastructure financing for the public sector. For example, the high-speed train line between Ankara and Istanbul, water treatment facilities, etc.
- Loans to the banking sector
- Loans supporting corporate Research and Development and Energy Efficiency.

The EIB Group’s development cooperation effort is based upon 2 pillars, as follows:

- Support to SMEs
- Energy efficiency and renewable energy.

It should also be mentioned that EC funding enabled the EIB Group (EIB and EIF) to create the “Greater Anatolia Guarantee Facility” topping up EIB loans and to create the G-43 Venture Capital Fund project.

Like the World Bank Group and the EIB Group, the Agence Française de Developpement (AFD – French Development Agency) also provides loans to SMEs in the fields of energy efficiency and environmental sustainability.

Consequently, the Consultants are of the opinion that there is no more need for any other EU direct funding programme in Turkey, since the attitude of Turkey’s banking market and banking system have now changed dramatically in favour of the SME sector. However, this does not mean that there is no problem at all for SMEs in terms of access to credit. Actually, this is a permanent problem also in the more developed countries, as growing SMEs intensify and diversify their financial needs accordingly. This is now also the case in Turkey where SMEs have been growing, so that they now need even easier access to banking finance. However, the banking sector is now in a position to offer more adequate solutions to accommodate SME needs through more focused and better tailored financial products.

Moreover, specialised European SME Financial Institutions now provide finance for SMEs. In conclusion, the Consultants now recommend that SELP should not be replicated, since this EU programme has been replaced efficiently by more specialised banking and international financial institutions.

9.2 The ABIGEM Project

The ABIGEM project has been implemented in three phases: the first phase started in 2002 and the last phase will be completed end-2014. Consequently, considering the three phases as a unique project, it should be stated that the ABIGEM project was a huge long-term programme, which consumed a total EU-funded budget of € 57,400,000 on top of additional funding provided by national and local sources (especially the local Chambers of Commerce), for setting up the ABIGEM Network’s 19 Centres. After such a long implementation period, it turns out that the project’s overall success and sustainability could be in jeopardy. Actually, the Network includes first- and second-generation Centres as well as Centres that are still under construction (Phase III). However, the overall network looks like a construction in need not only of permanent maintenance but also, to a large extent, of serious restructuring. Apparently, neither the maintenance nor the restructuring needed are being provided. In terms of “maintenance”, it must be pointed out that all ABIGEM Centres interviewed during the mission indicated that they had been suffering from ineffective coordination at the national level. Similarly, in terms of “restructuring”, any initiative is left totally to the local Chambers, which do not always consider that interventions are urgent or even necessary. The current situation is that each ABIGEM Centre is now entirely dependent upon the readiness of local Chambers to use and support them. It must also be noted that the difficulty selling ABIGEM services to SMEs, which, again, is far from being a typically Turkish issue, has progressively modified the role of the ABIGEM Centres. In order to survive, the ABIGEMs have been forced to seek other revenue sources, which they've found in participating in local tenders launched by KOSBEG and Regional Development Agencies for various types of SME training. This activity has progressively replaced the main ABIGEM activities. This is particularly true for the most dynamic ABIGEMs. So, these ABIGEMs are increasingly fulfilling the role of service providers to KOSGEB and RDAs instead of keeping their traditional role as direct service providers to SMEs. This has gradually changed the ABIGEM Network's mission and role as it is increasingly losing its direct contacts with SMEs. In this context, the ABIGEM Centres are also running the risk of losing their capacity to understand the various SME needs and characteristics as well as their specific niches forming that complex mosaic which is, only for reasons of conciseness, usually referred to as the SME sector. Therefore ABIGEM Centres may progressively become specialised training centres for SMEs and other actors (of the public sector), which has nothing to do with the ABIGEM project's initial objective.

The issue to be discussed here is whether the urgent ABIGEM restructuring should again be supported by EU-funded projects. In this respect, it is important to stress that what SMEs really need at the local level is not SME Development Centres as such, but rather qualified skills and services easily accessible. Whether these services are delivered by appropriate SME Development Centres, local private consultants, local Chambers of Commerce or similar institutions is quite irrelevant to SMEs. The EU approach used for providing this type of services through SME Development Centres is quite traditional and was widely implemented for several years, especially within the framework of the PHARE Programme (launched in 1991-92 in Eastern Europe after the collapse of the socialist system) and of the TACIS Programme (designed for the ex-Soviet republics after the demise of the USSR). Under these particular circumstances where there was no private sector at all, this approach was a sort of unique available choice and sometimes worked quite properly.

However, the situation in Turkey is totally different and more options have been available. For example, with its SBS facility the EBRD has been trying to establish a network of qualified private consultants instead of using the ABIGEM Network (in the provinces where the Centres have been created) and also instead of setting up new institutions. Similarly, on a regular basis, KOSBEG and RDAs all over Turkey launch public tenders for services to SMEs, trying to use the best consultants at the local level, regardless of whether they are ABIGEM Centres or local private companies. This means that a network of local consultants exists at the local level, so that EU support to local SME Development Centres is no longer a priority. It must also be pointed out that in the current situation renewed support to local/regional SME Development Centres would have a negative impact on the local consulting market by creating distortions leading to unfair competition. Moreover, with the decision to adopt the SME Charter and the SBA, the EU has clearly indicated that the best approach to supporting SMEs does not consist in setting up new SME Development Centres, but rather in improving the business environment by enhancing the already existing public and private institutions and organisations and leaving the creation of new entities aside for very special cases to be considered only when other options are not possible.

For all these reasons and despite the relative success of the ABIGEM Project, the Consultants consider that there is no reasonable justification to replicate this project and its approach.

9.3 The DOKAP Grant Scheme Project (SME Component)

Finally, regarding the DOKAP SME Grant Scheme, the Evaluators are of the opinion that the launching of any further SME Grant Scheme should be firmly based upon:

1) A clear mechanism capable to mitigate the risk of adversely affecting the competitors of the beneficiary SMEs (competition distortions - especially in the less developed regions), [14]and;
2) A set of clear objectives and expected results, to which well-defined eligibility and priority criteria should be linked.

For these reasons, the Consultants are quite reluctant to once again recommend launching Grant Schemes, using methodologies and mechanisms such as those implemented so far by the EU in Turkey.

A comparison between the characteristics and results of the SELP loans and the DOKAP SME Grant Scheme has already been presented in Section 6.3.1 to this Final Evaluation Report. Since it regards projects implemented under different conditions and logics, it could be unwise to draw straightforward conclusions from this comparison. However, the Evaluators are of the opinion that this comparison offers relevant and significant elements on the limits and risks associated with the DOKAP SME Grant Scheme. Therefore, on the basis of both this comparison and the overall analysis developed in the present Report about the utilisation of the loans and the grants in the field of SMEs, the Evaluators are of the opinion that grants may be tools designed for special and well-defined purposes and should preferably be used only when access to usual credit is very difficult. This could be the case for sectors or investments which, independently of their being located in a well-developed or in a less developed region, present so big potential and high risks that banks would not accept to finance them. In such cases, a mix of owner's equity and venture capital along with a reasonable amount of grant money could be a suitable solution. Therefore preference should be given clearly to grant funding of innovative projects linked to applied research and technology transfer. Grants may also be considered as an appropriate tool for funding - even in the less developed regions - SMEs and /or SME clusters working together with universities and/or research centres with a view to producing innovative technologies or goods. Grant beneficiaries could also be SMEs developing sensible projects and belonging to high-potential sectors: industrial robotics, healthcare robotics and robotics for the aged and the disabled, renewable energy and energy efficiency, nano-materials and nanotechnologies, biotechnologies and innovative waste treatment techniques may be an example of high-potential and added-value sectors, for which Grant Schemes

[14] This is an aspect that is rarely considered, but that is very essential to keep in mind when dealing with grants to SMEs. Actually, measuring the overall impact of the positive and negative effects of a Grant Scheme is a very complex and demanding task and, to be sure, it is far simpler and far more convenient to only measure/assess the positive impacts. Notwithstanding, peddling only the positive effects of a Grant Scheme would be a big methodological mistake.

may be the right solution, especially when access to traditional funding sources is too difficult for SMEs.

It is not true to say that this kind of SMEs is totally missing in the regions lagging behind. During the short visit to the DOKAP region, the Evaluators found at least two enterprises involved in the production of prototype equipment linked to energy efficiency.

10. FOCUS OF EU-FUNDED PSD SUPPORT FOR 2014-2020 ON THE BASIS OF LESSONS LEARNT

The three final EQs regard upcoming EU-funded PSD support in Turkey from 2014 to 2020. They are as follows:

- EQ13: What are the main lessons learnt from past PSD support interventions?
- EQ14: What should the focus of EU-funded PSD support be for 2014-2020?
- EQ15: What indicators could be used for measuring the performance of the next EU-funded PSD support programmes?

10.1 Lessons Learnt

The evaluation of EU-funded support to PSD in Turkey implemented over the past 11 years has offered several opportunities worthy of consideration, including how this support can be improved in the upcoming 2014–2020 period.

A preliminary point to be raised regards one of the tasks of the mission, which consisted in a mapping of the number and type of the various EU-funded PSD support interventions for 2002-2012 with a view to understanding their overlaps and/or gaps, and to providing an overall analysis of EU-funded PSD support in Turkey. As a matter of fact, it should be noted that, as far as several projects are concerned, the Experts found it difficult to complete this mapping since the documents they were provided with helped them to have only a partial vision of the activities supported by EU. The lesson learnt here is that in order to avoid jeopardising this fundamental aspect of the evaluation, it would be preferable – in the future and especially as regards the Desk Research phase – to provide Evaluation Teams with - at least - all the Implementation and Final Reports and also possibly with the Evaluation Reports on the projects to be analysed. Thus the Evaluators can more clearly and more completely understand the overall aspects of EU-funded PSD support so that - during the Field Phase- they can focus their analysis on their mission's most relevant issues and tasks.

10.1.1 Lesson Learnt 1: Importance to agree with Turkish Authorities on the overall coverage of the various SME needs

An important issue that the Evaluators would like to raise regards the overall Coherence of EU-funded PSD support in Turkey for the period under evaluation. In general, the degree of Coherence of each of the specific projects implemented in Turkey with EU policy on PSD was quite relevant. More specifically, each programme, when considered individually, had its own specific reference to, and could be justified by, one or more principles of the SME Charter, of the Small Business Act or of any other relevant EU and Turkish relevant documents. However, when the set of projects supported by EU is considered as a whole, it then becomes clear that several of the principles described in these documents have not been taken into account over the eleven-year period under consideration for the present evaluation. It was the case of all principles aiming to make the Public Administration more responsive to SME needs, to simplify bureaucracy, e.g. by applying the "SME test" principle (and the like) to new legislation and norms, or to set up "one-stop shops". These issues were, at least partly, within the scope of YOIKK, which could not achieve any significant progress on them. This may explain why these EU support aspects were not considered especially taking into account that the position of the EU has been that it is not possible to implement any EU-funded project before the relevant regulation is adopted by the Turkish authorities. To be sure, the attitude of Turkey's national authorities is the main point to be considered before an EU programme is launched. However, it should be noted that this situation prevented Turkish SMEs from benefitting from a friendlier and more responsive Public Administration. For these reasons, the Evaluators are of the opinion that more effort should be made in order to solve this problem.

10.1.2 Lesson Learnt 2: the need to specifically address SMEs and sectors having higher growth potential.

What has been particularly missing is clear and direct support to SME engaged in innovation, applied research and technology transfer. The fact that none of the EU programmes specifically aimed to foster technology and innovation within Turkish SMEs is particularly remarkable, since the "SME Strategy and Action Plan (2007–2009)", which was approved by the Turkish Government, defined three of the five strategic goals, as follows:

- "To create the appropriate economic and social environment for the emergence of SMEs which produce high value-added products and services, in synergy with public and non-governmental organisations; (Strategic Goal 2)
- To increase the number of SMEs which are highly competitive, produce goods and services with international high-quality standards, and use advanced marketing techniques (Strategic Goal 4)
- To support innovative SMEs which produce high value-added goods and services with an advanced level of knowledge and technology base" (Strategic Goal 5).

Consequently, it should be reported that there was a discrepancy (inadequacy) between the need to support SMEs, especially in the sector having high potential for development / added-value creation, and the type of support provided by the EU. The need to focus specifically on this type of approach and sector is highly emphasised by competition growing in both the national and international markets, to which Turkish SMEs are now being increasingly exposed.

In this respect it is also important to point out that according to the SBA Factsheet 2010/11 on Turkey, in the field of “Skills and Innovation aspects” (Area 8 of the SBA), even if, “the performance linked to the core innovation indicators seems relatively more positive than that linked to the indicators measuring the skills-related aspects and the degree of IT development. Therefore Turkey is above the EU average number of SMEs that introduce marketing and/or organisational innovations (50% vs. the EU average 39%)”. This means that, in general, Turkish SME demonstrate considerable readiness to adopt innovations, so that a new EU programme in this field could meet a great degree of interest.
Moreover, such a programme could also be linked to KOSGEB’s support scheme for R&D, innovation and industrial practices for SMEs, which provides support to a wide variety of costs associated with R&D with a view to increasing innovative and technology-based business development and to supporting the commercialisation and industrial application of innovative ideas.
In conclusion, the need for EU support to Turkish SMEs in the field of innovation and technology development is obvious and all major conditions for the success of this support already seem to be in place.

10.1.3 Lesson Learnt 3: Importance to properly consider know-how transfer, know-how absorption and project replication capacity in designing and implementing programmes

Another important issue regards the various capacities offered by EU projects, especially Technical Assistance, to transfer know-how and capacity to replicate projects with their own resources to Turkey’s beneficiary institutions. This issue becomes very clear when considering that the most important programmes had a different duration. More particularly, as a beneficiary of the Development of Cluster Policy project (Budget: € 6,000,000), the UFT is deeply convinced that it has benefitted very much from the project in terms of know-how transfer and that at the end of this programme, which consisted of only one phase with an overall duration of 24 months, it was able to successfully plan and implement similar programmes in the field of cluster support. On the other hand, as the main beneficiary of the Women Entrepreneurs project, TESK is also persuaded that, after completion of the rather brief first phase of the project, whose overall duration was 24 months with a € 1,000,000 budget, the more robust second phase with its additional 24 months and € 4,800,000 budget provided strong capacity to replicate similar programmes. Actually, this is a good case of “learning by doing” since it should be noted that the budget was not used directly for Institutional Capacity building purposes, but rather for delivering services to women entrepreneurs and, notwithstanding, TESK feels that it has gained strong capacity to replicate the project.

Now, when comparing the total duration of those two successful projects to that of the ABIGEM project, which has so far taken 7 years (at the end of its Phase III in December 2013, the ABIGEM project will have had an overall duration of over 8 years with an EU-funded budget of € 57,400,000, to which national contributions must be added), the Evaluators immediately point out the great difference between the former two and the latter in terms of know-how transfer, especially taking into account their respective resources and durations. It is obvious that the logic and objectives of the three projects considered here were of a totally different nature and that any comparison between them could be considered as meaningless. However, comparing them against know-how transfer capacity and capability to replicate the project activities may bring to light several crucial issues that deserve to be taken into account.

Here the main point to consider is that, at the end of Phase II of the ABIGEM Project, after 15 ABIGEM Centres had already been put in place and almost 7 years had elapsed since the start of Phase I, it was still considered necessary to launch a new international tender calling for both international expertise to set up Phase III's additional ABIGEM Centres.

Actually, after Phases I and II, it would have been logical to expect that, as in the case of the Development of Cluster Policy and Women Entrepreneurs projects, the beneficiary institutions had acquired the necessary know-how and the capacity to replicate the project without once again resorting to international TA and EU funding. The Evaluators are of the opinion that 7 years of TA and funding used for setting up the ABIGEM Centres should have been a period long enough for transferring know-how as well as for developing the capacity to replicate the projects and to raise the funds to do so. This was only partly the case since ABIGEM expertise was effectively utilised for the setting-up of the new Centres (especially short-term expertise) and the local Chambers, which hosted them, paid for the operational costs. However, the Evaluators are of the opinion that an additional effort could have requested the Turkish Authorities and the main beneficiary institutions to set up the last 4 ABIGEM Centres at their own expense. This would have allowed EU-funded PSD support to address new fields and sectors where international TA was much more needed.

In fact, the Evaluators are convinced that it is by far preferable that EU-funded PSD support should opt for approaches focusing from the start on quick and strong know-how transfer, self-sustainability and replication capacity. On the one hand, this would avoid making local beneficiaries dependent on foreign support and expertise for too long and, on the other hand, would allow EU-funded PSD support to move quickly to new activities and interventions as requested by the current ever-changing economic environment which puts increasing pressure on SMEs.

Consequently, Lesson Learnt 3 is that the capacity to transfer know-how and the related self-sustainability and replicability capacity should be taken carefully into account in project programming, monitoring and evaluation, especially when their implementation consists in several phases. This will help to limit project duration to what is really needed, thus avoiding any excessive extent and saving financial resources for the achievement of other relevant objectives.

10.1.4 Lesson Learnt 4: Need to avoid the exploitation of the potential beneficiaries of SME Grant Schemes by private consultants

A very peculiar but not at all trivial issue concerning the SME Grant Schemes deserves to be presented and properly considered here. In fact, all grant beneficiaries interviewed by the Consultants have indicated that they had experienced great difficulty in preparing and submitting grant applications, which they considered as quite a complex process. They pointed out to the Evaluators that they requested the assistance of competent private consultants, both a scarce and expensive commodity in Turkey, at least at a time when the Grant Schemes were being implemented (it must be noted that ABIGEM Centres had not yet been put in place while the

DOKAP SME Grant Scheme was being implemented). In general, each grant applicant had first to sign a contract with the selected consultant stating that 10% of the amount eventually received would be paid as fees for consulting services and only then they could get the assistance necessary to prepare the application. Considering that the average amount of DOKAP grants was approx. € 81,000, this fee rate could rightly be considered enormous and disproportionate. In any case, this fee negatively affected the line SMEs, thus partly limiting and undermining its overall investment. Therefore, if ever the EU intended to launch a new grant scheme, the issue raised by the hiring of more competent and more honest experts should be considered very carefully. One simple but effective solution could be to select a pool of "accredited consultants" and / or "Business Development Services Centres", who would apply more reasonable fees to help line SMEs prepare their grant applications.

10.1.5 Lesson Learnt 5: Need to avoid direct EU involvement in funding construction works in Turkey

Finally, one last Lesson Learnt from this evaluation mission relates to the EU direct involvement in the financing of construction works. At least two beneficiaries stressed that the EU-funded intervention in this field was very inefficient due to the complexity of EU procedures compared with similar procedures used in the Turkish market. As a result, the final cost for construction works directly funded by the EU in Turkey would be twice as high as the cost for the same structure according to Turkish market prices. The Consultants were not in a position to confirm or invalidate this observation on the basis of other sources and/or documents. However, since the two beneficiaries can be considered very reliable line stakeholders, the Consultants have considered appropriate to include this remark in the Lessons Learnt.

10.2 Focus of EU-Funded PSD Support in Turkey in 2014–2020

As shown in the first part of the present Report, providing finance to SMEs - through SELP loans and SME Grant Schemes – has led the EU to use almost 75% of its total budget earmarked for PSD support in 2002-2012.

If, as recommended by the Evaluators, the EU is not to be involved in this type of activity and support any longer, the question whether to continue or not EU-funded PSD support in Turkey in 2014-2020 becomes very crucial.

In this case, it would also be useful to ask whether it is better to dedicate EU funds and support to more general and wider objectives as, for example, rule of law and judicial reform; civil society; gender equality; disadvantaged and vulnerable groups and any other important Chapter of the Accession Strategy.

The Evaluators are of the opinion that Turkey can still benefit considerably from EU-funded PSD support on condition that this support is dedicated to the new needs that will emerge in this sectors a result of increasing economic competition from global markets.

The 2014-2020 period is expected to be characterised by growing economic competition at the international level. Mature economies, mainly the EU, the US, Canada and Japan, will fight to keep their leading position on global markets, while emerging countries, e.g. India, China, Brazil, Turkey and others) will struggle to strengthen their positions and their roles in the international arena. All published studies and analyses on these issues point out that the possibility for a country to become more competitive at the global level lies in its capacity to produce high added-value goods and services and therefore also rests upon the adaptability of its enterprises in adopting new technologies, investing in research, liaising and cooperating with universities and research centres, and also introducing innovative techniques into their production and management processes.

With respect to these objectives, the next programming cycle for 2014-2020 on EU-funded PSD support in Turkey needs to reconsider its current approach and intervention logic. It seems that EU-funded PSD support in Turkey has so far been characterised mainly by a rather traditional project approach, which has not focused sufficiently on the need to promote innovation, technology transfer and applied research within SMEs, and, more generally, on SMEs with high potential for growth and competitiveness.

In terms of allocated funding and duration, the three main EU-funded PSD support programmes, which have been implemented over the past 11 years, are the ABIGEM Network, SELP-I & SELP-II and the SME Grant Schemes. Although they have mobilised approx. € 150,000,000 in EU funding, none of them has sufficiently focused, contrary to what was recommended by Turkey's National Strategy, on SMEs with great potential to produce high added-value goods and services and with "an advanced level of knowledge and technology base".

From this point of view, it is necessary to underline the gap between the goals included in the National Strategy, which are in line with the SBA's principles and objectives, and the objectives of EU-funded projects so far implemented. EU-funded programmes supporting PSD in Turkey have had various and important purposes. To be sure, they contributed, at least to some extent, to helping SMEs grow and local economies develop as well as to partly reducing regional disparities.

However, the point here lies not so much with the general utility of EU-funded support to PSD in Turkey, but rather with what the best EU approach should be in providing the largest possible contribution to PSD development, modernisation and competitiveness. The objective is to best utilise the rather limited EU resources that shall be available for 2014-2020. Therefore the discussion should focus on how these funds should be spent in order to generate the highest added value for Turkey's private sector.

In doing this, the starting point to be taken into account is that Turkey is a very large country with a fast-growing economy (at least compared with the EU and the US), which is also characterised by important regional disparities. Disbursing the rather limited EU funding to all SME sectors across several target regions, especially the less developed ones, in order to enhance local socio-economic development is a sound objective. However, it has more to do with Regional Development than Private Sector Development.

If limited EU resources for PSD are expected to produce a significant economic impact, they should be earmarked only for specific economic sectors and used only for well-defined and well-targeted objectives which could generate the highest possible added-value. This will increase competitiveness of the most dynamic SMEs and contribute to progressively increasing the competitiveness of SME sectors having very high growth potential in all regions, included the less developed ones.

However, in this respect, **the most important point here is that if EU-funded PSD support in Turkey focuses mainly on regional economic disparities and Turkey's less developed regions through, inter alia, SME development, it will not be in a position to efficiently and effectively support PSD in Turkey, where 70% of SMEs are located in the more developed regions**. Consequently, the choice to limit EU-funded support to the less developed regions would also limit PSD support to only 30% of SMEs and more often than not to a segment with less potential for growth and competitiveness. Adopting this approach for 2014-2020 would mean that from now on the EU will no longer support PSD in Turkey, but only regional development programmes. In this context, EU-funded PSD support will merely become one of the programme components promoting the less developed regions. Obviously, regional development is and remains an important issue, which deserves careful EU attention and consideration. However, it is an issue totally different from PSD support at the national level and also vis-à-vis challenges and pressure from the international markets.

So, if the EU intends to support PSD in Turkey over the next few years, and the Consultants are of the opinion that it should do so, then first of all the EU should abandon the intervention logic restricting its support only to Turkey's less developed regions and second it should consider the overall SME network at the overall national rather than regional level.

While the first approach recommended is to enlarge EU-funded support to PSD to the entire country, the second approach proposed aims to restrict it to:

a) Only sectors and SMEs with high potential for growth and competitiveness at the national and/or international levels;

b) To cases where international TA is necessary when not available at the national level and also when international funding is desirable due to conditions making access to credit particularly difficult for SMEs.

It is useful to point out that the "restriction" suggested here to consider only a few sectors and SMEs still leaves room for several types of EU-funded support and projects. These sectors could include, for example:

a) Robotics - for industry as well as for healthcare institutions, the aged and the disabled persons;

b) Technology for the construction sector (bio-buildings);

c) Biotechnology research and applied biotechnology for industry and agriculture;

d) Renewable energy and energy efficiency;

e) Nano-materials and nanotechnology;

f) ITC and web applications;

e) Industrial and domestic waste treatment and recycling;
f) Water treatment and recycling;
g) Logistics, etc.

This shortlist should be confirmed and completed in cooperation with the Turkish authorities. Moreover, this shortlist should not be considered exhaustive, since all sensible innovation processes deserve to be supported by the EU, irrespective of the priority sectors already selected.

In this sense, there remains a lot of room for EU-funded support, which can also include individual SMEs and SME clusters cooperating with universities and/or research centres for the implementation of joint projects. Support to techno-parks and to the industrial exploitation of patents is also a field of activity worthy of careful consideration.

Within this framework, it is obvious that once its objectives and target groups have been defined properly, EU support to PSD in Turkey can provide far higher added value and visibility than any other approach that would be limited to all types of SMEs in selected regions.

This strategic choice implies that “traditional” assistance to SMEs in more and less developed regions should no longer be funded by the EU. However, this should not be considered as a big issue in Turkey, where local expertise already exists for this type of TA and where the government has got sufficient resources and knowledge (e.g. through KOSGEB and RDAs) to take care of this type of support.

Therefore all conditions are in place for the EU to select an approach significantly different from that implemented over the past decade, but which will be fully justified by circumstances experienced by Turkey’s SME sector in 2014-2020.

11. PERFORMANCE INDICATORS TO BE USED IN THE NEXT PROGRAMMING CYCLE FOR EU-FUNDED PSD SUPPORT IN TURKEY IN 2014-2020

Focused EU-funded PSD support also entails streamlining its performance indicators. As innovation, technology transfer and applied research should be the main activities that EU support will need to focus on, appropriate performance indicators should help properly measure any progress and achievement made in those fields. In this respect, SMART indicators (Specific, Measurable, Attainable, Relevant and Time-bound) should continue to prevail.

As performance indicators, also known as Objectively Verifiable Indicators of achievement (OVIs), should be specific, it is not possible, by definition, to establish a list of OVIs that could be used for all projects and all SMEs, especially ahead of project implementation and even completion. Therefore these OVIs must be designed specifically for each project and each project component.

Besides, the OVIs selected should also be measurable, so that they are be not only qualitative, but also, and above all, quantitative. As a matter of fact, all qualitative OVIs should have their corresponding quantitative counterparts, so that measuring progress and results would be a very factual exercise.

For example, the objectives of an innovation and technology transfer project can be to:

a) Increase SME awareness on the benefits of adopting specific organisational structures or technological opportunities within a specific SME cluster;

b) Increase awareness on potential benefits for SMEs to cooperate with a specific university, research centre or Techno-Park in order to develop new products or new characteristics of an existing product; and

c) Promote within the SME community the adoption of the new organisational structures and technologies indicated under a) and SME involvement in the cooperation planned with universities / Techno- Parks.

In this case, what should be measured in the first place is the “degree of SME awareness” on the potential benefits of the newly proposed:

a) Organisational structure;

b) Technological opportunities;

c) Collaboration with the universities / research centre / Techno-Park.

For this purpose, a specific set of OVIs should be designed, including OVIs for measuring SME awareness respectively on organisational change, technological innovation and involvement in the collaboration envisaged.

SME awareness can be measured through the level of participation of entrepreneurs and SME staff in ad-hoc informative meetings and conferences as a first indicator to be used along with the number of requests for information and clarifications and/or comments on the organisational structure or technological opportunities presented by SMEs on their cluster’s webpage.

The degree of adoption of the proposed structural innovation and technological opportunities can be measured through apposite site visits, if the number of SMEs allows doing this, and /or through apposite questionnaires and interviews. On the other hand, the degree of cooperation with the university / research centre can be measured through the number of SMEs fully involved in this process.

An important point remains to be considered about the approach to be used for properly measuring project results, especially their overall economic impact. This essential task can be fulfilled properly only through a comparison between the situation effective in each of the SMEs concerned (or, as in our example, in each SME of the overall cluster) at the start of the project and the corresponding situation after a predefined period of time has elapsed, e.g. 18, 12 or 6 months from its end.

Two factors should be emphasised in this approach. The first factor is that measuring the impact of a project immediately after its completion (or even before, as was the case for the GAP-GIDEM projects) can only provide a partial and distorted view of what the project has produced. Actually, only the immediate effect can be measured this way, while any additional effect produced by the project in the medium-term will not be taken into account. Projects, especially if they include an important TA component, cannot be expected to produce or to have produced all their effects upon completion date. Projects are supposed to produce sustainable effects and some of them need time to materialise and become measurable. Measuring effects upon project completion may generate biased assessments.

The second factor to be taken into account when measuring a project's impact is that only very factual measurements may produce reliable results. Therefore any progress or improvement made by an SME involved in an EU-funded project should compare reliable data collected before this SME starts the project with reliable records by the same SME at the end of its involvement in the project / upon project completion. Data on past performance related to market share, employment, annual turnover, investment, organisational structure, etc., if collected at the end of the project or at the end of the TA provided by the project, strongly risks being affected by the SME owner's / representative's opinion on this project and to what extent they think it has satisfied their personal expectations. Personal and subjective opinions could be very important for evaluating projects, but when measuring the economic impact of projects, personal opinions should never be taken into account. Only economic data should.

Therefore in the future the EU should adopt a sensible approach to measuring the results of its PSD support projects, which should be based as much as possible upon a sort of agreement between the project and the beneficiary SME, in which the project commits itself to transferring know-how through TA within a predefined period. The beneficiary SME should commit itself to adopting this know-how and the related organisational or productive measures. From the beginning, this agreement should describe the starting point/condition of the SME concerned as well as the expected results, once know–how transfer has been completed. The way and timing used for measuring the results should also be defined in this agreement along with the expected improvement to SME performance.

It is clear that this approach is far more demanding to both sides (the TA and the SME), but it is the only one that provides a clear view of the real added value generated by EU projects. It is also obvious that this approach may be very difficult to apply to programmes having very wide objectives and focusing on very generic results such as, for example, "increased entrepreneurial attitude of unemployed persons" or "increased awareness of SMEs on social responsibility". Nevertheless, the Consultants are of the opinion that future EU-funded support to PSD in Turkey should address selected sectors and activities and avoid projects having wide and generic objectives. Therefore, for this type of projects, the approach and OVIs proposed here should be not only applicable, but also necessary if effective results are to be measured properly.

12. RECOMMANDATIONS

12.1 Improving the implementation of EU-funded projects through the flow of information collected from other EU programmes.

The EU is the main international donor in Turkey, so that its SME support approach and methodologies are very important references for any additional action / project funded by other multilateral and bilateral donors. Moreover, as the main donor, the EU is also expected to be the key reference in terms of best practices, methods and lessons learnt. In this respect, it is important to point out that EU methods and best practices must not be improved only once every two or three years, e.g. on the occasion of a project or programme evaluation, as improvement to EU-funded interventions should be a constant process, which can indeed be considerably facilitated through the permanent monitoring and more frequent evaluation of EU-funded project implementation activities. Continuous project monitoring and frequent evaluation help to generate a permanent flow of information, which constitutes the essential basis for constant and progressive improvements to EU implementation of existing programmes and planning of upcoming ones. It is therefore recommended that all future projects be constantly monitored and properly evaluated in due course, in order to also extract from them useful elements and information to be used for feeding into corrective actions for ongoing programmes as well as into the next programming cycle for PSD support in Turkey In 2014-2020.

A practical example of the importance to use data and information derived from one project for improving the implementation of another project was provided here above when it was suggested that comparing the size of SELP Loans with the size of SME Grant Schemes would have helped to better structure the mechanism of the Grant in order to enhance its capacity to help investments have a stronger impact on competitiveness and employment in the Regions under consideration (see paragraph 5.3.1). Similarly, data and information obtained from the SME Grant Schemes could have helped to better tailor the dimension of SELP loans to the real needs of SMEs located in Turkey's less developed regions. Likewise, a careful and permanent analysis of the characteristics of SELP-II's borrowers could have been used for properly designing priority criteria in the Grant Schemes.

Similar possibilities to progressively improve programmes under implementation as well as to create and exploit any possible synergy between them should be permanently considered and sought over the coming years.

12.2 To improve the implementation of EU-funded projects through the flow of information collected from programmes funded by other donors.

The approach that consists in using data and information from EU programme implementation to increase the performance of EU-funded PSD support may be similarly extended to the data and information coming from the actions supported by other international donors and more specifically by IFIs[15].

In this sense, for example, data collected from the EBRD's SBS Facility could have been used for comparing the results of the EBRD approach, which consisted in creating a network of local and accredited SME consultants, with the EU approach, which consisted in setting up the ABIGEM Network in order to assess which of the two approaches was best appropriate to meet the needs of local SMEs and was more efficient in terms of cost-benefit analysis. Similarly, fresh data coming from multifaceted IFI activity can help to fine-tune implementation of EU programmes and /or their methodologies.

It is evident that in order to make this approach really applicable, a strong and continuous flow of information should be permanently ensured amongst all main international donors. Moreover, it is also necessary to regularly organise specific ad-hoc meetings to present and discuss the data and results of similar projects supported by the various institutions. This is a very specific activity that should be considered as something different from the periodical important meetings where donors discuss and agree how to split amongst themselves and cover the general fields of intervention. What it is requested here is a more technical and operational analysis of specific data. This work could be carried out more efficiently by the persons bearing direct responsibility for the implementation of specific projects. It is evident that an important role should also be played here by the national and local Turkish authorities and organisations.

The scope of this approach is to highlight those specific issues and aspects, which might deserve further careful consideration and analysis or testing to improve the performances of projects still under implementation or under way. Thus the overall performance of international donor interventions could be enhanced.

To be sure, all this would represent some additional workload, but the Evaluators are convinced that the potential improvements stemming from this type of attitude deserve this effort.

12.3 To assess a project's know-how transfer, absorption and replicability capacity in order to increase the general efficiency of EU-funded projects.

One important issue to be carefully considered during the PSD project design and monitoring phases is the capacity of the TA to transfer relevant know-how to beneficiary institutions (delivery capacity) and the capacity of those institutions to absorb this transferred know-how (absorption capacity). Similarly, the potential and the capacity of beneficiary institutions to become quickly capable to replicate the project and its funding (sustainability) is a crucial point that deserves be considered. The objective here is to make, as soon as possible, the beneficiary institutions less dependent on international TA and EU funds, so that new EU projects may be supported, thus enlarging and increasing the overall EU capacity to support Turkey's private sector.

[15] This methodology addresses specific and very important aspects related to the more general issue of donor coordination. That is why we have put it forward as a specific recommendation here, while a more comprehensive recommendation on donor coordination is included in Point 9.7 hereinafter.

This increased EU capacity to quickly move from the various PSD support fields, sectors and activities without being obliged to remain stuck too long in the same types of project or support would definitely generate real added value for the Turkish SMEs, since ever more dynamic markets and changing conditions characterise economic competition affecting SMEs.

In this respect, it is recommended that the EU should in the future avoid embarking on very long and repetitive projects as was the case, for example, with ABIGEM Centres. Supporting the creation of Business Development Centres for 7/8 years will certainly result, in the end, in an important achievement for the Turkish SME sector. However, as it was constantly involved in the same type of project for so many years, the EU could not support other fields of activities also worthy of careful consideration.

If the EU had supported the creation of Business Development Centres for a shorter period (i.e. 3-5 years), it would have been able to move to other sectors and support more relevant interventions as requested by SMEs. At this stage, it is very evident how the issue related to know-how absorption capacity and capacity to replicate projects becomes very central to planning and designing EU-funded PSD support in Turkey.

In this respect, the Evaluators recommend that as regards projects to be implemented in 2014-2020 this issue related to know-how transfer and replication capacity should be taken carefully into account in planning EU interventions and in designing the specific projects, which should also be seriously monitored and evaluated during their implementation. Only thus can EU support provide real and permanent added value to Turkey's private sector and relevant line public institutions.

12.4 To dedicate PSD support to the most dynamic SMEs all over the country

As for the objectives that new EU PSD support programming should set for 2014-2020, it is recommended that these be:

a) More focused in terms of sectors and SMEs; and

b) Addressed specifically to SMEs and sectors having a high potential for growth in national and international markets.

c) Related to governance support (well-structured and manageable SME tracking and support system.)

The main reason for this new approach is that Turkey already has its own technical and financial resources to provide SMEs with basic services through public institutions and private consultants. KOSGEB, TESKOMB, TOBB and similar institutions already have enough know-how and resources to support SMEs with basic services. Moreover, several private consultants are also active in this field and, when necessary, can be hired by those institutions. This situation implies that EU-funded support is neither urgent nor essential in this field of basic / general assistance to SMEs. However, what is really missing in Turkey is very focused and specialised support to SMEs having great potential for growth in the new market niches opened by innovation, applied research, e-Economy, ICT, etc. These sectors and SMEs active in them constitute the segment that can best contribute to modernising and increasing the overall competitiveness of Turkey's economy (even the less developed regions) in global markets. The most dynamic sectors and SMEs active in those sectors are the driving force that may lead the upgrading of Turkey's economy. Having limited resources, the EU should choose to support the locomotive of PSD and not the wagons tied behind.

Focusing on SMEs and sectors with high growth potential means leaving aside the intervention logic that consists in focusing EU support only on several specific regions. In this respect, the EU should clearly make a clear decision about its PSD support approach for 2014-2020. The EU can either continue supporting regional development in the less developed Regions with PSD as a component of this support while ignoring that 70% of Turkish SMEs (with high percentage having a huge competitiveness and growth potential) are not located in the less developed regions, OR conversely, can choose to support the private sector throughout Turkey as a whole, irrespective of SME locations, by focusing on the real potential for economic and social growth in Turkey, which can result from enhanced competitiveness of the most dynamic SMEs all over the country.

The Consultants are fully convinced that only the second option makes sense as a real and effective policy for PSD support. As a matter of fact, the current EU activity in favour of PSD in Turkey which is targeting only 30 % of the existing private sector at national level and which is involving only SMEs located in the less developed Regions could be considered as a misleading definition when referring to it as "EU Support to PSD in Turkey". 70 % of Turkey's private sector is currently not targeted and remains outside of the objectives of EU projects. This situation should be modified for 2014-2020 and this contradiction solved by giving Turkey's private sector access to EU support at the national level. Focusing the EU support interventions only on SMEs located in the less developed regions will only contribute to marginalising EU PSD support in Turkey and to ignoring the real needs of SMEs at the national level. The Evaluators are of the opinion that Turkey's main international donor (the EU) cannot give priority to a PSD support approach that *de facto* marginalises the large majority of Turkish SMEs.

Supporting the most dynamic SMEs in Turkey will strongly help the country's economy to cope with competitive pressure and market forces within the European Union in the medium-term, which also constitutes one of the main points of the EU Acquis.

In conclusion, continuing to focus EU support to PSD only on less developed regions can help to achieve results mainly in the field of small entrepreneurship and to promote the entrepreneurship culture in Turkey's less developed regions, thus contributing - at least to a certain extent - to regional development. To be sure, these are relevant objectives in terms of joint EU–Turkish interest in the field of EU Acquis harmonisation and alignment. However, the scope of this assistance is substantially different from the scope of assistance to the Turkish private sector that needs to become competitive in the global economy and able to contribute all its vital potential to job creation and economic modernisation, which are also crucial objectives in the fields of EU Acquis harmonisation and alignment.

Therefore the programming of IPA II assistance should clearly identify the scope of future EU-funded PSD support in Turkey.

In this context, it is very important to take into account that in 2014-2020, EU funding dedicated to PSD in Turkey will no longer be requested to support activities similar to those of Pillar 1 “Access to Finance” and Pillar 2 “Business Development Services”, which absorbed 75% of EU budgets dedicated to PSD. This means that with the same financial resources, the EU could also consider allocating part of these resources to SME support in the less developed regions through specific actions, while using the remainder of the funds to promote competitiveness of the most dynamic SMEs all over the country.

This mixed approach – now made possible by closing the two main traditional pillars of previous EU-funded PSD support in Turkey– could offer not only a compromise between two different necessities, but also a very practical solution making EU support more effective, especially with reference to the overall objectives of EU Acquis alignment.

12.5 To assess the achievements of EU-funded PSD support projects and programmes more frequently, e.g. through Monitoring and Evaluation

Once the new approach to EU-funded support to SMEs with very high growth potential all over the country has been selected, project designers should consider that the current ever-changing economic environment requires a timelier assessment of global EU-funded PSD support in Turkey over the next few years. Consequently, it is recommended that the general evaluation of EU support to SMEs should be conducted at least every 4/5 years instead of 10/11 years, as has been the case with this mission.

On the one hand, this will help to check the achieved results not only vs. the planned results, but also vs. the private sector’s evolving needs. Thus it will be possible to better adapt programme implementation activities and modalities (at least as long as EU procedures will allow this) to the new challenges facing Turkish SMEs.

On the other hand, results, data and information stemming from evaluations conducted more frequently will be used for better designing and fine-tuning future programmes by adapting them to the national and international economy’s fast-changing conditions and challenges.

12.6 To enforce the EU Acquis in Turkish SMEs by supporting the implementation of EU standards and best practices

The Evaluators had the opportunity to visit several manufacturing SMEs in South-Eastern Anatolia and the DOKAP Region. Although several of those SMEs purchased very modern equipment from Western Europe, the Evaluators would like to point out that occupational health and safety (OHS) norms and standards are not yet observed at all production sites in Turkey. The Evaluators have noticed that both the management and labour force were breathing extremely noxious particles, were working completely unprotected or in environments lacking basic safety norms. These poor labour conditions must change urgently. Therefore the Evaluators are of the opinion that although OHS legislation exists in Turkey and is generally in line with the EU Acquis, it’s still rather poorly enforced in several parts of the country. The EUD and the Ministry of Labour and Social Security (MLSS) could envisage designing and implementing EU-funded projects focusing on OHS law enforcement and awareness-raising. In this respect, it should also be considered to give priority access to EU-funded support to those SMEs which commit themselves to upgrading their labour and environmental conditions according to EU standards and norms. This approach would be even likelier to generate concrete results if it were applied by all EU Donors in agreement with Turkish authorities. However, considering the magnitude of investment needed to ensure compliance with EU requirements, and of multilateral and bilateral assistance in addition to EU funding, and although a Donor Coordination mechanism has been put in place, this approach should be part of a Donor Coordination mechanism that should be established more firmly for improved effectiveness of IFI and EU funding.

12.7 To strengthen Donor Coordination in order to considerably enhance aid effectiveness

Overall, in Turkey, Donor Coordination has not been as strong as it should be and as synergy opportunities require. The IFIs should not only submit their ideas and proposals for consideration, but should also conduct joint needs assessments and gap analyses and then decide who does what according to their fields of competence and skills, priorities, interests and commitments. This idea may seem to be a bit far-fetched. However, it’s the only way to ensure efficient Donor Coordination. Therefore the Evaluators would like to strongly encourage the NIPAC and the Treasury to join efforts in order to strengthen their focus on systematic and regular donor coordination and harmonisation measures and events from a strategic, funding, design and implementation perspective. Once in place, this mechanism will definitely help speed up efforts to enhance Donor Coordination with better aid effectiveness[16] as the ultimate goal This mechanism should ideally meet the Paris Declaration principles: it should be cooperative, harmonised, well-integrated into the donor and beneficiary communities, create synergies and ensure Complementary. Finally, the Evaluators are also of the opinion that direct EU Contribution Agreements with IFIs, such as those existing with the UNDP, the EIB and KFW, should be encouraged to create leverages and synergies, especially as the EU cannot work on each and every front. IFIs specialising in PSD support have a crucial role to play.

13. CONCLUSIONS

This complex evaluation was conducted by the Consultants with great commitment and dedication since they very well understood the importance of this assignment and of its results for the EU, for all other international donors and for Turkish institutions. The decision of EU to launch a global evaluation of its support to PSD in Turkey is a concrete demonstration of the great importance the EU attaches to the private sector’s role in accelerating economic and social growth in Turkey within the framework of its accession strategy.

Turkey is a large country with a fast-growing economy. Turkey’s role in international markets over the next decades will heavily depend upon its capacity to fully exploit its SME sector’s huge

[16] See also the Paris Declaration on Aid Effectiveness.

potential for growth. Its private economic sector is a composite world where dynamic SMEs are efficiently competing in the international markets, while other SMEs are struggling to survive by serving the local markets.

Over the next few years, support to this multifaceted sector will increasingly require joint commitment from both national authorities and international donors. In this context, it is essential that the role and specific activities of each line institution and donor should be based upon a common vision of the specific added value that each actor can better complement. In this sense, understanding the way in which previous EU-funded PSD support performed, including its successes and weak points, is a pre-requisite for designing and planning measures tailored to the specific needs and potential of Turkish SMEs. This is especially true for what concerns IPA 2 planning.

The Consultant dares to hope that this Report will provide a useful tool for helping the EU, the Turkish authorities and as well as the international donors to make the appropriate choices that can best support the development of Turkey’s private sector over the coming years.

ANNEXES

ANNEX 1 – LIST OF THE OFFICIALS INTERVIEWED DURING THE MISSION

ANNEX 2 – MAIN CHARACTERISTICS AND CONTENTS OF THE EU PROGRAMMES SUPPORTING PSD IN TURKEY DURING THE PERIOD 2002 – 2012

ANNEX 3 – PRINCIPLES AND MAIN LINKED POLICY ACTIONS INDICATED IN THE SME CHARTER

ANNEX 4 – DOKAP QUESTIONNAIRE AND ANSWERS RECEIVED

ANNEX 5 – SELP-II QUESTIONNAIRE AND ANSWERS RECEIVED

ANNEX 6 – ABIGEM QUESTIONNAIRE AND ANSWERS RECEIVED

ANNEX 1 – LIST OF THE OFFICIALS INTERVIEWED DURING THE MISSION

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Mr. Mehmet DERE	Former AKKM PIU Technical Coordinator, Malatya

ANNEX 2 – MAIN CHARACTERISTICS AND CONTENTS OF THE EU PROGRAMMES SUPPORTING PSD IN TURKEY DURING THE PERIOD 2002 – 2012

MEDA PROJECTS : 2002 and 2006 with a global allocation of € 32,015,000

- **Business Centres (Phase 1)** : ***Budget € 16,400,000***

From 2002 to 2006, three Turkish Business Centres (TBC or ABIGEM) were set up respectively in Izmir, Gaziantep[17] and Kocaeli aiming to support local SMEs by delivering tailored services. The Centres were created as commercial companies, whose main partners were the local Chambers of Commerce. During the implementation period, the project fully supported the Centres in terms of both TA and supply costs while the running and building costs were paid by the local Chambers.

At the end of the project, an Economic Impact Assessment was carried out by an independent consultant. This assessment was conducted mainly on the basis of a questionnaire sent to the clients of the three ABIGEMs. In their Report, the Assessors clearly pointed out the difficulties in collecting data and information through the questionnaires due to “the reluctance of ABIGEM clients to participate in this survey, the difficulty in obtaining quantitative data (e.g. sales, exports and employment), the propensity of some clients to provide misleading information on sales and employment, and the ABIGEM clients’ difficulty in formulating the type of service received”.

However, the information collected allowed the consultant to highlight very positive results, as it reported that:

- On average, after ABIGEM services were received, domestic corporate sales tended to increase (nevertheless according to the Assessment Report, there was no sufficient evidence to assert that ABIGEM services had a direct positive impact on growth in domestic sales);
- ABIGEM services had a statistically meaningful positive impact on increase in exports (+ 83% in export performance by the ABIGEM clients);
- The assessment also suggested a statistically meaningful average increase by 142% in the average productivity of the assisted SMEs.
- No particular impact was observed in the field of investment.

The Assessment concluded that each euro invested in the project generated a € 3.5 turnover for the Turkish economy.

- **Entrepreneur Support and Guidance Centres (GIDEMs)*: Budget € 9,200,000***

From 1997 to 2002, five GIDEMs delivering PSD support were set up by the UNDP in each of the five provincial capitals, namely Adiyaman, Diyarbakir, Gaziantep, Mardin, and Sanliurfa, in the Southeast Anatolia Region[18]. This programme paved the way for the extension of the project through an EC-funded contribution of € 9.2 million. In 2002, the European Commission and the UNDP signed an agreement to extend the GIDEM Project for an additional 5 years, however, restricting it to only four Centres. Gaziantep was excluded since it was already covered by an ABIGEM Centre.

The GIDEM project started in April 2002 and ended in November 2007. GIDEM was an SME development project designed as one of the major components under the EU-funded GAP Regional Development Programme. It was implemented by the UNDP in cooperation with the GAP Regional Development Administration. Its wider objective was to increase the GAP Region’s competitiveness in national & international markets, while its immediate objective was to improve the managerial, operational and administrative capacities of micro-, small- & medium-sized enterprises in the GAP Region by providing MSMEs and SMEs with business development services, including training,

[17] It should be noted that, when the field mission was conducted by the Evaluators, the ABIGEM Centre in Gaziantep was no longer operational. Its activity was closed about two years ago on the basis of a decision of the local Chamber of Commerce which considers the Centre not more necessary with respect to its strategy of the development.
[18] None of the GIDEM Centres was still open and operational only one year after EU funding and UNDP Technical Assistance ended

information and advisory services.

GIDEM services were delivered through local offices staffed with 3-4 management consultants to guide and extend counselling services to entrepreneurs. The Centres focused their services on the manufacturing industrial sectors, including SMEs.

In July 2007, i.e. a few months before project completion, an independent Economic Impact Assessment of the overall GAP-GIDEM project was carried out. The Assessment Report presented very positive results. In particular, it was stressed that thanks to the activities carried out by GAP-GIDEM Offices in the 2002-2005 period:

- 4,443 individuals participated in trainings/seminars;
- 2,207 clients benefited from information services;
- 1,352 persons received counselling/advisory/guidance services.

According this Assessment Report, the project created an economic added value of 10 TL for each TL spent on project activities. The economic Impact Assessment estimated that since 2003, GIDEM services had been instrumental in generating a total revenue of € 14,029,595 for the local economy and also investment worth € 27,565,221, in raising corporate sales by € 60,466,843, exports by € 11,366,750, and reducing unemployment by 1,688 units.

It should be pointed out that in May 2007, i.e. a few months before its completion, the project focused on the preparation of a Regional Competitiveness Agenda. For this scope, an addendum to the UNDP–EU Contribution Agreement was signed, aiming to enable the project on the preparation of a Regional Competitiveness Agenda for the whole GAP Region. The UNDP considers that this has been the main achievement of the project since this Regional Development Programme was adopted by the regional authorities and funded by the Government. Ever since, this document represented the main pillar upon which all consequent development policies and economic initiatives in the Region were based.

- **Supporting Women Entrepreneurs (Phase I):** ***Budget € 1,040,000 funded by the EU + € 266,400 as a TESK contribution.***

The project was a joint EU–TESK[19] initiative, whose implementation started in mid-2002 and ended in June 2004 (24 months).

The project's overall objective was to promote entrepreneurship especially amongst Turkish women by playing an active part in setting up and/or running small family businesses. More specifically, the project's objective was to encourage, by providing training and consulting services, small family businesses, in which women could play a key role, and also to encourage women willing to start a business. Five Training Centres were established to this effect, namely in Bursa, Denizli, Ankara, Mersin and Çorum. They were aimed primarily at women (2/3 of the total of trainees should have been women). The Training Centres were self-sufficient and provided with EU-funded equipment. Over 1,700 women were trained by the five Centres and 368 of them started their own businesses.

[19]TESK is the acronym standing for Confederation of **Turkish** Tradesmen and Craftsmen

- **EU On-Line*: Budget € 770,000***

Relevant information on this project was very limited, since poor documentation was provided /available. Moreover, in the main beneficiary institution there was no record of this project. The project (probably) started early 2002 for a planned duration of 30 months. It included an equipment procurement component (hardware and software supplies) worth € 350,000. Its objectives were as follows:

- To establish a system for enabling Turkish enterprises to set up businesses with domestic and international enterprises electronically (e-business, e-trade);
- To develop the KOBİNET website content's language other than Turkish to raise awareness in the EU and internationally;
- To develop a strategy for KOBİNET's sustainability trough promotion and information campaigns;
- To identify and supply the necessary infrastructure (software and hardware) for activity implementation.

The beneficiary was KOSGEB[20], which was requested to also provide the project director.

- **Supporting Subcontractors in the Automotive Sector**: ***Budget € 1,245,000***

No relevant information on this project was provided or available to the mission.

- **Shoemaking Training Institution: *Budget € 1,900,000***

The project started in April 2002 and ended in June 2006 (4 years and 3 months). The Consulting Firm was LDK Consultant, Greece. The project also included 12 procurement tenders (for special equipment supplies).

Its main objective was to support Turkish shoemakers in recovering their position in world markets by: a) improving the quality of goods; b) introducing modern manufacturing and management techniques and practices into this sector's SMEs; c) improving the skills of vocational trainers and workers in this field.

The main stakeholders were: KOSGEB, TESK, TOBB[21], TUAF[22] and the Ministry of National Education (MNE).

A training centre was set up in Istanbul, while a CAD[23] / CAM[24] Centre was created in Ankara.

- **Vocational Training in the Clothing Sector: *Budget € 1,500,000***

The project started on 02/04/2002 and ended on 30/06/2005. The overall budget was € 3,059,090 (EU contributed € 1,500,000 and KOSGEB - € 1,559,090). The main goal was to increase the quality of goods in order to enhance the sector by improving HR skills of the human in the ready-to-wear (prêt-à-porter) clothing sector. Two training laboratories were established respectively in Umraniye and İkitelli. The EU Experts trained 165 locals. In total, 14,876 persons were trained and 2,364 persons were placed to jobs after training sessions were completed.

One test laboratory in Adana and one laboratory in İkitelli (İstanbul) were established, which allowed to perform 15,103 tests for 2,054 enterprises. These laboratories permitted to perform 40 different types of test, including UV permeability and protection and also water permeability. Both laboratories were certified ISO-EN-17025 by TURKAK[25]. With the Council of Ministers Decision N° 0412.2007, the laboratory equipment in İkitelli İstanbul was handed over to the Ministry of Education's Directorate for Women Technical Vocational Training.

This project's stakeholders were the Ministry of Education, the Turkish Clothing Producers Association and the EU Delegation.

[20] SME Development Organisation
[21] Union of Chambers and Commodity Exchanges of Turkey
[22] Turkish General Confederation of Shoemakers
[23] Computer-Aided Design
[24] Computer-Aided Manufacturing
[25] Turkish Accreditation Agency

- **Environmental standards in textile sector*: Budget € 1,000,000***

No relevant information on this project was provided or available to the Evaluation Team.

- **Small Enterprise Loan Programme – Phase I (SELP-I): *Budget € 20,000,000***

SELP-I started on September 1st, 2003, for 36 months. The project's Overall Objective was to make a contribution to the economic development and employment creation effort, to support the expansion and deepening of the financial sector in the SME lending operations. More specifically, the project aimed to provide the target group – the lower end of SMEs – with permanent access to loans to be provided by commercial banks at market conditions. SELP selected three private Turkish Commercial Banks in the provinces of Izmir, Kocaeli and Gaziantep and, through these banks, targeted the neglected market segment of loans from €5,000 up to € 30,000 per individual borrower for up to 24 months. The project consisted of three components: a) a Revolving Fund; b) an Exchange Risk Cover Fund (not utilised at all); and c) TA to the participating banks (from 2004 to 2006).

A direct mandate was given by the EU to KfW for the technical implementation of the project, while the TA was provided by the Frankfurt-based Bankakademie, now known as the Frankfurt School of Finance & Management.

According to the Final Evaluation Report on this project, SELP-I was successfully completed and repaid in full by the 3 participating banks, with a very low non-performing loan (NPL) rate and/or little significant technical difficulty identified overall. Moreover, the Report said that SELP-I was also "quantitatively" successful, i.e. 2,394 loans were granted, amounting to € 38,000,000 in loan volume and an estimated 3,532 new jobs were created and 22,489 jobs retained (although the same Report stressed that these claims were difficult to ascertain).

PRE-ACCESSION PROJECTS: 2005 - 2010 with a global allocation of € 85,300,000

- **Small Enterprise Loan Programme – Phase II (SELP-II): *Budget € 40,000,000***

Based upon SELP-I's experience and success, SELP-II started end 2005. It is expected to be completed end 2013. The Undersecretariat of Treasury is the Beneficiary Institution while, once again, the Implementing Agency is KfW. Technical Assistance was once again provided by the Frankfurt School of Finance and Management (ex-Bankakademie). The programme currently covers 49 of Turkey's least developed provinces, including 4 EADP[26] regions.

EU funds are used as a risk cushion, while the main funding comes from KfW and CEB[27], i.e. € 85.6 million. The maximum loan amount was increased to € 50,000 (for investment only) and its maximum duration was extended to 48 months.

The programme consists of the following components:

- Component 1: Establishment of the European Fund for Turkey
- Component 2: Establishment of the Exchange Rate Cover Fund
- Component 3: Technical Assistance

KrediGarantiFonu (KGF) was expected to be included in the mechanism, but this did not happen.

Four banks were selected to participate in the scheme with a total number of 424 branches in the 49 provinces. Overall, 1,338 bankers have been trained since the programme was launched.

As regards lending activities, it should be noted that at the end of 2011 (latest data available), the total loan portfolio

[26]Eastern Anatolia Development Programme
[27]Council of Europe Development Bank

reached € 145,048,836 with 14,251 loans. The total amount of loans disbursed in 2011 was € 24,026,996 (a total of 2,589 loans). End 2011, the average loan size of the overall portfolio was € 10,178. The average loan maturity and interest rate were respectively 21 months and 1.53% per month.

In 2011, the EU requested an audit of the project, which brought positive results.

Since the EU contributions were used as a Risk Fund and were not used thanks to the scheme's good performance, a decision should be made regarding the fate of EU funds still available after project completion scheduled for end 2013. A team of experts was entrusted to prepare exit strategy proposals. Their report is expected to be presented by mid-2013.

- **Business Centres (Phase II*):*** Budget € 32,500,000

After the first three ABIGEM Centres in Izmir, Gaziantep and Kocaeli were created, it was decided to extend the network of EU TBC. Another 12 Centres were set up in: Adana, Afyonkarahisar, Çorum, Denizli, Erzurum, Eskişehir, Kayseri, Konya, Malatya, Trabzon, Trakya and Uşak.

While Phase I of the ABIGEM project with its three pilot Centres took over four years, Phase II was only 24 months, i.e. from Q1 of 2007 to Q1 of 2009.

Like the first ABIGEMs, the new Business Centres (BCs) were set up as commercial companies, whose main partners were the local Chambers of Commerce. The new BCs were intended to assist SMEs in many areas, i.e. strategic planning for groups of SMEs or individual SMEs, support services for SME internationalisation, institutional development services, general corporate management services, business start-up and entrepreneurial advisory services, entrepreneurial programme development with specific components for women, financial management & finance and credit seeking techniques, market research, technology transfer and information services.

Considering Turkey's size and regional disparities, it was decided to split the overall programme into the three following lots:

- LOT 1: Denizli, Eskisehir, Kayseri, Konya, Adana and Trabzon (DEKKAT Provinces);
- LOT 2: Afyon, Çorum, Erzurum, Malatya, Usak and Trakya (ACEMUT Provinces);
- LOT 3. Establishment of the National Coordination Centre (NCC) within TOBB.

In May 2010, it was decided to launch an Interim Impact Assessment for both DEKKAT and ACEMUT Provinces. In general, these two assessments gave positive results. In particular, the Reports indicated that:

- For DEKKA Provinces, "Denizli, Eskişehir and Kayseri demonstrated high entrepreneurial and innovation capacity, a high level of institutional thickness and better economic performance, while Konya, Adana, Trabzon had remarkable unshared experiences and were lagging behind in terms of development";
- For ACEMUT Provinces, the situation was more homogeneous and, in general, all Centres demonstrated they had "achieved significant market penetration in their respective provinces, and overall satisfaction was expressed for the services the ABIGEMs delivered. The ABIGEM training services had begun to positively affect the prevailing management culture, thereby enhancing the absorption capacity of final beneficiaries, i.e. the SMEs".

- **Fashion and Textile Cluster (I & II):** ***Budget € 17,000,000***

The project was implemented from 2005 to 2009 and its budget included an important procurement component up to € 13,000,000 (77% of the overall budget allocation), while the TA component was funded with the remaining € 4,000,000 (33%).

The project's Overall Objective was to increase the international competitiveness of SMEs in the textile and clothing sectors by:

a) Increasing networking amongst SMEs in the textile and clothing (T/C) sector at local, national and European levels, as well as with business support organisations and related structures; and
b) Strengthening public and private support structures for SMEs in the textile and clothing sector.

The project consisted of three main TA activities:

- Conducting a cluster analysis;
- Conducting a needs analysis and elaborating a proposal for investment support;
- Providing TA in the field of institutional capacity building.

As regards the procurement component, the objective was to have four cluster institutions, namely the Fashion Institute, the R&D Centre, the Consultancy Centre and the Cluster Coordination Agency, fully equipped in line with the TA project's recommendations (€ 13 million invested in equipment)

The project's Key Stakeholders were the Istanbul Textile and Apparel Exporter Association (ITKIB), Under-Secretariat of the Foreign Ministry for Foreign Trade (UFT), universities and relevant NGOs.

- **Development of a Clustering Policy:** ***Budget € 6,000,000***

The project was implemented from April 2007 to March 2009 (24 months). The beneficiary was the Under-Secretariat for Foreign Trade (UFT).

The Programme's Overall Objective was to improve Turkey's competitiveness in international markets through synergies between Turkish and European clusters and thereby to contribute to the EU Lisbon Strategy. Its Immediate Objective was to develop a comprehensive and visionary clustering policy that contributes to Turkey's sustainable social, environmental and economic development.

Geographically, the project covered:

- 10 sectors and 14 provinces (while developing cluster roadmaps):
  Software and Machinery (Ankara), Automotive (Bursa, Kocaeli, Sakarya), Ceramics (Eskişehir, Bilecik, Kütahya), Automotive Parts and Components (Konya), Home Textiles (Denizli, Uşak), Yacht-Building (Muğla), Food (Mersin), Organic Food (Izmir) and Electronic Appliances (Manisa)
- 12 provinces and 11 sectors (while conducting cluster analyses):
  Çorum (Machinery), Erzurum-Kars (Tourism), Gaziantep (Machine Carpet), Kahramanmaraş (Textile and Clothing), Kayseri (Furniture), Malatya (Apricot), Mardin (Tourism), Samsun (Foreign Trade and Logistics), Sivas (Natural Stone-Marble), Trabzon (Forestry), Yozgat (Furniture)

The project's main components included:

- Component 1: Capacity Improvements for Development and Implementation of National Clustering Policy
- Component 2: Development of the National Clustering Policy
- Component 3: Cluster Mapping and Analysis (CM)

The beneficiary is of the opinion that the project achieved all its expected results, more particularly:

- The institutional capacity of UFT and other relevant organisations to develop and implement an integrated clustering policy was adequately improved;
- The institutional needs analysis of UFT for establishing, advocating and implementing a national clustering policy was properly completed;
- Institutional alignment strategy and proposals were elaborated;
- Training needs were properly assessed and training programmes on clustering were provided to civil servants and NGO members;
- A cluster analysis and a cluster development toolbox were developed;
- An international study tour on successful clustering practices was organised;
- A strategy for developing the national clustering policy was proposed;
- Strategic and economic priorities for the development of national clustering policy were identified;
- 20 clusters were mapped and their needs were assessed;

- Cluster development roadmaps were developed for the 10 clusters;
- A strategy document (i.e. White Paper) for developing the national clustering policy was proposed.

The UFT is of the opinion that this programme was very successful and helped the government launch and finance further actions in the field of clustering, which are still ongoing and which are very beneficial to the private sector.

- **Training and Consultancy Centres for Women Entrepreneurs:** ***Budget € 4,800,000***

The project started in July 2007 and ended in April 2009. Its Overall Objective was to support women entrepreneurship and to get them to play a more active role in business activity. For this purpose, it provided entrepreneurship and management training and consultancy for women entrepreneurs. To this effect, it supported the development of Turkey's private enterprises (SMEs as well as micro enterprises, tradesmen and craftsmen), while at the same time placing a particular emphasis on women's role in private sector development. Its budget included an envelope of € 300,000 for procurement. The main beneficiary institutions were TESK and 24 ESOBs[28].

Geographically, the project covered the following 25 provinces of Turkey:

- Training Centres: Ankara, Antalya, İstanbul, Konya, Adana, Malatya, Manisa, Nevşehir, and Samsun.
- Training Relays: Düzce, Eskişehir, Kastamonu, Muğla, Tekirdağ, Kırklareli, Hatay, Tunceli, Sivas, Erzurum, Balıkesir, Uşak, Yozgat, Amasya, Ordu, Tokat.

Documents related to this project refer to it as a real success story for Turkey. Actually, the Final Implementation Report states that the project's achievements went beyond the expected results: "The projects results have been achieved and the specific project objectives to assist women entrepreneurs were exceeded: over 6,291 women received entrepreneurial training (vs. 4,500 planned in the TORs). Over 2,755 women received entrepreneurial consultancy support (vs. 1,500 envisaged in the TORs). 11,498 women have been trained and 3,717 women have been consulted. In total, over 15,333 service activities have been delivered. As a result of WES[29] activities, 253 women set up their businesses at the end of the project."

On the other hand, the Economic Impact Assessment (conducted by the same Consortium that implemented the project), asserted, among other things, that "The implementation of WES model fully (100%) satisfies the needs and expectations of major stakeholders" and that "Across all 25 project regions, no significant variations were found on trainees satisfaction levels. The WES training programme was implemented everywhere in a uniform and exceptionally high quality. Compared to satisfaction data from similar entrepreneurship trainings in EU Member States where satisfaction ratings usually do not exceed 70-75%, WES satisfaction ratings were extremely high (99%)". Finally, as regards the final assessment of the project's cost-effectiveness (Efficiency), the Report concluded that "This project per se can be considered as a benchmark for future projects in Turkey".

[28] Union of Chambers of Tradesmen and Craftsmen
[29] European Network to Promote Women's Entrepreneurship

- **Technical Assistance for Development of Incubation Centres for Supporting Women**: ***Budget € 3,500,000***

The project started in August 2007 and ended in March 2009 (19 months). The beneficiary institution was KOSGEB.

The project's Overall Objectives were:

a) To increase the contribution of women entrepreneurs to national economy;

b) To increase the economic welfare of women.

Its Specific Objectives were:

a) To improve the institutional capacity of KOSGEB and the newly established incubators in providing incubation services;

b) To develop replicable Incubator models that can be utilized by KOSGEB for future applications;

c) To assist in the establishment of four Business Incubators in Çorum, Hacibektas, Kütahya and Pendik;

d) To assist with the establishment and growth of 80 women enterprises - tenants of four Business Incubators.

According to the Final Implementation Report, the project achieved all its expected results and, more particularly, at the end of the project:

- 4 Business Incubators were established respectively in Çorum, Hacibektas, Kütahya and Pendik;
- 71 women entrepreneurs occupied these Incubators as tenants;
- 80 business plans were drafted for women's enterprises.

During the field phase of this mission, KOSGEB informed the consultants that currently all four Incubators are operational[30] and that those in Kütahya and Pendik are performing particularly well, with full support from the local municipalities which intend to enlarge them due to the high demand from start-ups.

However, KOSGEB stressed that it would be preferable not to have any further direct EU funding of construction works, since EU procedures are so burdensome that eventually the costs of the buildings financed by EU are far above standard market prices for similar facilities.

- **Industrial Restructuring of Şanlıurfa:** ***Budget € 21,500,000***

The "Industrial Restructuring of Şanlıurfa" project was implemented within the framework of the 2006 National Pre-Accession Programme for Turkey. The project's beneficiary institution was the Ministry of Industry and Trade. It started in 2009 and was completed in May 2011.

The project's Overall Objective was to reduce regional disparities in Turkey by contributing to social stability and economic development in the South-Eastern Anatolia Region.

The project's Specific Objective (project purpose) was to restructure Şanlıurfa's industrial base and increase the province's competitiveness in national and international markets by modernising/extending the infrastructure, by building waste water treatment plants and also by increasing the administrative, operational and entrepreneurship capacity of SMEs established in the Organised Industrial Zones (OIZ).

The project consisted of two components, as follows:

- The Construction Works Component covered the construction of OIZ 2 and of a waste water treatment plant

[30] The Opinion of the EU Delegation In Ankara, however, is that problems about operational activity may exists in Corum and especially in Hacibektas where difficulties with this field appeared even during the implementation period.

for OIZ 1 and OIZ 2, consultancy and supervision services, and
- The TA Component covered activities aiming to create a competitive environment for SMEs in the OIZs and to identify strategic sectors.

TA was provided by the UNDP, which confirmed that the project's expected results were fully achieved. Currently, Şanlıurfa's OIZ 1 is fully occupied by several SMEs operating in various sectors. However, the UNDP considers that the EU should no longer be involved in construction activities, since EU procedures are so burdensome that eventually the final costs of the facilities are far above standard market prices for similar premises.

SME Grant Schemes under Regional Development Programmes: 2004 - 2010 with a global budget of € 47,100,000

- **Eastern Anatolian Development Programme (66 Contracts) : *Budget € 4,425,000***

The programme was implemented from January 2004 to January 2007 and was financed under the MEDA Funds. The aim of the project was to promote and reinforce the Van Region's potential for development. The Eastern Anatolia Development Programme was divided into four "activity" components: a) Agriculture and Rural Development; b) SMEs; c) Tourism and Environment; d) Improvement of social conditions.

The mission was requested only to evaluate the component related to the SME Grant system. In this respect, 66 grant contracts were signed with a large number of SMEs of the target region.

The TA experts were expected to support KOSGEB and other business service organisations in promoting the scheme, defining the eligibility and selection criteria and helping enterprises understand the requirements of the grant process where KOSGEB was required to play a coordinating role.

The programme was also linked to SELP-II in order to provide the Region's SMEs with permanent access to loans close to market conditions.

- **Regional Development in the Samsun, Kastamonu and Erzurum NUTS II Regions (SKE Programme, 204 Contracts under the SME Grant Component): *Budget € 14,175,000***

The SKE regional initiative started in 2005 and ended in 2008. It consisted of three grant schemes related respectively to SMEs, Local Development Initiatives, and Small Infrastructure Initiatives. The mission was requested to focus only on the SME Grant component of the Scheme.

According to the Impact Assessment Report conducted in 2008/2009, "*The SME Grant Scheme was not aligned with the EU's current SME policies, where the emphasis is put on research, innovation, cooperation and networking at sectoral level and is remote from direct support to individual companies. This has meant that any immediate effects and impacts generated by the SKE Grant Scheme have been, and will probably be, diluted by factors, such as local "market distortion", possible "displacement" and evidence of "dead weight" in a significant number of SME projects*".

- **Regional Development in the Konya, Kayseri, Malatya and Agri Nuts II Regions (AKKM programme, 277 Contracts under the SME Grant Scheme Component): *Budget € 20,575,000***

The project funded within the framework of the Pre-Accession Programme 2004 started in mid-2005 (overall duration: 24 months). The AKKM project consisted of four components: a) Agriculture / Livestock; b) Local Development Initiatives Grant Scheme; c) SME Grant Scheme; d) Grant Scheme for Small Scale Infrastructure.

The mission was requested only to evaluate the SME Grant Scheme. This Grant Scheme was intended to increase the capacity of MSMEs and SMEs through training and practical experience in generating and conducting projects; to improve M/SME access to information sources and consulting services; and also to stimulate entrepreneurial activity by supporting start-ups through training and by providing privately-owned SMEs with resources for physical investment and business support packages, including marketing, management, technology transfer and innovation techniques.

- **Regional Development in the TR90 NUTS II (DOKAP[31]) Region (DOKAP SME Grant Scheme, 103 Contracts):** ***Budget € 8,335,000***

The programme included the following Grant Schemes:

- SME Grant Scheme
- Local Development Initiatives Grant Scheme
- Tourism & Environment Related Infrastructure Grant Scheme

The mission was requested only to evaluate the SME Grant Scheme component which was expected to increase the capacity of MSMEs and SMEs by generating and conducting projects in marketing, advertising, management and utilising technology transfer and innovations. The SME contribution to the local and regional economy in the fields of manufacturing and investment was also expected to increase as well as SME access to external markets, information, financial sources and consulting services. Improvements were also expected with respect to marketing of local products, competitiveness of local companies, job creation and income. All this was to be achieved by means of grants for physical investment and business support packages, including mainly marketing, management, technology transfer, R&D and innovation techniques.

The call for proposals was launched in April 2007 and 103 contracts were awarded to the target region's SMEs.

At the end of the contract, it was decided to conduct a spot check for monitoring purposes. 24 SMEs amongst 50 beneficiaries were selected at random. Regarding the beneficiary SMEs, the results of this mission demonstrated, inter alia, that:

- 86% had mostly achieved the grant objectives at the end of the contract period;
- 36% had included expenses in the grant that would have been considered ineligible by audit;
- 64% had their project activities and procedures fully under the control of the project manager and other project staff.

Regional Competitiveness Operational Programmes: 2007 - still ongoing

- **Business Centres (ABIGEM-Phase III):** ***Budget: € 8,500,000 (i.e. € 6,375,000 from EU + € 2,125,000 from the National Budget)***

The ABIGEM-Phase III project is carried out under TOBB's supervision and aims to set up four new Business Centres (ABIGEMs) in Sivas, Hatay, Batman and Van. As was the case for the previous ABIGEM Centres, these four new centres are hosted by the respective local Chambers of Commerce and Industry and are mainly owned by them. The project was launched in 2011 and is managed by EU external experts from a project office in Ankara, who are assisted by support staff. Local experts have been selected to work in each ABIGEM and additional local and international experts are usually hired for specific tasks.

As was the case for all other ABIGEMs set up under Phase I and II, the local Chambers of Commerce provide offices and the necessary infrastructure, e.g. fully furnished premises, telephone, fax, internet lines and operational costs (water, heating, electricity, etc.) in order to properly accommodate the Centres during and after the project's implementation phase. EU funding covers the TA provided by external experts to the four ABIGEMs and also pays ABIGEM staff salaries for the whole project implementation period.

The target is to make these new ABIGEM Centres fully operational by the end of 2014, i.e. by the time the project is completed.

[31]DOKAP is the acronym derived from Eastern Black Sea Regional Development Plan (DOKAP) prepared by the Japanese International Cooperation Agency. It includes the following provinces: Artvin, Bayburt, Giresun, Gümüshane, Ordu, Rize and Trabzon.

ANNEX 3 – PRINCIPLES AND MAIN LINKED POLICY ACTIONS INDICATED IN THE SME CHARTER

PRINCIPLES	LINKED POLICY ACTIONS
Principle I: Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded.	*Fostering entrepreneurial interest and talent, particularly amongst young people and women.*
Principle II: Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance.	*a) Promote a positive attitude in society towards giving entrepreneurs a fresh start; b) aim to complete all legal procedures to wind up the business in the case of non-fraudulent bankruptcy within a year; c) ensure that re-starters are treated on an equal footing with new start-ups.*
Principle III: Design rules according to the "Think Small First" principle by taking into account SME characteristics when designing legislation, and simplify the existing regulatory environment.	*a) Ensure that policy results are delivered while minimising costs and burdens for business; b) rigorously assess the impact of forthcoming legislative and administrative initiatives on SMEs ("SME test"); c) consult stakeholders, including SME organisations, prior to making any legislative or administrative proposal that has an impact on businesses.*
Principle IV: Make public administrations responsive to SME needs, making life as simple as possible for SMEs, notably by promoting e-government and one-stop-shop solutions.	*a) Reduce the level of fees requested by administrations for registering a business (taking inspiration from EU best performers); b) Reduce the time required to set up a business to less than one week; c) accelerate the start of SME commercial operations by reducing and simplifying business licenses and permits (as, for example, setting a maximum deadline of 1 month; d) establish a contact point to which stakeholders can communicate rules or procedures which are considered to be disproportionate and/or unnecessarily hinder SME activities, g) ensure full and timely implementation of the setting-up of single contact points (i.e. one-stop shops), through which businesses can obtain all relevant information and complete all necessary procedures and formalities by electronic means.*
Principle V: Provide guidance to authorities on how they may apply the EC public procurement framework in a way that facilitates SME participation in public procurement procedures.	*a) Set up electronic portals to widen access to information on public procurement opportunities below the EU thresholds; b) encourage their contracting authorities to subdivide contracts into lots where it is appropriate and to make sub-contracting opportunities more visible.*

Principle VI: Facilitate SME access to finance, in particular to risk capital, micro-credit and mezzanine finance and develop a legal and business environment supportive to timely payment in commercial transactions. (Linked Policy Actions	*: Develop financing programmes that address the funding needs of SMEs including instruments combining features of debt and equity; b) tackle the regulatory and tax obstacles that prevent venture capital funds operating with SMEs; c) ensure that taxation of corporate profits encourages investment.*
Principle VII: Encourage SMEs to benefit more from the opportunities offered by the Single Market, in particular through improving the governance of and information on Single Market policy, enabling SME interests to be better represented in the development of standards and facilitating SME access to patents and trademarks.	*a) Encourage National Standards Bodies to reconsider their business model in order to reduce the cost of access to standards; b) ensure that the composition of the standardisation committees is fair; c) carry out promotion and information campaigns to encourage SMEs to make better use of standards; d) provide SMEs with advisory services including support to defend themselves against unfair commercial practices.*
Principle VIII: Promote the upgrading of skills in SMEs and all forms of innovation. Encourage investment in research by SMEs and their participation in R&D support programmes, transnational research, clustering and active intellectual property management by SMEs.	*: a) Encourage SMEs internationalization and becoming high growth enterprises including through participation in innovative clusters; b) promote the development of SME competences in the research and innovation field by means of simplified access to public research infrastructure, use of R&D services, recruitment of skilled employees and training, etc.; c) open up national research programmes and contribute to SME access to trans-national research activities; d) support the development of an electronic identity for businesses, to enable e-invoicing and e-government transactions.*
Principle IX: Turn environmental challenges into opportunities. Provide more information, expertise and financial incentives for full exploitation of the opportunities for new "green" markets and increased energy efficiency, partly through the implementation of environmental management systems in SMEs.	*: a) Provide incentives for eco-efficient businesses and products (e.g. tax incentive schemes and prioritising subsidies for funding sustainable business.*
Principle X: Support and encourage SMEs to benefit from market growth all over the world, in particular through market-specific support and business training activities.	*Encourage coaching of SMEs by large companies in order to bring them to international markets.*

ANNEX 4 – DOKAP QUESTIONNAIRE AND ANSWERS RECEIVED

(Total number of answers received: 6 out of 103 beneficiaries corresponding to 5.83%)

#	Question	Answer
DQ1	How did you get informed about the possibility of getting a grant from an EU programme?	Through the local Chamber of Commerce: 2 Through my Bank: 0 Through a newspaper / local radio/ local media: 0 Through the Internet: 0 Through a Consultant: 2 Through a colleague / friend : 1 Through other sources: 1
DQ2	What is the amount of the grant you received?	Total amount of the grant: (average of 5 answers) 49,288 €
DQ3	What was the total amount of the investment you carried out using the grant?	Total amount of the investment: (average of 5 answers) 105,241 €
DQ4	Have you received a loan or used your own resources for covering the difference between the total investment and the grant?	I've received a loan: 4 I've used my own resources: 2 I've used other funding sources: 0

DQ5	Who supported you in drafting the Business Plan?	Self: 3 Chamber of Commerce and Industry: 0 Other: □ (Please Specify: Consultant 3)
DQ6	How do you consider the overall process of getting the grant?	Very simple and quick: 0 Relatively simple and quick: 0 Relatively complex and lengthy : 6 Very complex and very lengthy: 0
DQ7	If the grant had not been available, would you have carried out the investment anyway?	Yes: 1 No: 2 I would have carried out a smaller investment: 3
DQ8	Have the grant and the related investment had any impact on your annual turnover?	None: 0 Yes, a very big impact: 0 Yes, a rather big impact: 2 Yes, a moderate impact: 2 Yes, but only a small impact: 2

DQ9	Have the grant and the related investment had any impact on job creation or on securing existing jobs in your firm? How many jobs?	None: 0 Yes, existing jobs have been secured: 2 Yes, new jobs have been created: 4 Total number of jobs secured and/or new jobs created: 5 + 6 *(only 2 answers)*
DQ10	Has the grant facilitated any diversification of your business activities?	None: 0 Yes, a very big diversification: 1 Yes, a rather big diversification: 0 Yes, a moderate diversification: 2 Yes, but only a little diversification: 3
DQ11	Have the grant and the related investment had any impact on your company's vision and management structure?	None: 0 Yes, a very big impact: 0 Yes, a rather big impact: 0 Yes, a moderate impact: 3 Yes, but only a small impact: 3

ANNEX 5 – SELP-II QUESTIONNAIRE AND ANSWERS RECEIVED

(Total number of answers received: 54 out of 14,251 beneficiaries corresponding to 0.357%)

#	Question	Answer
1	What Bank granted you the loan? (Name and Branch)	Akbank: 2 (3.70%) Garanti Bank*:* 2 (3.70%) IşBank : 50 (92.59%) Şekerbank*:* 0 (0.00%) *Branch:* no clear answers
2	How did you get informed on the SELP Loan Programme?	From the Local Chamber of Commerce: 0 (0.00%) From my Bank: 41 (77.36%) From a newspaper / local radio/ local media*:* 0 From Internet: 1 (1.85%) From a consultant: 0 (0.00%) From a colleague / friend: 3 (5/55%) From other sources: 7 (12.96%)
3	Have you been informed that the loan was provided through an EU programme?	Yes: 35 (64.81%) Yes, upon signing the contract: 7 (12.96%)

		Yes, during loan implementation: 3 (5.55%) Non: 5 (9.26%)
4	What was your loan's maturity? (in months)	Months: 23.7 months
5	What was the amount of the loan that you've received?	Total amount: TL 32,620
6	Was the loan used for covering your need for working capital, or investment and equipment purchase purposes, or both?	Need for Working Capital: 31 (57.40%) Investment (& equipment purchase): 7 (12.96%) Need for Working Capital & Investment: 12 (22.22%)
7	Did you have to provide any collateral to get the loan?	Yes: 30 (55.55%) No: 20 (37.03%)
8	How do you consider the overall process of getting the SELP loan?	Very simple and quick: 41 (75.92%) Relatively simple and quick: 10 (18.51%) Relatively complex and lengthy: 0 (0.00%) Very complex and lengthy: 0 (0.00%)
9	Has this been the first loan that you've received from the same bank?	Yes: 15 (27.77%) No: 34 (62.96%)
10	Have you experienced any problem with your repayments?	Yes: 1 (1.85%) No: 49 (90.74%)

11	Has your loan had any impact on job creation or on securing existing jobs? How many jobs?	No impact: 12 (22.22%) Yes, existing jobs have been secured: 33% (61.11%) Yes, new jobs have been created: 5 (9.26%) Total number of jobs secured and/or new jobs created: no clear information provided
12	Would you apply again for SELP Loan if you need again a Loan?	Yes: 43 (79.62%) No: 7 (11.29%)

ANNEX 6 – ABIGEM QUESTIONNAIRE AND ANSWERS RECEIVED

(Total number of answers received: 120 out of approx. 10,000, corresponding to 1.20%)

#	Question	Answer
AQ1	What ABIGEM Centre(s) provided you with the service/s? When?	Izmir: 3 (2.50%) Konya: 0 (0.00%) Gaziaantep: 0 (0.00%) Malatya: 5 (4.17%) Kocaeli: 42 (35.00%) Trabzon: 4 (3.33%) Adana: 1 (0.83%) Trakya: 20 (16.67%) Afyonkarahisar: 0 (0.00%) Uşak: 0 (0.00%) Çorum: 0 (0.00%)□ Batman: 7 (5.83%) Denizli: 17 (14.17%) Hatay: 0 (0.00%) Erzurum: 1 (0.83%) Sivas: 0 (0.00%) Eskişehir: 0 (0.00%) Van: 12 (10.00%) Kayseri: 6 (5.00%) Year. No clear answers
AQ2	How did you get informed of the possibility to get services from the ABIGEM Centre(s)?	Through the local Chamber of Commerce: 55 (45.83%) Through my Bank: 0 (0.00%) Through a newspaper / local radio/ local media: 4 (3.33%) Through the Internet: 9 (7.50%)

		Through a Consultant: 17 (14.17%) Through a colleague / friend: 14 (11.67%) Through other sources: 18 (15.00%)
AQ3	What kind of service/s did you get from ABIGEMs?	<u>CONSULTANCY: 84 (70.00%)</u> Organisational restructuring, Institutionalisation: 22 (18.33%) Export brokerage with foreign companies: 11 (9.17%) R&D, Innovation, Development of new products: 1 (0.83%) Projects preparation for grant scheme: 48 (40.00%) Web page design and corporate identity: 2 (1.67%) Legal: 8 (6.67%) Others: 22 (18.33%) <u>TRAINING: 97 (80.83%)</u> Entrepreneurship: 39 (32.50%) Management, Finance, Human Resources, sales: 11 (9.17%) Foreign trade, Export, Internationalisation: 15 (12.50%) Accreditation, Standards, Certification (ISO, HACPP, OHS): 6 (5.00%) Personal skill and development: 4 (3.33%) IT Skill: 3 (2.50%)

		Start-ups: 1 (0.83%) Others: 18 (15.00%)
AQ4	Have you paid for the service/s provided by the ABIGEM Centre(s)?	No, they were provided on a free-of-charge basis: 54 (45.00%) Yes: 61 (50.83%)
AQ5	How do you consider the service/s provided by the ABIGEM Centre(s)?	Very useful: 95 (79.17%) Relatively useful: 19 (15.83%) Relatively useless: 1 (0.83%) Useless: 3 (2.50%)
AQ6	How often did you get services from the ABIGEMs Centre(s) last year (i.e. in 2012?)	None: 23 (19.17%) Once: 46 (38.33%) Twice: 29 (24.17%) 3 times: 4 (3.33%) More than 3 times: 15 (12.50%)
AQ7	Would you recommend your colleagues to apply for ABIGEM service/s?	No: 6 (5.00%) Yes, but only if they are provided on a free-of-charge basis: 27 (22.50%) Yes, even if a fee should be paid: 83 (69.17%)
AQ8	Have the service/s you received from the ABIGEM Centre had any impact on your annual turnover?	None: 31 (25.83%) Yes, a very big impact: 19 (15.83%)

		Yes, a big impact: 13 (10.83%) Yes, a moderate impact: 29 (24.17%) Yes, but only a small impact: 22 (18.33%)
AQ9	Have the service/s you received from the ABIGEM Centre had any impact on job creation or on securing existing jobs in your firm? How many jobs?	None: 47 (42.34%) Yes, existing jobs have been secured: 35 (30.63%) Yes, new jobs have been created: 30 (27.03%) Total number of jobs secured and/or new jobs created: no clear answers
AQ10	Can you please compare the quality of ABIGEM services with other private business consultants	Much better: 45 (37.50%) Better: 45 (37.50%) Same: 17 (14.17%) Worse: 4 (3.33%)
AQ11	Can you please compare the cost of ABGEM services with other private business consultants	Much cheaper: 44 (36.67%) Cheaper: 39 (32.50%) Same: 16 (13.33%) Much more expensive: 4 (3.33%)