



**UN Development Programme
Turkey Ankara**

Award ID	00097599		Budget as of September 05, 2018	
Award Title	Applied SME Capability Center (aka Model Factory)		Donor	Fund
Start Year	2016		TUR	30071 Programme Cost MoIT
End Year	2020 End Q2			30072 ASO
				30073 ASO 1. OIZ Management
Implementing Partner	MoIT Directorate General for Industry and Productivity			30074 KfW
Responsible Parties (Implementing Agents)	Ankara Chamber of Industry, Ankara Chamber of Industry 1. OIZ Management			
			Total Budget (As of September 03, 2018)	9,811,875.41
			Total Expenditure (As of August 31, 2018)	1,573,042.97
			Award Total (As of September 05, 2018)	11,384,918.38
Revision Type	Substantive and Financial			
Brief Description				

This revision will amend the (i) duration and the (ii) budget of the Project, (iii) the management arrangements of the implementation of selected project components/activities and (iv) the scope and the intervention modality of the Project as detailed below:

- a. Project was originally designed to complete a feasibility study on SME Capability Center to improve efficiency of Turkish SMEs in line with the priorities of Turkish Government. The process progressed positively, and feasibility study resulted with an investment decision by the Government in 2017 to establish and operationalize the first center in Ankara under the auspices of MoIT DG for Industry and Productivity and Ankara Chamber of Industry and Ankara I.OIZ Management. An extension for the original Project Document is prepared and agreed by the Government in 2017. In due course Government extended the scope and budget of the investment decision and adopted SME Capability Centers as one of the priority policy tools to promote productivity in SMEs at the national level. This policy tool also integrated into recent action plans of the Ministry. In line with the scope of the services and the mandate of the center, Government decided to change the name as "SME Capability and Transformation Center". These centers will be serving as crucial policy tool for the Government to

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help transformation in the manufacturing industry specially targeting SMEs to achieve higher productivity and stronger competitive advantage at national level to be better integrated into global value chains.

- b. In an effort to ensure scale-up and replication of SME Capability and Transformation Centers, DG for Industry and Productivity and UNDP CO secured additional funding for Centers to be established in İzmir and Mersin in 2017 via EUTF MADAD Programme funded by EU. This initiative is launched by DG for Industry and Productivity and UNDP CO with the approval of the Government which will be active until the end of 2019. Same initiative also covers establishment of innovation centers in Izmir and Mersin to strengthen entrepreneurship and innovation ecosystem in a complementary manner with different actions of Ministry.
- c. Similarly, UNDP CO has channelled additional funding from KfW for Ankara, Kayseri and Konya through a separate financing agreement (In equivalent of EUR 5.12 mn) which was approved/amended by end June 2018 between UNDP and KfW. Within the scope of the agreement, replication of the Center for Kayseri and Konya will be ensured in collaboration with local actors. In addition, a new service line in order to deliver product development/innovation services in Ankara will be supported via KfW funding. Amendment to original financing agreement, covering the scope of this additional funding is attached along with the detailed budget allocation presented through Annual Work Plan and Budget within this extension scope. UNDP CO will be jointly reporting KfW for the financing agreement. Initial part is being implemented by Turkish Employment Agency and UNDP CO and has started in September 2017.
- d. Government also decided that public-private partnership model which is adopted for Ankara, to be replicated in other target provinces where UNDP CO acts as the implementation partner to manage the joint budget and facilitate initial actions for smooth transition in operational, administrative and managerial processes. However, Bursa, Konya and Kayseri budgets from Chambers will not be transferred to UNDP CO. Instead separate cooperation protocols will be signed between DG for Industry and Productivity and each of these Chambers.
- e. Project Duration is amended once again until the end of second quarter of 2020 (End June 2020) for ensuring operationalisation of Ankara, Bursa, Kayseri and Konya SME Capability and Transformation Centres. This increase results with an increase in number of outputs for operationalisation of three different Centres with extended service lines (digital transformation, product development and improvement interactive/self learning system for capability center) for Ankara which is also reflected as another output (output 4). This new output will be also serving recent efforts of Ministry to support entrepreneurship and innovation ecosystem through innovation centers. Having feedback from ongoing initiatives led by Ministry in different functions (like Technology Transfer Offices, Technology Development Zones etc) Ministry will also invest in Ankara in 2019 in a complementary manner. This additional investment will facilitate new services for SMEs and potential entrepreneurs in Ankara to commercialise new patents and new products. In addition, network development services will be also formulated under a new platform/network for Ankara to enable more integrated services and support schemes could be formulated (For instance; network development activities would be formulated to establish linkages between technology entrepreneurs, start-ups and potential investors and existing industrialists, etc.) All relevant actors in Ankara from Universities from Ministerial functions, from relevant civil society actors will be brought together under this platform/network to work on the alternative models and finalise several functions for innovation ecosystem.¹ These services will be jointly formulated with Ministry and Project Board in order to test and prototype next generation policy tools of the Ministry in innovation ecosystem. These tools are expected to improve network linkages of Ankara ecosystem with other strong centers like Istanbul, Izmir. While doing so, it is also expected to enhance linkages between OIZ managements and technology development zones to improve efficiency in both in existing support schemes and current working relations.
- f. With the inclusion of different partners, having an overall governance mechanism for these centers will be important. Throughout the Project, this issue will be also worked on and an overall governance mechanism for SME Applied Capability and Transformation Centers under the auspices of DG for Industry and Productivity will be also piloted with an actionable model taking into consideration of complementary programs of the Government.
- g. Increase in the Overall Project Budget from initial project budget of USD 4,626,856.77 to USD 11,384,918.38 with the

¹ <http://dergipark.gov.tr/verimlilik/issue/39530/432725>

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following fund allocation according to donors.

Funding Source	Amount (USD)
Ministry of Industry and Technology ²	3,216,397.42
Ankara Chamber of Industry	736,035.82
ASO I. OIZ Management	1,480,104.18
KfW	5,952,380.96
Total	11,384,918.38
Additional Contributions From Chambers³	
Bursa Chamber of Commerce and Industry	872,854.23
Kayseri Chamber of Industry	421,879.55
Konya Chamber of Industry	421,879.55

- h. For each centre annual workplan and budget is revised with respective budget allocation as agreed by the partners is attached. Following principles will apply;
- MoIT, DG for Industry and Productivity will be providing fixed investment costs (machinery and equipment) together with costs for the **training of the trainers and development of training materials with related licencing fees.**
 - Possible additional costs on project implementation arising from UNDP Direct Project Costing will be equally distributed among funding partners and will be shown as a separate budget item.
 - General Management Services cost arising from UNDP's Standard Operating Procedures will be also distributed among funding partners **in line with the delivery of the Budget items.** Estimated figures are reflected in the annual work plan and budgets, based on yearly estimated expenditure amounts.
 - In Ankara, Ankara Chamber of Industry and ASO I.OIZ Management are the natural implementing partners and transferred all committed budget allocation to UNDP CO. With the approval of DG, other chambers will not be transferring funds to UNDP CO. Instead they will be spending their own budget and submitting monthly progress reports to DG. UNDP CO shall process related payments for these Chambers only with the approval of Directorate General.
 - All Chambers will be providing refurbishment costs of the center together with the **operational costs** like staff to be recruited, awareness raising programs, collaboration activities with Universities etc. **Chambers** will also cover the **first implementation of the pilot programs** to be implemented on selected SMEs in their respective provinces in line with the selected model and the completed training curricula approved and implemented by DG.

² The commitment of MOIT, as set in the Government investment plan, is revised due to the change of USD exchange rate throughout the extension period.

³ Cooperation protocols will be setting the implementation roles with contribution responsibilities. This additional funding is not included into original project budget

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vi. Staff recruited for the Project throughout the engagement of UNDP CO, will be also cost shared by the donors under operational costs allocated to service contracts.

i. **Incorporation of local partners within the scope of the management arrangements of the Project.** Chambers will be Implementing Partners of the UNDP in addition to the MoIT, DG for Industry and Productivity. They will **act as the Implementing Partner** and will have respective roles in both activities but specifically under Activity 1.2 and Activity 1.3 to own and sustain the Center to be established. As per the feasibility study and the decision of Project Steering Committee, local partners will be providing physical space, will undertake refurbishment costs and will establish the necessary governance mechanism to own and manage the Center in collaboration with MoIT DG for Industry and Productivity. Information of related governance mechanisms by the partners will be shared by DG for Industry and Productivity officially. Other than Ankara, all Chambers will be signing additional collaboration protocols with DG to establish the basis for their implementation and setting the rules for their reporting responsibilities. All Chambers will need to establish governance mechanisms to ensure sustainability and smooth implementation throughout the project duration. For instance, in Bursa a separate governance structure is already established as a joint stock company named BUTEKOM A.Ş. and Bursa Chamber of Industry Management already plans to appoint BUTEKOM A.Ş. for taking the responsibility on SME Capability and Transformation Center. Similarly, Ankara is working on a separate governance mechanism to take over the center after the set up process is completed.

j. **Additional Service Lines for the Centers;** As foreseen in the feasibility study and in line with Government priorities, additional service lines will be added to the SME Capability and Transformation Centers, pilot implementation will benefit from the progress of Ankara and will be first operationalised in Ankara.

a. Services for enabling/supporting digital transformation in manufacturing industry:

This service line design will be coordinated by DG for Industry and Productivity in relation with Government priorities and background studies focusing on digital transformation. Initial investment costs will be borne by DG. First implementation will be carried out in Ankara, as the initial pilot. In line with the experience replication of this service line could be introduced for all of the other Centers. Digitalisation service line will be built upon the initial lean transformation set up and will focus on a complementary approach to enable an easier transition for the participating companies as well as the service delivery units of the Center.

b. Services to cover innovation/product development type of services in Ankara Capability and Transformation Center:

This new service line will be focusing on activities like product development, design to value, prototyping, market development etc. where the concept will be decided with ASO and I.OIZ Management with contributions from key ecosystem actors in innovation and entrepreneurship. The target of this additional service line is to enable services for stimulating product development for existing SMEs and/or to create space for potential entrepreneurs to improve value added/new product development in manufacturing industry. A recent focus group meeting is led by MoIT and participated by leading ecosystem actors. A detailed action document is being developed and will be feeding into the identification/finalisation of the concrete action lines.

These service lines will be supported by KfW funding and a new output is identified as the *'Extension of services of Ankara SME Capability and Transformation Center focusing on innovation'*. In line with the agreed service lines following goals will be sought to be reached;

- Alternative service lines on digital transformation and innovation like product development/design to value, identified
- Physical investments for alternative service lines covering digital transformation will be completed
- Training materials/Service guidelines for the new service lines, developed
- # of SMEs (200 SMEs, 200 entrepreneurs) entrepreneurs reached, benefited from new service lines, achieved and reported.

- # of jobs created (2000 new jobs) in relation to Resilience Program interventions (since KfW original cost sharing agreement directly targets to Syrian Crises Response Program).

- Collaboration with ASOSEM (Ankara Chamber of Industry Vocational Training Center) will be ensured to support job placement targets.

Type of innovation services which will be formulated under section e will be also strongly linked with the results of this action and will be feeding into overall policy development efforts of the Ministry.

List of attachments for the extension:

1. Annual Work Plans for 2018, 2019 and 2020
2. 1st extension documents
3. Steering Committee Meeting Minutes
4. Steering Committee Participation List
5. KfW – UNDP Cost Sharing Agreement Annex I

Agreed by the Ministry of Industry and Technology:


Dr. Halil İbrahim ÇETİN
Genel Müdür

Date:

Agreed by Ankara Chamber of Industry:


M. NURETTİN ÖZDEBİR
Yönetim Kurulu Başkanı

Date:

Agreed by Ankara I. Organized Industrial Zone Management:





M. Niyazi AKDAŞ
Yönetim Kurulu Başkanı

Date:

Agreed by United Nations Development Programme:


Claudio Tomasi
Country Director



Date:

Agreed by the Ministry of Foreign Affairs:

Date: