



Brussels, 11.12.2017
C(2017) 8623 final

COMMISSION IMPLEMENTING DECISION

of 11.12.2017

**amending Commission Implementing Decision C(2014) 9576 final 11.12.2014 adopting a
multi-annual Country Action Programme for Turkey on Competitiveness and
Innovation**

COMMISSION IMPLEMENTING DECISION

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amending Commission Implementing Decision C(2014) 9576 final 11.12.2014 adopting a multi-annual Country Action Programme for Turkey on Competitiveness and Innovation

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action¹ and in particular Article 2(1) thereof,

Having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002² and in particular Article 84(2) thereof,

Whereas:

- (1) The multi-annual Country Action Programme for Turkey on Competitiveness and Innovation for the years 2014-2016 under the IPA II was adopted on 11 December 2014 by the Commission Implementing Decision C(2014) 9576 final.
- (2) In order to continue implementing the IPA Sector Operational Programme for Competitiveness and Innovation (CISOP) it is necessary to extend the existing programme 2014-2016 to take into account the additional allocation for 2017.
- (3) Therefore the multi-annual Country Action Programme for Turkey on Competitiveness and Innovation should be extended by one year only, 2017, and for the amount of EUR 58 000 000. There will be no further extension in 2018.
- (4) It is necessary to adopt an amended Financing Decision, the detailed rules of which are set out in Article 94 of Commission Delegated Regulation (EU) No 1268/2012³.
- (5) The amended action programme provided for by this Decision is in accordance with the opinion of the IPA II Committee set up by Article 13 of Regulation (EU) No

¹ OJ L 77, 15.03.2014, p.95

² OJ L 298, 26.10.2012, p.1

³ Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union OJ L 362, 31.12.2012, p. 1.

231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an instrument for Pre-accession Assistance (IPA II)⁴,

HAS DECIDED AS FOLLOWS:

Article 1

Commission Implementing Decision C(2014) 9576 final of 11.12.2014 adopting a multi-annual Country Action Programme for Turkey on Competitiveness and Innovation is amended as follows:

1) Article 2 is replaced by the following:

"Article 2

Financial contribution

The maximum amount of the European Union contribution for the implementation of the Programme referred to in Article 1 is set at 187 800 000 and shall be financed as follows:

EUR 37 400 000 and shall be financed from the budget line 22.02.03.02 of the general budget of the EU for year 2014

EUR 46 200 000 and shall be financed from the budget line 22.02.03.02 of the general budget of the EU for year 2015

EUR 46 200 000 and shall be financed from the budget line 22.02.03.02 of the general budget of the EU for year 2016

EUR 58 000 000 and shall be financed from the budget line 22.02.03.02 of the general budget of the EU for year 2017

The financial contributions referred to in the first sub-paragraph may also cover interest due for late payment".

2. The Annex is replaced by the Annex to this Decision.

Article 2

The Financing Agreement concluded between the European Commission and Turkey on 4 May 2016 shall be amended accordingly.

Done at Brussels, 11.12.2017

For the Commission
Johannes HAHN
Member of the Commission

⁴ OJ L 77, 15.03.2014, p.11

ANNEX

to Commission Implementing Decision amending Commission Implementing Decision C(2014) 9576 final 11.12.2014 adopting a multi-annual Country Action Programme for Turkey on Competitiveness and Innovation

1 IDENTIFICATION

Beneficiary	Turkey
CRIS decision number	2014/031-879
CRIS/ABAC Commitment references	
Total cost	2014 EUR 44 000 000 2015 EUR 54 352 941 2016 EUR 54 352 941 2017 EUR 68 235 294
EU contribution	2014 EUR 37 400 000 2015 EUR 46 200 000 2016 EUR 46 200 000 2017 EUR 58 000 000
Budget lines	22.02 03 02
Management mode/ Entrusted entities	Indirect management with Turkey: For indirect management with Turkey the operating structure responsible for the execution of the actions, is Ministry of Science industry and technology
Timetable for spending allocation of each budgetary commitment	Budgetary commitment 2014 must be spent by 31/12/2019 Budgetary commitment 2015 must be spent by 31/12/2020 Budgetary commitment 2016 must be spent by 31/12/2021 Budgetary commitment 2017 must be spent by 31/12/2022
Programming Unit	DG NEAR A5 Turkey Unit
Implementing Unit/ EU Delegation	EU Delegation to Turkey in Ankara.

2 DESCRIPTION OF THE ACTION PROGRAMME

2.1 SECTORS SELECTED UNDER THIS ACTION PROGRAMME

- Rationale for the selection of the specific sectors under this programme:

The Competitiveness and Innovation Sector Operational Programme (CISOP) is based on an accurate analysis of the economic and social situation in Turkey. The composition of economic activities in the country has changed over the last several years, in favour of services, with more resources dedicated to “untraded” sectors rather than “traded” sectors. This trend places a significant burden on Turkey’s medium - and long-term growth prospects, as indicated in the 10th Turkey's National Development Programme (NDP10) approved by the Parliament in 2013.

The overarching strategy of this CISOP is rooted in the NDP10’s growth strategy namely: *“Developing an export-oriented, private sector-led competitive production structure by increasing productivity and accelerating industrialization”*. More specifically, the CISOP’s main aim is to contribute to the transformation of the manufacturing industry in order to move up the value chains that encompass “traded” sectors.

The NDP10 further states that although labour productivity has increased between 2007 and 2013, the productivity gap between the large-scale enterprises and small and medium enterprises (SMEs) has widened. The sector analysis demonstrates that the SMEs are less productive than the large-scale enterprises¹. The challenges faced by the SMEs are known by the Turkish authorities, and several support schemes, which aim at improving SMEs’ competitiveness, have already been put in place, most notably those offered by the Small and Medium Enterprises Development Organization (KOSGEB). In order to avoid possible duplications, this programme targets value chains rather than individual SMEs, that previous programmes funded or co-funded by the EU have supported in Turkey (e.g. EU Business Centres, non-specialised incubation centres etc.).

The NDP10 takes into account also the science, technology and innovation policies. These are generally geared towards improving the collaboration between government, academia and industry and boosting research and development (R&D) and innovation in globally competitive and high value-added sectors. In these areas the CISOP shall focus on creating an innovative environment which puts start-ups and SMEs at the centre. Supporting SMEs in their R&D efforts and commercialisation of the results and fostering innovation that adds high value in products and services should be the primary objectives. The support measures should also be in synergy with the EU programmes COSME and Horizon 2020 which will also facilitate the participation in these programmes. In addition, the programme also recognizes that there is a need to create alternative and innovative ways of delivery of social services and also a need to encourage the industry to offer accessible products and services.

¹ Although manufacturing SMEs accounted for 99.5% of all the enterprises operating in the manufacturing industry, they created only 42.3% of the value added at factor costs (2011). The level of value added decreases as the enterprise size gets smaller: Manufacturing SMEs that employ less than 20 employees accounted for 92.6% of all manufacturing enterprises, whereas their contribution to value added at factor costs was limited to 8.6% (2011).

Turkey's targets have become aligned with EU's 2020 strategy in Science, Innovation and Industry policy fields. The national innovation and entrepreneurship system targets have been renewed and targets have been set for the year 2023. On the other hand, this sector policy is also closely linked with the EU accession agenda. Chapter 20-Industry and enterprise policy and Chapter 25-Science and Research are directly linked with the subject sector. This Sectoral Operational Programme (SOP) is therefore directly connected with the alignment of Turkey with the *acquis* covered by those chapters.

As well, support to eco-innovation, raising awareness of eco-innovation contribution to resource efficiency agenda (as indicated in the Eco-innovation Action Plan), job creation and competitiveness of SMEs (as indicated in the Green Action Plan for SMEs) is to be taken into account.

Moreover, in order to ensure continuity with the Instrument for Pre-accession Assistance (IPA) I, this programme will aim at contributing to Turkey's efforts to move up to the higher-value-added segments of global value chains, support investments in people and institutions.

In order to maximize the impact of the IPA II funds, a thematic and geographic concentration is of paramount importance: four priority South-Eastern regions (having gross value added (GVA) per capita below 75% of the national average) will receive 15% from the overall programme allocation.

- Overview of past and on-going EU, other donors' and/or IPA II beneficiary's actions in the relevant sectors:

The Regional Competitiveness Operational Programme (RCOP 2007-2013) set out the basis for Turkey to receiving EU assistance in order to *increase the competitiveness of Turkish economy to converge with the economy of the EU and to reduce regional socio-economic disparities*. Currently under implementation, the programme concentrates on SMEs operating in manufacturing and tourism sectors, information society, research and development and innovation.

The Interim Evaluation of the RCOP 2007-2013 and the evaluation of EU-funded support to Private Sector Development (PSD) in Turkey implemented over the past 11 years have offered several recommendations worthy of consideration, including how this support can be improved in the upcoming 2014–2020 period. The main lessons learned underlined can be resumed as follow:

- Importance to agree with Turkish authorities on the overall coverage of the various SME needs;
- The need to specifically address SMEs and sectors having higher growth potential;
- Importance to properly consider know-how transfer, know-how absorption and project replication capacity in designing and implementing programmes;
- Need to avoid the exploitation of the potential beneficiaries of SME grant schemes by private consultants.

Taking into account these lessons, the CISOP 2014-2020 will focus on enhancing the enterprises' capacities for business development plans and level of investment through

increasing their access to financial resources and modernising the production infrastructure through increased utilisation of financial mechanisms.

Under the RCOP (2007-2013), a specific measure was dedicated to financial instruments and several operations were implemented by Ministry of Science industry and technology (MoSIT) in cooperation with International Financial Institutions IFIs. Regular meetings were held with the European Investment Bank (EIB) Group, the European Bank for Reconstruction and Development (EBRD), the Council of Europe Development Bank (CEB), the World Bank (WB) and the German Development Bank KfW representatives, who manage a number of EU-funded financial instrument projects in Turkey.

Also in this context, the use of new instruments in synergy with the instruments and actions under COSME and Horizon 2020 is important.

List of Actions foreseen under the selected Sectors:

INDIRECT MANAGEMENT WITH THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS	
Action N1 - Private sector development (PSD)	EUR 103 290 000		
Action N2 - Science, technology and innovation (STI)	EUR 65 730 000		
Action N3 - Capacity building (CB).	EUR 18 780 000		
TOTAL	EUR 187 800 000	TOTAL	

2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

The programme is composed of three actions: (1) Private sector development (PSD), (2) Science, technology and innovation (STI) and (3) Capacity building (CB). PSD and STI actions complement each other, with the earlier focusing on “efficiency” and the latter concentrating on “innovation”, and thereby collectively addressing the two most critical pillars of competitiveness, and helping enterprises move up the value chains through manufacturing/rendering products/services with higher value added. Capacity building Action on the other hand reinforces the first two actions by supporting programme and project implementation processes and increasing the institutional capacity for the proper implementation of the relevant *acquis*.

Moreover, supporting entrepreneurship (particularly the high growth start-ups) and facilitating access to finance (i.e. financial instruments) are considered elements that cut across the first and second actions. With regard to the timing and sequencing of these actions, the technical assistance under Activity 3 shall be prioritised. Operational development and tendering and contracting studies for technical assistance projects will be launched immediately after the adoption of the programme.

Action 1	<i>Private sector development (PSD)</i>	<i>EUR 103 290 000</i>
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(1) Description of the Action, objective, expected results and key performance indicators

The PSD Action aims at improving the total factor productivity of the national economy with a specific emphasis on transforming the manufacturing industry, and increasing its competitiveness.

The **specific objectives** are:

- To transform the manufacturing industry through increasing the competitiveness of manufacturing value chains in Turkey, and strengthening integration of SMEs into value chains through establishment and operationalisation of common-use structures/facilities.
- To increase the value added and productivity in the service sector (including creative industries), and improving the integration of service sectors with the manufacturing industry.
- To boost entrepreneurship through facilitating establishment or improvement of capacities and capabilities of existing incubators, accelerators etc.
- To increase entrepreneurs’ (start-ups’) and SMEs’ access to financial resources, by expanding use of the financial instruments, based on equity partnership models, and facilitating access to specialized loan programmes.
- To support SMEs in meeting business opportunities that the transition to a green economy offers.

This action consists of two activities:

- Activity 1.1: Transformation of the manufacturing industry.
- Activity 1.2: Services and creative industries.

Action results

- Competitiveness of manufacturing value chains in Turkey enhanced.
- SMEs' stronger integration into value chains facilitated.
- Value added of service sectors (in particular the tourism sector and the creative industries) increased.
- Linkages between the service sector (including creative industries) and manufacturing industry strengthened.
- Entrepreneurial environment in the country strengthened.
- Improving resource efficiency of SMEs, supporting green entrepreneurship and facilitating market access for green SMEs.

Performance indicators

- Number of SMEs, supported by this programme, which reduced their input costs (including energy).
- Number of SMEs, supported by this programme, which increased their sales and/or exports.
- Number of start-ups and SMEs benefited from equity financing and debt mechanisms established/supported.
- Number of jobs created in entities/enterprises supported by this programme.
- Number of tourist arrivals to the touristic destinations to be supported within the PSD Action.
- % increase in tourist revenue in the tourism destinations.
- Number of SMEs which introduced green investments/solutions.

Action 2	Science, technology and innovation (STI)	EUR 65 730 000
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(1) Description of the Action, objectives, expected results

The objective of STI Action is to improve the national innovation environment by boosting industry engagement in STI through public private partnerships (including but not limited to university-industry collaboration) and improving SMEs' innovation management capacity.

The **specific objectives** of the STI Action are:

- To enhance of the functionality of the existing public and private research infrastructure in Turkey; an increase In the number and improvement of university-industry collaboration
- To increase awareness on social innovation and strengthening the social innovation support skills and capabilities.

- To increase the commercialization of innovative products
- To improve the functionality of the structures/facilities that incubate innovative start-ups and SMEs
- To expand the Equity Financing Mechanisms (EFM) and enhancement of start-ups' and SMEs' access to such mechanisms
- To promote the development and market uptake of innovative green products, processes and services

Action results

- Functionality of the existing public and private research infrastructure enhanced.
- University-industry collaboration improved
- Awareness and capacities for social innovation increased
- Awareness and capacities for eco-innovation increased
- Commercialisation of innovative products accelerated, by bridging the financing gap between the innovative ideas and equity investors
- Structures/facilities that incubate innovative start-ups and SMEs improved

This action consists of two activities:

- Activity 2.1 Research and development.
- Activity 2.2 Technology transfer and commercialization.

Performance indicators:

- Number of national patents obtained.
- Number of international and regional approved patents (Patent Cooperation Treaty (PCT)+ European Patent Convention (EPC)
- Number of products, including eco-innovative products, successfully commercialized.
- Number of research job created in supported entities /enterprises.
- Number of SMEs and start-ups benefited from equity financing mechanisms.
- Number of women researchers involved in R&D projects.

Action 3	Capacity building (CB)	EUR 18 780 000
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(1) Description of the Action, objectives, expected results

The objective of this Action is twofold: firstly, to support the successful implementation of the CISOP in line with the programme objectives and the IPA II legal framework, and secondly to enhance the institutional capacity for implementation of the relevant *acquis* and for the adoption of fully-fledged sector approach.

The **specific objectives** of the action are:

- To improve the capacity of the operating structure and end-recipients to manage and implement the CISOP and projects.

- To prepare a mature project pipeline both for the current and the next programming period.
- To increase the institutional capacity for proper implementation of the acquis on “Enterprise and industrial policy” and “Science and research” in synergy with Horizon 2020.
- To contribute improving business environment, through interventions which reduce the administrative burden of the regulatory framework on companies (especially small ones).
- To ensure greater ownership of national authorities over the CISOP and to increase its impact by supporting the implementation of sector approach.
- To support SMEs’ awareness and participation to Union programmes.

Action results

- Efficient, effective and timely implementation of CISOP in line with the programme objectives.
- Solid project pipeline prepared.
- Increased national administrative capacities including efficient consultation and cooperation mechanisms for quality and effective policy formulation, implementation, monitoring and evaluation.
- Improved regulatory environment for doing business particularly for SMEs and start-ups, and more efficient administrative procedures for enterprises.
- Increased rate of success of SMEs, entrepreneurs and academia in Union programmes.

This action consists of two activities:

- Activity 3.1: Technical assistance for management and control system operators and publicity of the CISOP.
- Activity 3.2: Acquis and sector approach related to institution building activities.

Performance indicators

- Rejection rates on tender dossier and calls for proposals submitted for ex-ante controls.
- Number of media coverage on the Programme and funded projects.
- Number of visitors to website.
- Number of SMEs participated in Union programmes in particular participating in Horizon 2020, Innovations Actions including social Innovation and in the Financial Instruments and Projects under COSME

This action will be delivered through the provision of training, consultancy, expertise and capacity building actions for the operating structure and the other institutions involved in the programme implementation as well as the institutions having a key role in the identification and implementation of sector objectives, expert support for thematic selection and evaluation of applications, for monitoring and project selection Committees as well as information, visibility and promotion activities.

2.3. PROVISIONS APPLICABLE TO ALL ACTIONS:

(1) Assumptions and conditions

- Commitment of Turkey for EU accession continues.
- Government institutions agreed on the strategy activities and fully committed to the development and implementation of policies and institutional changes required to deliver the Action results.
- Full commitment and participation of the senior management of MoSIT and other relevant institutions

(2) Implementation arrangements of the actions: indirect management with Turkey

The MoSIT has been appointed as operating structure and contracting Authority for this programme. The decision on the conferral of tendering, contracting and financial management powers was adopted on 15 February 2012 for IPA I – Component III. These functions and responsibilities were extended on the basis of subsequent entrustment and follow-up audits performed during IPA II period by adopting (and entering into force of) the Financing Agreement on 4 May 2016. The Ministry shall continue being responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

The main public institutions identified as sub leading institution (ie.Tubitak, Kosgeb) will play also an important role in the implementation of the SOP in particular on the development of sub sector project pipelines and conducting evaluation and thematic monitoring activities.

(3) Authorisation for the use of simplified cost options for grants exceeding EUR 60.000,00 per grant beneficiary for specific grants to be awarded by the entrusted entity (Turkey) under indirect management:

a) Forms of grant and categories of costs covered:

The grants for the actions under this programme shall take either of the following forms:

- (a) lump sums and reimbursement on the basis of unit costs and flat-rate financing calculated in accordance with the beneficiaries' historical data or usual cost accounting practices for the categories of eligible costs specified below;
- (b) the reimbursement of eligible costs actually incurred for the all other categories of eligible costs

The categories of eligible costs that may be covered by the lump sum, reimbursement on the basis of unit costs and flat-rate financing are the following: support staff costs, local transportation, local office consumables and supplies, communication activities and visibility events.

Other categories of eligible costs shall be reimbursed on the basis of eligible costs actually incurred.

The amounts of the lump sums, unit costs and flat rate financing to be used shall be calculated in accordance with the method set out in point c. The amounts of the lump sums, unit costs and flat rate financing to be declared by the beneficiaries shall be calculated in accordance with the method set out in point c.

b) Justification:

Given the nature of the supported activities, and in order to simplify the management of the grants expected under this programme, some costs may be identified in each grant's action budget per unit, global price or as a percentage of other eligible direct costs.

When grants or parts of grants are based on simplified cost options, these amounts shall be established in such a way as to exclude fraud and profit *a priori*. The costs shown in the contract should not be challenged by ex post controls, i.e. through comparison with the actual costs they cover.

Verifications/audits may be performed to check whether the formulas used by the beneficiary to determine unit costs, lump sums or flat-rates are compliant with the contractual conditions or the generating events have occurred at all. Any undue payment made to the final beneficiaries, may be recovered by the contracting authority up to the amount of the simplified cost options.

c) Method to determine and update the amounts :

Amounts will be determined by reference to statistical data, factual information or similar objective means, and/or to the historical data of each beneficiary.

d) No-profit and co-financing principles and absence of double financing:

Grant applicants will need to explain the methods proposed to calculate the amounts of unit costs, lump sums and/or flat-rates, to which costs they refer, and clearly explain all formulas for calculation of the final eligible amount.

3 BUDGET

MULTI-ANNUAL INDICATIVE BUDGET TABLE FOR THE SECTORAL OPERATIONAL PROGRAMME FOR TURKEY ON COMPETITIVENESS AND INNOVATION (2014-2017)

	2014			2015			2016			2017			Total EU contribution
	EU contribution	IPA II beneficiary co- financing	Total expenditure	EU contribution	IPA II beneficiary co-financing	Total expenditure	EU contribution	IPA II beneficiary co- financing	Total expenditure	EU contribution	IPA II beneficiary co- financing	Total expenditure	
Action 1 PSD	20 570 000	3 630 000	24 200 000	25 410 000	4 484 118	29 894 118	25 410 000	4 484 118	29 894 118	31 900 000	5 629 412	37 529 412	103 290 000
Action 2 STI	13 090 000	2 310 000	15 400 000	16 170 000	2 853 529	19 023 529	16 170 000	2 853 529	19 023 529	20 300 000	3 582 353	23 882 353	65 730 000
Action 3 CB	3 740 000	660 000	4 400 000	4 620 000	815 294	5 435 294	4 620 000	815 294	5 435 294	5 800 000	1 023 529	6 823 529	18 780 000
TOTALS	37 400 000	6 600 000	44 000 000	46 200 000	8 152 941	54 352 941	46 200 000	8 152 941	54 352 941	58 000 000	10 235 294	68 235 294	187 800 000

4 IMPLEMENTATION MODALITIES AND GENERAL RULES FOR PROCUREMENT AND GRANT AWARD PROCEDURES

INDIRECT MANAGEMENT:

This programme shall be implemented through indirect management by Turkey in accordance with Article 58(1)(c) of the Financial Regulation and the corresponding provisions of its Rules of Application.

The general rules for procurement and grant award procedures shall be defined in the Financing Agreement and the relevant delegation agreements between the Commission and the entrusted entity implementing such action.

5 PERFORMANCE MONITORING ARRANGEMENTS

As part of its performance measurement framework, the Commission shall monitor and assess progress towards achievement of the specific objectives set out in the IPA II Regulation on the basis of pre-defined, clear, transparent measurable indicators. The progress reports referred to in Article 4 of the IPA II Regulation shall be taken as a point of reference in the assessment of the results of IPA II assistance.

The Commission will collect performance data (process, output and outcome indicators) from all sources, which will be aggregated and analysed in terms of tracking the progress versus the targets and milestones established for each of the actions of this programme, as well as the Country Strategy Paper.

In the specific context of indirect management by IPA II beneficiaries, national IPA co-ordinators (NIPACs) will collect information on the performance of the actions and programmes (process, output and outcome indicators) and coordinate the collection and production of indicators coming from national sources.

The overall progress will be monitored through the following means: a) Result orientated monitoring (ROM) system; b) IPA II beneficiaries' own monitoring; c) self-monitoring performed by the EU Delegations; d) joint monitoring by the Commission and the IPA II beneficiaries, whereby the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly monitored by an IPA II Monitoring committee, supported by sectoral monitoring committees, which will ensure a monitoring process at sector level.