

Project Document

United Nations Development Programme

Country: TURKEY

Project Document

Project Title: Support to Development of a Policy Framework on Total Factor Productivity

UNDAF Outcome(s): Outcome 7: increased opportunities for employment and decent work for all through the implementation of equity enhancing policies strategies and programmes that promote economic growth, based on competitiveness, increased productivity and corporate social responsibility

Expected Output(s):

Output 1: Factors limiting Total Factor Productivity in Turkey identified.

Output 2: A macro-level policy framework that would boost total factor productivity developed and operationalized

Implementing Agency: Ministry of Development (MoD)

Brief Description

In Turkey, productivity is the main obstacle of the growth. The purpose of the Project is to produce a policy framework, which is shaped by a forward-looking analysis, based on economic convergence scenarios, and which at the same time takes into account the fundamental differences between manufacturing industries in terms of Total Factor Productivity (TFP) constraints.

Specific objective of the project will be to improve the institutional capacities to formulate and implement sector policies and strategies that contribute to national competitiveness.

The estimated results for the project are;

1. Factors limiting Total Factor Productivity in Turkey identified.
2. A macro-level policy framework that would boost total factor productivity developed and operationalized

The proposed action will manage to get those results through 3 phases;

1. Inception Phase; which focuses (a) to critically review the intervention modality of the Action by taking into account the most recent developments and introduce necessary revisions and/or modifications; (b) to formally establish the institutional mechanisms that will facilitate implementation of the Action.
2. TFP Assessment; which is geared towards assessment of the factors that limit/drive TFP in the manufacturing industry, and is composed of three inter-linked sub-components: (1) Assessment of the Factors Limiting Total Factor Productivity at the Company Level; (2) Benchmarking Turkey's Growth Prospects with a Convergence Perspective, and (3) Synthesis.
3. TFP Policy Framework; which concerns (1) development of a national policy framework for boosting TFP in Turkey, (2) operationalization of the said policy framework through pilot initiatives, and (3) enhancement of the institutional capabilities to ensure sustainable implementation of the policy framework.

Programme Period: 2015-2018
Key Result Area (Strategic Plan) _____
Atlas Award ID: _____
Start date: 01.September.2015
End Date: 31.March.2018
PAC Meeting Date: 30 July 2015
Management Arrangements: National Implementation

Total resources required: USD 3,269,683*
Total allocated resources: _____
• Regular: _____
• Other: _____
EU Financing: USD 2,779,730
Government: USD 490,452
F&A (7%): 215,086

*July 2015 UN exchange rate

Agreed by Government of Turkey, Ministry of Foreign Affairs

Agreed by Ministry of Development:

Agreed by UNDP:

Kerem DİVANLIOĞLU
Elçi
Çok Taraflı Ekonomik İşler
Genel Müdür Yardımcısı

09.10.2015

07.08.2015

I. SITUATION ANALYSIS

Relevance to the objectives/sectors/themes/specific priorities of the Project/Sector Fiche(s):

Third priority of the MIPD is to support Turkey in its economic and social development and to enhance competitiveness. Increasing productivity is critical for improvement of the manufacturing capacity, enhancement of competitiveness and acceleration of growth and thus economic and social development. In Turkey, productivity is the main obstacle of the growth. The purpose of the Project is to produce a policy framework, which is shaped by a forward-looking analysis, based on economic convergence scenarios, and which at the same time takes into account the fundamental differences between manufacturing industries in terms of Total Factor Productivity (TFP) constraints.

In order to craft an effective policy framework, it is important to start with an understanding of the fundamental differences between manufacturing industries, as well as the global trends that affect how such industries function. This requires company-level assessments to identify TFP constraints, as well as an international benchmarking exercise that would produce scenarios from a convergence perspective. The analysis of convergence scenarios is critical for identifying the interplay between different components of TFP. Such an approach will provide the policy makers with the opportunity to "quantify" impact of various TFP determinants on long-term growth trajectories.

The MIPD highlights main sectors to support in order to achieve its priorities. "Private Sector Development" is one of these main sectors having main objective of "increasing employment, productivity and export of goods and services, particularly in the regions where employment and business stock is low". This sector preference gives a special attention to SME's.

One of the main objectives of the 10th Development Plan, in terms of economic growth, is to increase TFP with a view to grow stably at high rates without experiencing current account deficit problems. In other words, if Turkey cannot boost its TFP, economic growth will be highly susceptible to problems, related to the current account deficit. For this reason, economic growth strategy of 10th Development Plan has prioritized two critical concepts of industrialization and productivity. In due course, the 10th Development Plan includes a transformational programme that is geared towards "Enhancing Productivity in Manufacturing Industry".

Relevance to the particular needs and constraints of the target country/countries, region(s) and/or relevant sectors (including synergy with other EU initiatives and avoidance of duplication):

Enterprise and Industrial Policy is the focus of one of the 35 negotiation chapters held with the European Union (EU) in the accession process of Turkey into the organization. Revision of the industrial strategy paper entitled "Industrial Policy for Turkey" (Towards EU Membership) published first time in 2003 is among the closure criteria of this chapter. Last revision of the Strategy covers the 2011-2014 period and highlights the importance of increasing global competitiveness power of the economy, which is critically important in the way of European membership. Industrial and regional development policies will aim at increasing productivity and competitiveness of the regions taking into account compliance with EU concerns and industrial strategy goals. For this purpose, "increasing the competitiveness and efficiency of Turkish Industry and expediting the transformation to an industry structure which has more share in world exports, where mainly high-tech products with high added value are produced, which has qualified labour and which at the same time is sensitive to the environment and the society" has been set as the overall objective of the Strategy. Industrial Strategy also gives importance to private sector development and sets coordination with SME's Strategy. Lastly, it decrees of preparation of "Productivity Policies and Strategy" as an action.

The SME Strategy and Action Plan, covering the 2011-2013 period, was prepared in 15 July 2011. The document aims to define strategies and actions to improve productivity and sustainability of SMEs. The 9th Development Plan of Turkey covering period the 2007-2013, and the EU Small Business Act are key strategic documents that constitute a basis for the SME Strategy and Action Plan 2011-2013.

SMEs are crucial for Turkish economy since they constitute the 99% of all enterprises and 78% of total employment. They are also considered to be the most effective mechanism for balancing the economic activity among different regions of the country and thus demonstrating a potential for assuring development of regions. SME Strategy and Action Plan of Turkey was first issued in 2003 with the decision No.2003/57 of the High Planning Council. The decision aimed developing and implementing an SME strategy in harmonization with the EU Small Business Act and Multi-annual Program for Enterprises and Entrepreneurship. The new strategy builds on the previous strategy and action.

The strategy document mainly addresses the problems that prevent SMEs to operate at the international standards and hinder development of high quality entrepreneurship. Broad strategies determined in the document are as follows: Fostering and supporting entrepreneurship; Improving management skills and institutional capacities of SMEs; Favouring SMEs in the process of improving work environment and investment opportunities; Increasing R&D and innovation capacities of SMEs; Facilitating SMEs' and entrepreneurs' access to financial resources.

Several national strategies and action plans that are directly or indirectly related to total factor productivity have already been or will soon be put into action by the Government of Turkey. Such strategies and action plans have generally been produced by focusing on the "sector" (e.g. SME etc.) that they target. However

increasing TFP in a sustainable manner requires an optimal mix of vertical (i.e. industry specific) and horizontal (e.g. R&D, FDI, education, social policies etc.) policies, in other words a policy framework, to which macro and micro policies can be anchored. Related with this issue, works on preparing a strategy on productivity have been carried out.

Turkey is a Candidate Country for EU membership. The Copenhagen Economic Criteria require that Candidate Countries have a functioning market economy and that their producers have the capability to cope with competitive pressure and market forces within the Union. Thus, having the capability to cope with competitive pressure and market forces within the Union is very important for Turkey.

Also, The European Union is working hard to create the conditions for a more competitive economy with higher employment in the context of EU 2020 project. The strategy is focused on goals in the areas like employment, innovation and education, which are key factors for productivity and SME's. In the way to an industrial policy for the globalization era, an initiative of EU 2020, productivity policies for SME's in Turkey will be effective for country's EU membership process, as well as its economic and social development and convergence to EU.

Communication on "An integrated industrial policy for the globalisation era" adopted by the European Commission on 28 October 2010 gives a core message that industry must take central place economic policies in the way of economic and social development. This shows, as a flagship initiative of 2020 Strategy, the importance of industry to boost growth and jobs by maintaining and supporting a strong, diversified and competitive industrial base in Europe offering well-paid jobs while becoming more resource efficient. Some relevant priorities for industrial competitiveness of this flagship initiative are:

- "Competitiveness proofing" i.e. analysis of the impact on competitiveness of all policy proposals,
- Making it easier for SMEs to access credit and help their internationalization,
- A new strategy on raw materials creating the right framework conditions for sustainable supply and management of domestic primary raw materials,
- A space industrial policy creating a solid industrial base and covering the whole supply chain,
- Reporting on Europe's and Member State's competitiveness, industrial policies and performances on an annual basis.

Describe and define the target groups and final beneficiaries, their needs and constraints, and state how the action will address these needs:

Increasing productivity is critical for (a) improvement of the manufacturing capacity; (b) enhancement of competitiveness; and (c) acceleration of growth. In the last two decades (1981-2012), the contribution of TFP to Turkey's average annual growth of 4.3% was limited to 0.2 points.

As stated above, Turkey is a Candidate Country for EU membership. Economic Criteria of Copenhagen Criteria require that candidate countries have a functioning market economy and that their producers have the capability to cope with competitive pressure and market forces within the Union. Thus, having the capability to cope with competitive pressure and market forces within the Union is very important for Turkey. In this regard, although there is no significant problem for large scale enterprises, SME's do need a special attention.

There are several reasons behind the low level of productivity growth in Turkish economy. One of these reasons is the constraints in growth motivations in small firms and as a result inability of firms to sufficiently benefit from the economies of scales. Furthermore, value chains have not been strengthened sufficiently due to weak interaction between enterprises. As a matter of fact, in Turkey, labour productivity of high-scaled enterprises (250+ employment) has reached to 5.5 fold of labour productivity of small-scaled enterprises (1-19 employment). Thus, SME's in Turkey, have productivity problems related with scale and technology issues especially in the manufacturing sector. The other important reasons of low productivity growth are inadequate technology development and usage capacity and low average level of labour quality. In this context, together with the efforts improving productivity awareness, it will be worthwhile to implement activities for enhancing governance, improving production processes and mitigating problems of scale.

Industry is at the center of producing value added in the economies. More specifically, there are backward and forward linkages among the sectors in the economies. The backward linkage is between agriculture and industry, while the forward linkage is between industry and services sectors. These connections are especially important for the computation of the volume of value added in the economies. For instance, if the country has poor industry structure, then the convergence process of this economy will be too slow since the linkages between sectors will be fragile and this fact will be resulted with limited amount of per capita income. One of the most important constraints is the lack of data. Lack of previous comprehensive analysis to combine micro and macro determinants underneath the low level of productivity is another challenge. Being able to reach leading manufacturing companies, convincing them for the benefits of such analysis and collecting data accurately through surveys will be among the key challenges that the Project will face.

The Project will target to reach and interact with a wide range of stakeholders. Final beneficiary of the Project is the Ministry of Development who will be turning the policy framework into specific policy actions through legislative changes. In the meantime target groups to be reached through the implementation process will

include but not be limited to; Private Sector Representatives; Companies (from sector leaders to SMEs), business representative associations (BROs), sector associations, backward and forward linked industry representatives of manufacturing industry, representatives of supporting industries etc. (from agriculture to services etc.), private universities etc. Public Sector Representatives; MoD, MoSIT, Ministry of Economy, KOSGEB, Development Agencies, The Scientific and Technological Research Council of Turkey, Universities etc. NGOs representing business and academia; Think Tanks, etc. Others; Organized Industry Zone managements, technoparks, incubators etc. Intervention modality will adopt consultative processes and participatory approach to increase the level of involvement from all stakeholders and will target to establish strong commitment from all levels of partners. Details and related tools for consultative processes are presented in Section 2.

Particular added-value elements:

"A number of evaluations on the 'Transition Assistance and Institution Building' Component of IPA were carried out by the European Commission over the period 2007-2010, which highlighted the frequent lack of strategic focus of the project-based programming approach and concluded that this was weakening the prospects for achieving any planned impact." The Commission's finding, quoted above, refers to three key reasons that diminish the strategic focus and expected impact of IPA projects under transition assistance and institution building: (a) stand-alone projects that cannot ensure continuity; (b) lack of proper consultation that diminishes ownership and (c) generic objectives that cannot be assessed by evidence-based indicators.

The proposed Project has a strong strategic focus on total factor productivity with its impact likely to spill over to other IPA components. If implemented and concluded successfully, the present Project will help different IPA projects address same policy objectives in successive years. The proposed Project is an outcome of an extensive and comprehensive consultation process that included line ministries, development agencies, business representative organizations, civil society organizations, universities etc. Ownership of the Project's outcomes is anchored in the 10th Development plan. This plan is unique in terms of the introduced transformation programs to overcome economic and social obstacles in Turkish economy and the first priority transformation program under 10th Development Plan is "Enhancing Productivity in Manufacturing Industry". The action plan announced for this program assigns Ministry of Development as the coordinating agency and designs four main pillars of which the assigned coordinator institutions are listed with respective pillar:

1. Increasing the awareness and improving the implementation capacity; Ministry of Science Innovation and Technology,
2. Enhancing Governance of Firms; KOSGEB,
3. Enhancing production processes; Ministry of Science Innovation and Technology,
4. Supporting economies of scale; Ministry of Economy.

Finally, the proposed Project's main objective is to produce an evidence-based national policy framework which will make it easier to assess results and impact of individual projects.

II. STRATEGY

Component 0: Inception Phase

The main objective of the Inception Phase (3 months) is twofold (a) to critically review the intervention modality of the Action by taking into account the most recent developments (e.g. actions to be taken in accordance with the "Action Plan of the Transformation Programme for Enhancing Productivity in Manufacturing") and introduce necessary revisions and/or modifications; and (b) to formally establish the institutional mechanisms (e.g. working group arrangements, advisory committee, scientific board) that will facilitate implementation of the Action.

The Action will be launched with a kick-off meeting to be participated by the MoD, UNDP, the CFCU and the EUD. At the kick-off meeting following the Contract signature, the PMU will present the activities that will be performed within the Inception Phase.

C.0.1: Research & Synthesis Framework

The ultimate objective of the research & synthesis to be conducted within the scope of the first component of the Action is to identify the factors that limit/drive total factor productivity in Turkey. At the macro-level, factors that limit/drive TFP are planned to be identified at three different yet interconnected levels: (a) sectorial, (b) cross-sectorial and (c) regional. However, this conceptual categorization needs to be broken down into manageable pieces to generate actionable recommendations.

Since the research and synthesis framework will have implications on the governance as well as implementation of the Action, some early decisions regarding the main “design considerations” will need to be taken during the Inception Phase.

C.0.1.1: Development of the Research Framework

In order to solidify the conceptual categorisation, presented above, a long-list of “specific” research objectives will be identified during the Inception Phase. In due course, the PMU, with the support of a core group of short-term experts, will leverage the available theoretical studies on TFP, hold interviews and focus group meetings with the relevant stakeholders (mainly governmental agencies), and produce a long-list of specific research objectives, which shall be clearly linked with the national policies and strategies¹. The research framework will also demonstrate the types of analyses² to be conducted at national and international levels, and how various assessments will complement each other without creating redundancies.

This exercise will serve both as a scoping exercise for the research to be carried out both at the national and international levels and as the basis for establishment of the working group mechanisms (Please see C.0.2 below).

C.0.1.2: Development of the Synthesis Framework

During the Inception Phase, the PMU will also develop an overall framework that demonstrates how the findings of the research will be synthesised. The synthesis framework will include a first draft of the annotated Table of Contents (ToC) of the Synthesis Report so that all the relevant stakeholders have a sufficiently strong idea of what will be produced at the end of all the analyses. Since the process through which TFP assessments will be conducted will most probably be an iterative process, the annotated ToC of the Synthesis Report will be subject to change; however, the framework to be produced during the Inception Phase will serve as a reference point for the entire TFP assessment process.

The synthesis framework will show how the process will benefit from participatory mechanisms, such as working groups, the Steering Committee and the Scientific Committee³ that will not only improve inclusiveness of the process but also credibility of the final output.

Finally, the synthesis framework will lay out the possible and/or planned linkages between the TFP synthesis and the TFP policy framework. For instance, the said approach will demonstrate how the synthesis will be linked with (a) the relevant priority transformation programmes of the 10th Development Plan (e.g. PTP on Energy Efficiency, Commercialisation in Priority Technology Areas etc.) and (b) the relevant national strategies and action plans (e.g. SME Strategy and Action Plan, National Automotive Strategy).

C.0.2: Working Groups

The intervention modality of the Action foresees establishment of at least one working group, which is referred in the present DoA as the “TFP Working Group”. However, during the Inception Phase, the PMU will analyse the needs (as mentioned above) and will determine whether several working groups or a main working group with sub-groups (thematic) would need to be established. This analysis will culminate in a proposal demonstrating the number of working groups to be established, interaction and synergies between the working groups and/or sub-groups, members of working groups or sub-groups, working arrangements (protocols) etc. The proposal will be initially discussed with the MoD, and later be discussed and finalised at the SC meeting to be held at the end of the Inception Phase (Month 3).

Component 1: TFP Assessment

The first component of the Project is geared towards assessment of the factors that limit/drive TFP in the manufacturing industry, and is composed of three inter-linked sub-components: (1.1) Assessment of the

¹ Such as entrepreneurship, innovation, SMEs, R&D etc.

² Some of the types of assessments, planned to be carried out at national and international levels, have already been laid out in the preceding sections. Based on further analysis, PMU will finalise the approach.

³ Scientific Committee is defined in Section VI and composed of academicians and experts supporting the process with a role to assess the quality and ensuring credibility of the findings and recommendations.

Factors Limiting⁴ Total Factor Productivity at the Company Level; (1.2) Benchmarking Turkey's Growth Prospects with a Convergence Perspective, and (1.3) Synthesis.

There are **three quality considerations** that will be taken into account by the PMU. First of all, the ultimate output of this component is the synthesis report, which will be derived from the analyses and assessments to be carried out both at international and national levels by using different research techniques. As mentioned above, in order to ensure coherence of all the analyses and assessments, the PMU, during the Inception Phase, will need to improve and detail the assessment framework presented in the DoA.

Secondly, although the Synthesis Report is an important output to be produced within the scope of the Action, "it is a means and not an end", thus establishing linkages between the Synthesis Report and the policy framework to be produced within the scope of the second component of the Action is an important consideration that will be taken into account. Ideally, the synthesis should help identify (a) sectoral, (b) cross-sectoral and (c) regional elements that drive/limit TFP, in such a fashion that findings of the Synthesis Report can be easily associated with and linked to the national policies, programmes, strategies and action plans.

Thirdly, improvement of TFP in Turkey requires collective action of many line ministries. In other words, several ministries will play key roles in order to operationalize the recommendations to be produced within the scope of the Project. As such, all related ministries and quasi- and non-governmental organisations will need to take active part in the implementation of Component 1. This will be ensured by establishment of working group(s) under the leadership of the MoD. The working group(s) will host all relevant ministries and quasi- and non-governmental organisations⁵.

C.1.1: Assessment of the Factors Limiting TFP at the Company Level

C.1.1.1: Design of the Company-level Surveys

This activity group concerns a) identification of specific research objectives, b) conducting secondary research, c) development of survey methodology and d) development of survey questionnaires. All concerned activity groups are complementary to each other having key focus of manufacturing industry but also takes into account all relevant backward and forward linkages in selected value chains.

Identification of Research Objectives: The long-list of research objectives to be produced within the Inception Phase will be discussed with the TFP Working Group. The outcome of the working group discussion will be the "shortlist of specific research objectives".

Secondary Research: Upon identification of the shortlist of specific research objectives, PMU will embark on secondary research. The sources of data and information will be identified. Securing official statistical data will be the responsibility of MoD, where applicable by collaborating with the members of the TFP Working Group. The PMU will collate all publicly available data including relevant research and studies that have been conducted previously. Consequently PMU will be in a position to narrow down and finalize the research objectives. Based on the final version of the specific research objectives, a secondary research report will be produced. In addition to demonstrating an overall picture of the current state of affairs with regard to TFP, this report will also demonstrate the data and information gaps that need to be addressed through primary research. The secondary research report will be presented to the MoD for their clearance.

Identification of the Survey Methodology: This activity concerns finalization of the methodology to be used during the company-level surveys. Most probably a biased (rather than random) survey methodology will need to be followed in order to achieve the specific research objectives.

The following types of surveys may need to be conducted⁶:

⁴ According to the PF the title of the activity is "Assessment of the Factors Limiting Total Factor Productivity at the Company level". However, the scope and the target of the analysis will also be covering "driving" factors. Driving and limiting factors will be complementing each other to ensure identification of all relevant factors that the policy framework will address both for improving the driving factors while overcoming limiting factors to enhance total factor productivity.

⁵ As mentioned earlier, the MoD and UNDP will assess feasibility of establishing several working groups or just one working group and sub-working groups during the Inception Phase of the Action.

⁶ Implementation of surveys are planned to be realised two-fold: a) SSID interviews will be conducted by expert teams, b) Semi-structured surveys and structured surveys will be conducted by specialised survey company with relevant quality certification to be selected through UNDP Procurement Rules.

- **Semi-structured In-depth (SSID) Surveys:** These surveys will be conducted on 100 companies from different sectors and regions and of different sizes, and ownership structures (e.g. public, family-owned). These companies are expected to be leaders and/or major players within their sectors. Since these companies make a lot of decisions that affect how their entire value chains function in Turkey, they would have the insights on the factors driving/limiting TFP especially within their sector. Companies will be identified by taking into account the specific research objectives.
- **Semi-structured Surveys:** These surveys will be conducted on 400 companies from different sectors and regions and of different sizes (but anticipatively mostly SMEs). These companies will be identified by the PMU by taking the recommendations of the 100 value chain leaders to be surveyed through semi-structured in-depth surveys, and will be the companies that are linked (backward or forward) to the 100 value chain leaders.
- **Structured Surveys:** These surveys will be conducted on 2500 companies from different sectors and regions and of different sizes (but anticipatively mostly SMEs). These companies will be identified by the PMU by taking the recommendations of the 400 companies with which semi-structured surveys would be concluded. Again the 2500 to be surveyed will be linked (backward or forward) with the 400 companies.

This approach will ensure that the secondary research covers a meaningful part of the select national value chains. The feasibility of the method suggested herein will be assessed and further details of the methodology will be identified by the PMU within this activity.

Particular attention will be paid to replicability and sustainability of the survey methodology. As such, with the leadership of the MoD, governmental and non-governmental agencies that may play a role in replicating the survey in the future will be involved in identification of the methodology.

Development of the Survey Questionnaires: Within this activity group, the PMU will develop survey questionnaires for all the three types of surveys to be conducted. The surveys will be cleared by the MoD and will be piloted on a small number of companies. Based on the outcomes of the pilot surveys, the questionnaires will be finalized.

C.1.1.2: Surveys

SSID Interviews: As mentioned above, the SSID surveys will be conducted on 100 companies that are leaders or major players of the sector(s) in which they operate. These surveys will be conducted by seasoned experts; depending on the company to be surveyed 2-3 seasoned experts may be engaged in a survey. Each survey is expected to take one or two days. Due to the wide scope of the survey more than one company representative may need to be interviewed. The experts will produce individual interview reports per each company to be interviewed, following the template to be produced by the PMU (indicatively 3 months).

Semi-structured Interviews: Semi-structured interviews are planned to be held with 400 companies, corresponding to, on average, 4 companies per each company to be identified and interviewed within the scope of the SSID surveys, as explained above. The 400 companies will be the ones with forward and backward linkages with the value chain leaders. A semi-structured interview, at this level, is expected take one day, on average. A group of experts will be mobilized and trained before they are asked to conduct surveys. The seasoned experts (to be hired for SSID interviews) may accompany this group of experts in their first engagements for on-the-job training purposes. The experts will produce individual interview reports, per each company to be interviewed, following the template to be produced by the PMU (indicatively 3 months).

Structured Surveys: Structured surveys are planned to be executed on 2500 companies, which will be identified during the semi-structured interviews. The structured surveys will be outsourced to a specialized survey company with relevant quality certification (i.e. ISO 20252) in line with the UNDP Standard Operating Procedures for procurement through an open competition in a transparent manner.

C.1.1.3: Assessment of Results

Within the scope of this activity, the outcomes of the surveys (above) will be assessed and synthesised by the PMU with the support of a core group of short-term experts. After the conclusion of Activity C.1.1.1 and Activity C.1.1.2, the PMU will have in its possession a comprehensive secondary research report, reports from the SSID and semi-structured interviews, as well as results of the surveys. All reports will be assessed to identify factors that drive or limit TFP at three levels: (a) sector-specific, (b) cross-sectoral

and (c) regional. At this point most of the specific research objectives will also be addressed as well, with the exception of those which would require international benchmarking or further analyses.

C.1.2: Benchmarking Turkey's Growth Prospects with a Convergence Perspective

A benchmarking exercise, comparing growth dynamics of Turkey to those of 10-15 G20 economies (mostly European), will complement the company-level assessments, and provide insights on the bigger picture considerations regarding the growth prospects of Turkey and convergence to high-income countries. In other words, the main objective of the international benchmarking exercise is to develop a long-term view of the growth dynamics in Turkey in a comparative fashion.

C.1.2.1: Scoping

Within the scope of this activity the PMU will develop a strategy, which will demonstrate the scope of the international benchmarking studies as well as the ca. 10-15⁷ countries to be used as benchmarks and an indicative list of the parameters to be used during benchmarking exercise. The ultimate objective of the international benchmarking exercise is to identify "convergence trends" on institutional quality, technology, innovation capacity, quality of physical infrastructure, quality of human capital, level of development of financial markets, and impact of such factors on growth, productivity, competitiveness, employment, labour force participation, income distribution, sustainability and inclusiveness etc. As such, the benchmarking parameters will be determined accordingly.

To the extent possible UNDP and the MoD will ensure that synergies be exploited between the studies to be conducted within the scope of joint efforts of the two parties for development of Turkey's NHDR on Inclusive Growth. The Human Development Index, UNDP's global flagship initiative, will also be used as a critical source of insight, data and information with a view to assess sustainability and inclusiveness of convergence trends.

C.1.2.2: International Benchmarking Exercise

The international benchmarking exercise will be a combination of quantitative and qualitative analyses. The data-driven nature of the benchmarking exercise will ensure comparability of TFP performances. Building on the outcomes of the quantitative analyses, qualitative analyses will support the possible convergence scenarios and draw lessons from different convergence stories and/or TFP performances of the countries to be benchmarked. The PMU will propose to hold a study visit to one to three benchmarking countries in order to support benchmarking exercise. The number of participants and the profile of participants will be decided by MoD and PMU. Details of possible themes for study visits are provided in section C.2.3.2.

This process will culminate in individual benchmarking reports as well as a consolidated report that highlights the key findings and lessons to be learned from the countries, against which Turkey will be benchmarked. Additionally, a step-by-step guide on international benchmarking will be produced and submitted to the MoD for their possible future reference and use.

C.1.3: Synthesis

The company-level assessments, complemented with an international benchmarking exercise, will help "quantify" the convergence trends on institutional quality, technology, innovation capacity, quality of physical infrastructure, quality of human capital, level of development of financial markets, and impact of such factors on growth, productivity, competitiveness, employment, labour force participation, income distribution etc. This activity group will produce a data-driven, objectively verifiable, and evidence based Synthesis Report that casts credible light on the elements that limit or boost TFP in Turkey.

C.1.3.1: Development of the Synthesis Action Plan

As mentioned earlier, synthesizing the national and international research to be carried out within activity groups C.1.1 and C.1.2 will require integration of quantitative and qualitative findings. Thus, the PMU will develop a synthesis framework during the Inception Phase.

At this stage, the PMU will revise the synthesis framework, and translate it into a straightforward action plan, which will be formulated in the form of a roadmap demonstrating the main milestones and their

⁷

According to the Project Fiche at least 10 countries will be analysed in the benchmarking exercise.

expected dates of achievement/delivery, critical activities (e.g. workshops, focus group meetings), and roles and responsibilities of the concerned parties (e.g. working groups, scientific committee etc.).

C.1.3.2: Implementation of the Synthesis Action Plan

Implementation of the Synthesis Action Plan will start with launch of the company-level surveys and will gain pace with the release of the initial results of the international benchmarking.

Although the action plan to be produced will lay out the details of how the Synthesis Report will be finalised, a three-step process is foreseen:

Step 1-Consolidation of Findings: The PMU, with the support of senior consultants, will consolidate the findings of the assessments to be carried out within activity groups C.1.1 and C.1.2. The consolidated report and/or individual sections of the consolidated report will be discussed at the sectorial and thematic workshops for validation purposes. Step 1 will produce the first version of the synthesis report.

Step 2-Working Group(s) Version: The first version of the Synthesis Report will be discussed with the members of the working group, at a working group meeting. According to the needs, additional working group meetings will be organized. The comments and feedback of the working group(s) will be collated and reflected into the second version of the synthesis report. These working group meeting(s) will also serve as an introduction to the activities to be carried out for development of the policy framework within the second component of the Project. Hence, an organic link will be established between the two components of the Project.

Step 3-Scientific Committee Version: The second version of the Synthesis Report will be presented to the Scientific Committee for their comments and feedback. The Scientific Committee is not expected to go into the details of the report but to provide high-level, insightful comments and recommendations, incorporation of which will improve the policy-level and strategic aspects of the synthesis report.

Implementation of the Synthesis Action Plan may involve, depending on the overall approach to be adopted, sectoral workshops, thematic focus group meetings, and meetings of working group(s) and steering committee and scientific committee meetings. Based on the information available at the time of writing and for budgeting purposes the following arrangements have been “tentatively” planned for:

- Sectoral Workshops: 5 Sectoral Workshops with the participation of 20-30 stakeholders/per workshop, including participation from private sector.
- Thematic Workshops: 5 Thematic Workshops (e.g. R&D and innovation, entrepreneurship, labour etc.) with the participation of 10-20 stakeholders/per workshop, including relevant participation from public, private sector, universities etc.
- Working Group(s) Meetings: The number and frequency of working group meetings will depend on the decisions to be taken and mechanisms to be established during the Inception Phase of the Action.
- Scientific Committee Meetings: Scientific Committee is expected to meet at least twice during the course of the Action.

Component 2: TFP Policy Framework

As mentioned above, the second component (C.2.) will be informed by the findings of the first component, and concerns (1) development of a national policy framework for boosting TFP in Turkey, (2) operationalization of the said policy framework through pilot initiatives, and (3) enhancement of the institutional capabilities to ensure sustainable implementation of the policy framework. As such, this component is composed of 3 activity groups: C.2.1: Development of the Policy Framework, C.2.2: Piloting the Operationalization of the Policy Framework, and C.2.3: Strengthening the Institutional Framework.

C.2.1: Development of the Policy Framework

This activity concerns development of a TFP policy framework, informed by the outcomes of the synthesis. Initially a Green Paper⁸ will be produced to stimulate debate and launch a process of consultation. This will be followed by a White Paper, which will serve as the policy framework, from which relevant national policies, programmes and strategies are informed.

⁸ A green paper usually presents a range of ideas and is meant to invite interested individuals or organizations to contribute views and information.

C.2.1.1: Development of TFP Green Paper

The TFP Green Paper will be designed (a) to raise awareness of the concerned stakeholders on TFP, (b) to lay out possible routes of action to enhance TFP in Turkey, and (c) to stimulate debate on the issue.

The PMU, with the support of senior consultants, will prepare the Green Paper. The final version of the Synthesis Report will be the main input for the Green Paper in terms of demonstrating the current state of affairs and possible strategies to enhance TFP in Turkey. However, the Green Paper will dive deeper and will also include a set of possible routes of specific actions, where applicable the Green Paper will establish linkages with the Action Plans of the 10th Development Plan's Primary Transformation Programmes.

Unless otherwise needed and agreed during the implementation of the Action, the Green Paper's main routes of action shall be (a) Sectorial drivers/enablers of TFP (i.e. in industries that will boost the TFP the most), (b) Cross-sectorial drivers/enablers of TFP (e.g. innovation, entrepreneurship, commercialisation, human resources), and (c) Regional drivers/enablers of TFP (by taking the national strategy for regional development into account).

C.2.1.2: TFP Green Paper Consultations

The Green Paper consultations will be facilitated by the UNDP, with the PMU's inputs; however, will be managed and overseen mainly by the MoD. Several consultation streams will be identified and pursued, depending on the final structure of the Green Paper. Each stream will bring together government officials, academia, business-people, and representatives of business representative organisations.

Indicatively, 7 to 10 consultation streams will be identified and activated. At the minimum, three cross-sectorial and three sectorial streams will be activated for the top three sectors and cross-sectorial themes, in addition to a stream on regional drivers of TFP. The need for additional consultation streams will be determined during the execution of the Action and necessary measures will be taken accordingly.

Each stream's work will be facilitated by a senior consultant, who will also produce a brief background document to facilitate and steer the consultations. On average two workshops will be held per stream with participation of 20-30 invitees. In order to boost inclusiveness of the process different consultations mechanisms like online surveys, online consultation mechanisms, and crowdsourcing methods could be deployed according to responsiveness level of the workshops and to be decided by MoD and PMU.

Each consultation stream will produce a consultation report, which will be prepared by the consultants who will be mobilised as facilitators, as described above. The PMU with the support of the facilitators will produce a consolidated consultation report at the end of the process.

C.2.1.3: Development of TFP White Paper (Policy Framework)

The TFP White Paper will be formulated as an overarching policy document that will inform relevant policies and strategies in an actionable and enforceable manner. It will (a) demonstrate why Turkey needs an integrated strategy to boost TFP in a sustainable manner; (b) present the economic, social and environmental case for improved TFP; and (c) list the specific set of actionable policy recommendations; and the policy instruments for action.

The draft White Paper will be prepared by the UNDP (PMU) and will be endorsed by the MoD as a draft. The MoD will ensure official adoption of the White Paper by means of escalating the White Paper to the review and approval of High Planning Council or by any other means that will ensure its execution.

C.2.2: Piloting the Operationalization of the Policy Framework

Five pilots are planned to be developed in order to demonstrate how the policy framework can be operationalized and financed (including IPA programming). The objective here is to demonstrate how the TFP Policy Framework can be effectively integrated and mainstreamed into different mechanisms that would facilitate its implementation.

C.2.2.1: Identification of TFP Pilots

The TFP Pilots will be identified upon finalisation of the TFP Green Paper as a mean to demonstrate how different government programmes can be designed and/or implemented by taking into account TFP as a long-term anchor. It is anticipated that two of the five pilots (at least one) will be in an area of programming that involves both the Government of Turkey and the EU, such as operational programmes of the IPA2.

The PMU will produce a long-list of TFP pilots and present the list to the TFP working group for discussion. While producing the long-list of TFP pilots, the PMU will also collect ideas from the relevant stakeholders. The long-list to be proposed by the PMU will be based, inter alia, on the following factors, and PMU's proposal will include detailed elaborations on these issues:

- The TFP driver(s) or bottleneck(s) that the proposed pilot addresses;
- Likelihood of replication and/or up-scaling of the TFP pilot;
- The stakeholders, and assessments on level of ownership and commitment of the stakeholders to implement the pilot and replicate/scale it;
- Expected lessons to be learned from the piloting process, and how these lessons will be incorporated and/or mainstreamed into corresponding policies, strategies and/or action plans;
- An implementation roadmap, demonstrating the resources to be deployed by the Project, as well as roles and responsibilities of the stakeholders.

Based on TFP Working Group's decision, the PMU will translate the roadmaps into detailed implementation plans for 5 TFP pilots.

C.2.2.2: Implementation of TFP Pilot Initiatives

Implementation of the TFP pilot initiatives may take several forms, and since these are intended as pilots, the main expectation will be to learn as much as possible from the piloting process so that the lessons to be learned can be incorporated into the execution of the TFP Policy Framework.

The following list presents potential TFP pilots to demonstrate what type of activities (non-exhaustive) may be undertaken:

- Advanced Manufacturing Technologies through possible PPP models: A pilot initiative in the form of a feasibility study that demonstrates how high-cost and high-risk investments in proof-of-concept demonstration projects can be materialised through public-private partnerships.
- Promoting Key Enabling Technologies⁹ (KETs): A pilot initiative in the form of development of an application to a funding stream (e.g. COSME, Horizon 2020) on expanding the use of KETs.
- Demand-side Innovation: Design of possible initiatives that could promote usage of innovative goods and services, inducing innovation by specifying levels of performance or functionality that are not achievable with 'off-the-shelf' solutions and hence require an innovation to meet the demand.
- Assessment of Investment/Financing Proposals: A pilot initiative in the form providing the decision making bodies of the public funds (national or EU-financed) with tools that would help estimate impact of project proposals on the TFP.

C.2.2.3: Assessment of Results

Once the pilot initiatives are completed, they will be assessed by the PMU with a view to draw lessons for (1) replication and/or scaling them and/or (2) revision/modification of the TFP White Paper. An assessment report will be prepared and shared with the relevant stakeholders.

C.2.3: Strengthening of the Institutional Framework

The intervention modality of the Action is based on the assumption that the Action will identify the most suitable institutional framework to ensure that the activities to be fulfilled and the outputs to be produced within the scope of the Action do not remain as one-off or isolated efforts. The institutional framework to be identified will ideally address both (a) regular execution of the research, which corresponds roughly to the activities to be fulfilled within the first component of the Action, and (b) sustained incorporation of findings of such research into the TFP Policy Framework and thereon to the national/regional strategies and action plans.

C.2.3.1: Identification of a Suitable Institutional Framework

This activity will start as soon as the company-level research and international benchmarking exercises are finished, and all stakeholders have a sufficiently strong idea of which elements of the TFP research should be sustained, and why and how they may so. The PMU may propose during the Inception Phase

⁹ KETs enable process, goods and service innovation throughout the economy and are of systemic relevance. They are multidisciplinary, cutting across many technology areas with a trend towards convergence and integration. They include, inter alia, micro-electronics, nano-electronics, nanotechnology, photonics, advanced materials, industrial biotechnology and advanced manufacturing technologies.

or at this stage establishment of a working group or sub-group that will work exclusively on the institutional framework.

As described above, the institutional framework will be produced through a two-pronged approach: (1) sustainability of the TFP research, and (2) institutionalisation of the linkages between the TFP Policy Framework and national/regional policies and action plans.

The PMU, in close coordination with the MoD and the relevant stakeholders, will identify options for institutionalisation by taking into account, *inter alia*, the “Action Plan of the Transformation Programme for Enhancing Productivity in Manufacturing”, which already lays out the institutions that will be responsible for monitoring and collecting productivity-related data.

The options to be produced by the PMU is expected to demonstrate for each option, at the minimum, (a) the type of activities to be performed in order to secure sustainability of the Action, (b) the timing of these activities (e.g. duration, update intervals etc.), (c) potential stakeholders that may perform these activities, and (d) resource requirements for fulfilment of the activities, especially for those which may require outsourcing. The options to be produced by the PMU shall also demonstrate the trade-offs between each option.

The options to be produced by the PMU will be reviewed by the MoD and the relevant stakeholders, and a suitable framework that will lay out the roles and responsibilities of the relevant stakeholders in sustaining the systems to be established within the scope of the Action will be determined.

C.2.3.2: Improvement of the Institutional Capacities

Based on the institutional framework to be adopted, the PMU will perform a needs assessment to identify the capacity improvement needs of the relevant stakeholders, and produce a needs assessment report. The needs assessment report may require revision of the institutional framework in cases where the assumptions to be made while developing the framework do not hold true. For instance, the framework to be produced may be based on the assumption that some of the activities be performed by a certain stakeholder's prevailing human resources, whereas the needs assessment report might demonstrate that the skills required to perform those functions cannot be feasibly developed within that stakeholder. In such cases, the PMU will propose modifications to the institutional framework for MoD's consideration.

Capacity Improvement Programme

The PMU will design and deliver a capacity improvement programme. The programme will include a Training of Trainers (ToT) module. This module targets to establish a team of trainers from relevant stakeholders. At least 20 people to be identified by the MoD and the relevant stakeholders will be trained as trainers. The PMU will produce training manuals and materials along with the needs identified in line with the policy framework. Number of days to be invested for train the trainers programme will be determined along with the results of the needs assessment and in line with the policy framework and the institutional framework. In addition, at least 200 staff from the relevant stakeholders will also be trained to perform the activities that the institutional framework entrusts to their organisation(s). Number of training days will be determined according to identified requirements of the institutional framework and policy framework. However, tentative number of days for ToT module will be min.3-max.7 days. Respective training programs according to different modules will be min.1-max.4 days.

Study Visits

If needed study visits will be organised in order to support capacity building improvement programme. In total, 25 public officials to be determined by MoD and PMU will join the study tours. It is being planned that 3 study tours will be determined with different specific objectives. Possible thematic areas that study tours could be related, but not limited to is provided below. Also, combining all themes could be an option according to identified destinations and availabilities of the stakeholders benefiting from analysis to be carried out and will be decided by MoD and PMU.

- a. International Benchmarking: At least 2 destinations for selected G20 countries covering specific consultations with policy makers and business support organizations, for 3 days with 8 officials. This will correspond to one study tour.
- b. Pilot Initiatives: One destination (two destinations could be combined) will be selected in line with the defined pilot study areas covering consultations with relevant implementing agencies and public officials, for 3 days with 12 officials. This will correspond to one study tour.

- c. Sustainability of the established framework: One destination will be selected according to best practice countries (possibly within G20) in order to have feedback on the sustainability actions for policy and institutional frameworks in successful countries, for 3 days with 5 officials. This will correspond to one study tour.

C.2.3.3: Development of Computerised System(s)

Based on the experience to be gained during the execution of the first component of the Action¹⁰, the PMU will develop a "*computerisation strategy*" that will facilitate institutional sustainability of the Action. This strategy will demonstrate the *specific means* (e.g. online surveys, online databases, spread sheets etc.), through which TFP-related data can be collated, processed and used for informed decision making.

Once the overall computerisation strategy is endorsed by the TFP Working Group, *prototypes of the computerised tools* will be developed, and will be shared with relevant stakeholders for their comments and feedback.

Based on the comments and feedback to be received from the relevant stakeholders, computerised tools will be developed and training will be delivered to the staff of the relevant stakeholders.

Both activity and budget details of this action is highly dependent on the results of the analysis within component 1 and how the computerization strategy will be developed.

C.2.4: Dissemination

Dissemination will be carried out in line with the Joint Visibility Guidelines for EC-UN actions and according to communication plan¹¹ and communication plan will be an annex to the contract. Communication plan could be revised according to needs during the Inception Phase and during the course of the action in agreement with MoD, EUD.

C.2.4.1: Development of the Communication Strategy

Communication strategy where dissemination activities will be linked is planned to be fine-tuned during the Inception Phase. In line with the perceived needs and requirements of the Action communication strategy and action plan will be shaped focusing on dissemination activities but supporting and complementary activities will also be designed.

Dissemination of the results will be three fold. The participatory approach to be adopted requires an iterative process and make sure that findings from the field analysis, results of survey, draft versions of the Synthesis Report, versions of the Green Paper and White Paper, results of the pilot studies etc. will be shared with the working groups, as well as the scientific committee members during the course of action as described above.

Second pillar of the dissemination will be closely linked with Component 2 and the tools to be developed especially computerised tools. In line with the computerisation strategy dissemination will be designed in a way to increase ownership by the end users strengthened by necessary training workshops and promotion materials.

Third pillar of the dissemination will be the presentation and advocacy actions for the final output "TFP White Paper". Along with the advocacy meetings with key stakeholders a separate closure event addressing the wide range of stakeholders and beneficiaries will be organised for the presentation and dissemination of the key outputs of the Action.

C.2.4.2: Implementation of the Communication Action Plan

In line with the strategy and priorities defined and the pillars identified above, communication action plan will be implemented throughout the Project duration with the following activities:

- Launch Event: A Launch Event will be organised by the end of Inception Period in Ankara with the participation of all relevant stakeholders, local media and representatives of national media. Approximately 150 participants are expected to participate.

¹⁰ The experience to be gained during the execution of the first component of the Action is expected to serve as a needs assessment for computerisation purposes.

¹¹ Available: <http://ec.europa.eu/europeaid/companion/document.do?isAnnexes=true>

- International Conference: An International Conference (with participation of national and international participants) will be organised in Istanbul to disseminate the key products of the Action. This will be a high level well organised event involving all relevant stakeholders and to make a reputable promotion of the Action. Approximately 400 participants are expected to participate.
- Closure Event: After the finalisation of the White Paper and the institutional frameworks a separate closure event will be held in Ankara with the participation of key stakeholders to make the official closure and announcement for the next steps to be taken. Approximately 150 participants are expected to participate.

In addition, printed materials (like brochures, booklets and reports to be shared), media, social media, mobile applications and videos will be benefited as the main communication tools.

Publications to be printed as dissemination material will be selected by the PMU and MoD. EUD and CFCU could also provide comments. Depending on the selection and the content, publication numbers will be identified and in total 1400 copies of publication materials will be printed. These publications will be distributed to all key stakeholders as reference materials.

In addition, 400 copies of brochures and/or promotional materials will be printed for the events. These materials will be distributed to expected participants for awareness raising purposes.

In addition, complementary activities like;

- Development of tools on benchmarking, surveys, assessment methodologies that would be benefited from different stakeholders;
- Development of computerised assessment tools benefiting from field surveys and assessment methodologies on productivity analysis;
- Development of guidelines on working group mechanisms, consultative mechanisms, and assessment tools;

will contribute to dissemination and communication activities supporting institutional capacities and improving commitment of stakeholders.

III. SUSTAINABILITY

The present Project aims at contributing to the progress towards achieving higher total factor productivity rates and thus increasing competitiveness by improving the institutional capacities to formulate and implement sector policies and strategies that contribute to national competitiveness. The Project will achieve these objectives through identification of the factors that limit TFP in Turkey (Component 1) and developing and operationalizing a macro-level policy framework that would boost total factor productivity (Component 2).

The Project is strongly linked with MIPD, as well as very well-positioned to promote EU's sector approach. Industrial Policy and Action Plan, SME Strategy & Action Plan are among the key national sector strategies, with which the present Project is linked. The Project's intervention modality addresses all three levels (i.e. financial, institutional and political) of sustainability; however, due to the sui generis nature of the Project, institutional sustainability has been prioritized. In other words, the progress to be achieved at the institutional level is expected to trigger financial and political sustainability.

Institutional Level

The Project will establish and/or strengthen mechanisms to sustain the impact of the Project after the completion of the external funding (i.e. EU's financial contribution). The present design of the Project includes establishment of consultative mechanisms to increase inclusiveness and participation from relevant stakeholders and reputable academicians and practitioners. In addition, tools to be benefited during the Action (i.e. surveys, analysis, computerized tools etc.) will be designed in a way to ensure sustainability, open for updates and upgrades to be utilized by national and regional actors. Furthermore, the Project includes specific measures to improve the local and national capacities through dissemination of results, training programmes for developed tools etc.

Equal Opportunities and non-discrimination

The Project is driven from the 10th Development Plan's human oriented approach which promotes equitable growth. The achievement of the Project's medium and long term objectives will eliminate one of the most critical constraints (i.e. low TFP) on Turkey's stable and equitable growth prospects. Additionally, the studies (surveys, research etc.) to be carried out will be formulated in such a manner that the relevant development targets indicated in the 10th Development Plan such as improvement of women's labour force participation rate (2018 Target: 34.9%), decreasing youth employment rate (2018 target:13%) and boosting paid employment (2018 target:70%) are also taken into account with the objective of providing equal opportunities for women, youth and low income groups.

The Financial Aspect

The Project's sustained impact requires financial resources, which will be used to take the steps to achieve the targets of the policy framework to improve total factor productivity in manufacturing industry. In line with the 10th Development Plan and the first priority transformation action plan on "enhancing productivity in manufacturing industry" the results of the Action is expected to be benefited and owned by the implementing partner to shape future policies with respective budget allocations.

Policy Level

The policy-level sustainability of the Project will be achieved by providing the MoD the required tools and capacity to develop policy-level measures benefiting from analytical frameworks, feedback from analysis and pilots and tools to be established during the course of Action.

Environmental Level

Environmental considerations are considered as critical elements that are directly and indirectly linked with the TFP. Although Turkey's per capita energy consumption is relatively low, energy intensity (as measured by TOE used to generate \$1000 GDP) is very high. Imported energy is one of the primary drivers of Turkey's current account deficit. Inefficient use of energy in Turkey's manufacturing industry is a main concern not only because of economic reasons (including competitiveness), but also because of the large amount of GHG emissions. Both analysis and pilot phases are planned to integrate environmental analysis and assessments as much as possible to develop findings and produce relevant actions in the policy framework.

Assumptions and risks

Key assumptions that underlie the Project are the willingness and cooperation from SMEs and local stakeholders to take part in field analysis during the assessment of the factors limiting total factor productivity at the company level. Also interest of globally renowned academicians and practitioners in becoming a member of the Scientific Committee. Effective management of consultative mechanisms and available institutional capacities are considered as the key risk mitigation system in case of assumptions fail to materialize.

IV. RESULTS AND RESOURCES FRAMEWORK

Intended Outcome as stated in the Country Programme Results and Resource Framework:				
<i>Outcome 7: increased opportunities for employment and decent work for all through the implementation of equity enhancing policies strategies and programmes that promote economic growth, based on competitiveness, increased productivity and corporate social responsibility (UNDCS Outcome, for 2011-2015)</i>				
Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets: (from UN Development Cooperation Strategy (2011-2015))				
Unemployment rate disaggregated by gender, age and geography (Baseline(2009): 14% total unemployment, 13.9%male, 14.3% female, 25.3% youth, rural 8.9, urban 16.6%				
Number of people that are placed in a job as a result of active labour market policies: Baseline (2009): 118,287, Target (2015): 500,000				
Applicable Key Result Area (from 2014-2017 Strategic Plan): Growth and development are inclusive and sustainable, incorporating productive capacities that create employment and livelihoods for the poor and excluded.				
Partnership Strategy: This project will be implemented with the overall guidance of the Government of Turkey, Ministry of Development DG of Economic Modelling and Strategic Research. Activities will require a comprehensive macroeconomic analysis in manufacturing sectors while intensive participatory mechanisms will be benefited to increase ownership to be able to integrate micro level findings into the analysis. Therefore a wide range of stakeholders will taking role in consultative processes during the action through working group meetings, scientific committees etc.				
Project title and ID (ATLAS Award ID):				
INTENDED OUTPUTS	OUTPUT TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUTS (USD)
Output 1: Factors limiting Total Factor Productivity in Turkey identified Baseline: (i) No detailed assessments on factors limiting TFP in Turkish Manufacturing Industry (ii) No detailed benchmark report comparing Turkish Economy with leading 10-15 economies on TFP assessment	Targets (Year 1)	Activity 1. Inception Phase	UNDP	71200 International Consultants
	TFP Assessment methodology developed	Action 1.1. Research and Synthesis Framework	MoD	71200 International Consultants (Technical Team)
	Surveys are completed	Action 1.2. Working Groups		71300 Local Consultants
	Benchmark analysis have been completed			71600 Travel
	A synthesis report have been completed	Activity.2. Total Factor Productivity Assessment		72100 Contractual Services
	Targets (Year 2)			287,016,9
				188,950,0
				324,861,9
				137,845,3
				239,226,5

(iii) No comprehensive analysis covering micro and macro determinants on productivity of Turkish industry with TFP focus.	Computerised tool(s) will be developed to sustain TFP assessments.	Action 2.1 Assessment of the Factors Limiting TFP at the Company Level	72500 Supplies	21.721,8
Indicators: <ul style="list-style-type: none">• 3000 SMEs surveyed for assessment purposes within first year of the Project,• Turkey's economy benchmarked against 15 countries within first year of the Project,• A TFP synthesis report produced	Publications will be completed on the results of assessments, benchmarking and synthesis report	Action 2.2. Benchmarking Turkey's Growth Prospects with a Convergence Perspective Action 2.3. Synthesis	71400 Service Contracts	107.182,3
			74500 Misc.	25.193,0
			75100 F&A	93.239,9

Output 2: A macro-level policy framework that would boost total factor productivity developed and operationalized.	Targets (Year 1) Consultative processes begin to share field analysis results Targets (Year 2-3) Pilot studies carried out 5 different models and policy framework developed through green paper and white paper. Supportive tools will be developed Institutional framework will be developed and operationalised	Activity 3. TFP Policy Framework Action 3.1. Development of the Policy Framework Action 3.2. Piloting the operationalisation of the framework Action 3.3. Strengthening of the institutional framework.	UNDP MoD	<table><tr><td>71200 International Consultants</td><td>171,547</td></tr><tr><td>71200 International Consultants (Technical Team)</td><td>283,425</td></tr><tr><td>71300 Local Consultants</td><td>452,486.2</td></tr><tr><td>71600 Travel</td><td>139,723.8</td></tr><tr><td>72100 Contractual Services</td><td>490,497.2</td></tr><tr><td>72500 Supplies</td><td>37,790.1</td></tr><tr><td>71400 Service Contracts</td><td>160,773.5</td></tr><tr><td>74500 Misl.</td><td>4,420.0</td></tr><tr><td>75100 F&A</td><td>121,846.4</td></tr></table>	71200 International Consultants	171,547	71200 International Consultants (Technical Team)	283,425	71300 Local Consultants	452,486.2	71600 Travel	139,723.8	72100 Contractual Services	490,497.2	72500 Supplies	37,790.1	71400 Service Contracts	160,773.5	74500 Misl.	4,420.0	75100 F&A	121,846.4
71200 International Consultants	171,547																					
71200 International Consultants (Technical Team)	283,425																					
71300 Local Consultants	452,486.2																					
71600 Travel	139,723.8																					
72100 Contractual Services	490,497.2																					
72500 Supplies	37,790.1																					
71400 Service Contracts	160,773.5																					
74500 Misl.	4,420.0																					
75100 F&A	121,846.4																					
Baseline: (i) No macro level policy framework to improve TFP (ii) Capacities of national institutions to implement integrated policies to boost TFP, limited																						
Indicators: • A macro level policy framework developed within the second year of the Project, • 5 pilots to operationalize the policy framework designed and deployed within the second year of the Project Capacity improvement activities carried out.																						

V. ANNUAL WORK PLAN

Year 1

EXPECTED OUTPUTS	PLANNED ACTIVITIES (and Actions)	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET	
		Q1	Q2	Q3	Q4		Funding Source	Amount (\$)
Output 1: Factors limiting Total Factor Productivity in Turkey identified Baseline: (i) No detailed assessments on factors limiting TFP in Turkish Manufacturing Industry (ii) No detailed benchmark report comparing Turkish Economy with leading 10-15 economies on TFP assessment (iii) No comprehensive analysis covering micro and macro determinants on productivity of Turkish industry with TFP focus.	1. Inception Phase 1. Research & Synthesis Framework 1.1.1 Development of the Research Fr. 1.1.2 Development of the Synthesis Fr. 2. Working Groups	X	X	X	X	MoD and UNDP	EUD	65.165,7
								54.414,4
								13.878,5
								51.080,7
								2.975,6
								18.756,9
								1.480,7
Indicators: 3000 SMEs surveyed for assessment purposes within first year of the Project. Turkey's economy benchmarked against 15 countries within first year of the Project. A TFP synthesis report produced Targets (2015-2016): <ul style="list-style-type: none"> TFP Assessment methodology developed Surveys are completed Benchmark analysis have been completed A synthesis report have been completed 	2. TFP Assessment 2.1 Assessment of the Factors Limiting TFP at Company Level 2.1.1 Design of the Company-Level Surveys 2.1.2 Surveys 2.1.3 Assessment of Results 2.2 Benchmarking Turkey's Growth Prospects with a Convergence Perspective 2.2.1 Scoping 2.2.2 International Benchmarking Exercise 2.3 Synthesis 2.3.1 Development of the Synthesis Action Plan 2.3.2 Implementation of the Synthesis Action Plan					MoD and UNDP	EUD	111.712,7
								93.281,8
								41.635,4
								87.566,9
								8.926,8
								32.154,7
								4.442,0

[illegible]

[illegible]

<p>Output 2: A macro-level policy framework that would boost total factor productivity developed and operationalized.</p> <p>Baseline:</p> <p>(i) No macro level policy framework to improve TFP</p> <p>(ii) Capacities of national institutions to implement integrated policies to boost TFP limited</p> <p>Indicators</p> <p>• A macro level policy framework developed within the second year of the Project.</p> <p>• 5 pilots to operationalize the policy framework designed and deployed within the second year of the Project</p> <p>• Capacity improvement activities carried out.</p> <p>Related CP outcome:</p> <ul style="list-style-type: none"> Competitiveness of socially and environmentally responsible private sector increased. 	<p>3: TFP Policy Framework</p> <p>3.1 Development of the Policy Framework</p> <p>3.1.1 Development of TFP Green Paper</p> <p>3.1.2 TFP Green Paper Consultations</p> <p>3.1.3 Development of TFP White Paper (Policy Framework)</p> <p>3.2 Piloting the Operationalization of the Policy Framework</p> <p>3.2.1 Identification of TFP Pilots</p> <p>3.2.2 Implementation of TFP Pilot Initiatives</p> <p>3.2.3 Assessment of Results</p> <p>3.3 Strengthening of the Institutional Framework</p> <p>3.3.1 Identification of a Suitable Institutional Framework</p> <p>3.3.2 Improvement of Institutional Capacities</p> <p>3.3.3 Development of Computerised System(s)</p> <p>C.2.4 Dissemination</p> <p>C.2.4.1 Development of the Communication Strategy</p> <p>C.2.4.2 Implementation of the Communication Action Plan</p>						EUD	71200 Int'l Consultants	158.259,7
								71300 Local Consultants	132.149,2
								71600 Travel	27.756,9
								72100 Contractual Svc	124.053,0
								72500 Supplies	5.951,2
								71400 Service Contracts	45.552,5
								74500 Misc Expenses	2.961,3
								F&A	84.429
								TOTAL	1.290.561

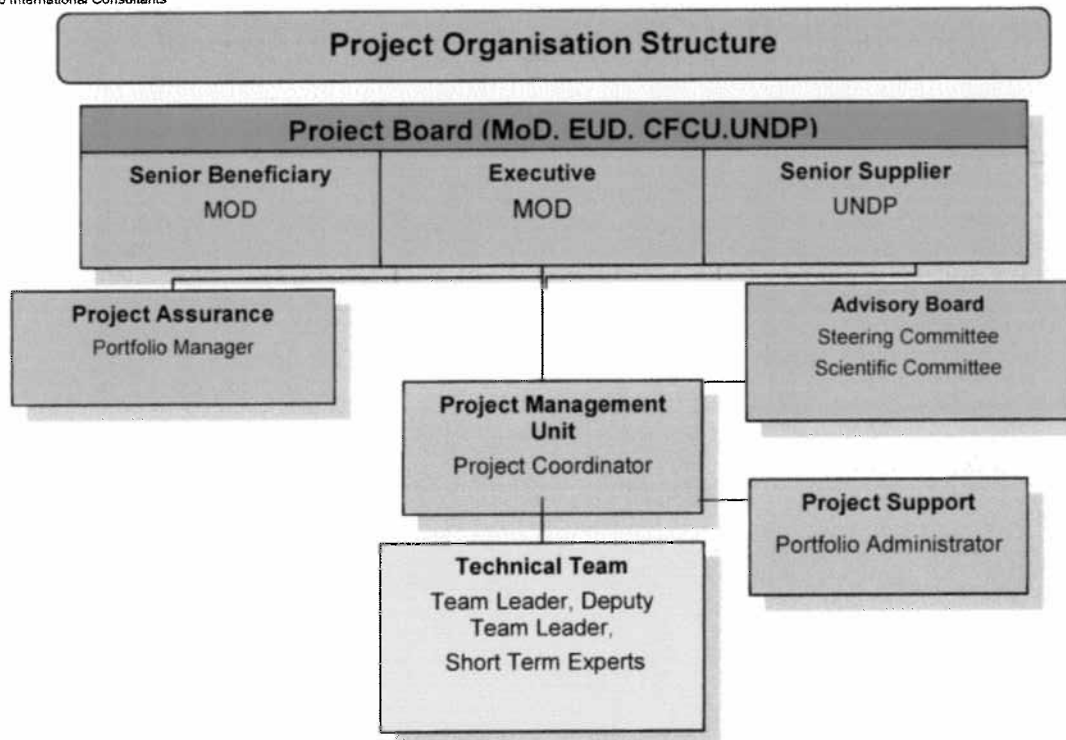
Year 3

EXPECTED OUTPUTS	PLANNED ACTIVITIES (and Actions)	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET			
		Q1	Q2	Q3	Q4		Funding Source	Budget Description	Amount (\$)	
<p>Output 2: A macro-level policy framework that would boost total factor productivity developed and operationalized.</p> <p>Baseline:</p> <p>(i)No macro level policy framework to improve TFP</p> <p>(ii)Capacities of national institutions to implement integrated policies to boost TFP, limited</p> <p>Indicators:</p> <p>•A macro level policy framework developed within the second year of the Project.</p> <p>•5 pilots to operationalize the policy framework designed and deployed within the second year of the Project</p> <p>Capacity improvement activities carried out.</p> <p>Related CP outcome:</p> <ul style="list-style-type: none">Competitiveness of socially and environmentally responsible private sector increased.	1. Inception Phase 1. Research & Synthesis Framework 1.1.1 Development of the Research Fr. 1.1.2 Development of the Synthesis Fr. 2. Working Groups	x	X	X	X	MoD and UNDP	EUD	71200 Int'l Consultants		
								71300 Local Consultants		
								71600 Travel		
								72100 Contractual Svc		
								72500 Supplies		
								71400 Service Contracts		
								74500 Misc. Expenses		
							MoD and UNDP	EUD	71200 Int'l Consultants	130.331,5
									71300 Local Consultants	108.828,7
									71600 Travel	55.513,8
								72100 Contractual Svc	102.161,3	
								72500 Supplies	11.902,4	
								71400 Service Contracts	37.513,8	
								74500 Misc. Expenses	5.922,6	

[illegible]

VI. MANAGEMENT ARRANGEMENTS

71200 International Consultants



The management structure of the Project is composed of the following bodies/units:

- **Steering Committee:** The Steering Committee will provide a high-level coordination and collaboration mechanism
- **Scientific Committee:** The Scientific Committee will be composed of academicians and experts supporting the process with a role to assess the quality and ensuring credibility of the findings and recommendations.
- **Project Management Unit:** The Project Management Unit will be composed of the Team Leader, Deputy Team Leader and Support Staff assigned full-time for the Project together with all Short Term Experts along with the UNDP team. UNDP will ensure strong collaboration with MoD since MoD will also take active role in PMU. According to availability MoD could assign responsible staff for each component in order to ensure strong coordination and collaboration.

In addition, the MoD, CFCU, EUD and UNDP will meet regularly to monitor the progress of the Project. Project will be managed in line with the UNDP rules and regulations in line with the UNDP Standard Operating Procedures.

For the purposes of the present Description of Action;

- International experience is defined as professional/academic experience in an international setting/environment,
- Senior experience is defined as at least 10 years of professional/academic experience.

As such, international and local expertise is not directly attributable to the nationality of an expert.

Senior Programme Officer (SPO): SPO will be assigned by the MoD and will oversee the management of the Project.

Scientific Committee: The MoD in collaboration with UNDP-PMU will establish the Scientific Committee during the Inception Phase. The role of the Committee will be to provide technical inputs and critics during the course of Action on a regular basis. Composed of academicians and experts in related areas, Committee will be provided with relevant information on the key findings, will analyse these findings and

will provide feedback for the next steps. Also the Scientific Committee will propose related action to be taken to increase the quality and to ensure credibility of the findings and results. The Committee will meet at least twice a year but meetings could be called where and when necessary.

Project Steering Committee (PSC): The MoD will facilitate establishment of a PSC, which will review progress, provide macro-level inputs for successful realization of the Project, and act as platform for promoting inter-agency cooperation and collaboration. The PSC will be called and chaired by the SPO (Head of Department at the MoD) and will consist of Ministry officials, key local stakeholders (i.e. MoSIT, MoE, Ministry of Trade and Customs, TÜBITAK, KOSGEB, TOBB, CFCU, EUD and UNDP). Other organisations might be invited to the PSC Meetings if there appears a need to do so. The Committee will meet twice a year and more often if need be. The PSC will monitor and evaluate the progress of the Project and make strategic recommendations. The secretarial work of the PSC will be carried out by the PMU, and meetings are planned to be held at MoD premises in Ankara.

Description of the role and participation in the Action of various actors: The MoD will be the Beneficiary of the Project and will be implementing the Project with the technical assistance of UNDP taking active role in the PMU. Coordination as well as ownership and commitment from high level public and private partners will be managed by MoD with the support of UNDP. Involvement and continuous participation to Working Groups will be also managed and encouraged by the MoD. The PMU will be the implementing actor on board. UNDP will ensure incorporation of inclusive growth and sustainable development perspective into the Project thru its well- and globally-established unique systems (i.e. human development index etc.) and role (i.e. promotion of Post-2015 sustainable development goals, role in G20 development track). CFCU is the Contracting Authority and will be responsible for contracting with the UNDP, administration, overall supervision of the contractual obligations, review and approval, for the purpose of article 15 of the General Conditions, of the reports for the processing of payments. CFCU is also responsible for its own financial management including its accounting and payments of activities for the Action. The EUD provides advice to the CFCU, and acts as an observer in the different meetings to be organized within the period of implementation. EUD monitors the project and performs ex-ante controls.

Team

The Project Management Unit will be composed of a core technical team that will lead the coordination and implementation of the activities with the backstopping from UNDP. PMU will be composed of 2 full-time Senior Experts: Team Leader and Deputy Team Leader; 1 full-time support staff: Project Coordinator; 2 UNDP Members (part-time basis) and Short Term expert pool to be benefited which will be composed of high-calibre experts with international and local expertise.

The PMU will have separate premises in a logistically convenient place for all partners in Ankara. MoD, CFCU and EUD will be invited to the selection process of project team. The UNDP will inform the CFCU, as being the Contracting Authority and EUD about the final results of the recruitment as well as any changes of human resources policy during project implementation period.

The activities of the PMU will be overseen and supervised by the UNDP Senior Management, as well as to manage contractual relations with the CFCU and EUD. The UNDP members of the PMU will ensure that UNDP's and relevant UN Agencies (i.e. UNIDO, ILO etc.) previous experience in the Region and in the areas, which fall into the scope of the Project, are transferred to the Project. In addition UNDP will ensure compliance with UNDP's rules and regulations during all recruitment processes. The PMU will also facilitate establishment of working relations with national stakeholders.

Team Leader (TL; 30 months, Ankara)

Job Description: The day to day implementation and technical assistance responsibility for the Project rests with the TL, who reports on a regular basis to UNDP. In addition to performing managerial duties, which includes establishment and maintenance of working relations with the key stakeholders, the TL will provide substantive inputs on formulation of assignment teams, management of assignment teams and advocacy and promotion activities to improve participation and ownership from the economic actors.

General Qualifications:

- University degree in administrative sciences (e.g. management, economics), or relevant field of engineering (e.g. industrial engineering, mechanical engineering,).

- Post-graduate degree in relevant area will be an asset,
- Fluency in English,
- Knowledge of Turkish will be an asset,
- Working knowledge of computerized office applications (i.e. MS Office etc.).

Professional Experience:

- Minimum 12 years of professional experience,
- Minimum 8 years of experience in the field of SME/Private Sector/Local Economic Development and/or national/regional economic analysis and/or competitiveness at a national-wide institution/organization,
- Minimum 5 years of experience in coordinating and managing expert teams from different backgrounds and expertise areas,
- Minimum 2 years of experience in international environment,
- Minimum 3 years of experience in enterprise and/or private sector development projects and/or programmes with national and/or regional business representative organizations and/or business NGOs will be an asset,
- In-depth knowledge of Turkish Economy and business environment, policy framework, role of economic actors will be an asset.

Deputy Team Leader (DTL; 30 months, Ankara)

Job Description: DTL will be supporting day to day implementation and technical assistance responsibility for of the TL but he/she will undertake a complementary role to focus on pilot implementation phase, managing relations with stakeholders, managing and ensuring communication and harmonisation of the activities/findings from the pilot phase into policy framework development phase. DTL will also contribute formulation of assignment teams, management of assignment teams and advocacy and promotion activities to improve participation and ownership from the economic actors.

General Qualifications:

- University degree in administrative sciences (e.g. management, economics etc.), or relevant field of engineering (industrial engineering, mechanical engineering etc.) post-graduate degrees preferred,
- Fluency in English,
- Knowledge of Turkish will be an asset,
- Working knowledge of computerized office applications (i.e. MS Office etc.).

Professional Experience:

- Minimum 10 years of professional experience,
- Minimum 8 years of experience in the field of SME/Private Sector/Local Economic Development and/or national/regional economic analysis and/or competitiveness etc. at a national-wide institution/organization,
- Minimum 4 years (in total) of relevant experience about at least three different major manufacturing industries (e.g. textile, food, machinery, etc.),
- In-depth knowledge of Turkish Economy and business environment, policy framework, role of economic actors,
- Minimum 3 years of relevant experience about infrastructure and/or service sectors (e.g. telecom, energy, logistics, etc.) will be an asset,
- Minimum 2 years of experience in international environment will be an asset.

Project Coordinator (PC; 30 months, Ankara)

A PAD will be assigned by UNDP to support smooth implementation of the Action taking responsibility on administrative and operational compliance of the activities. S/he will also support the Team Leader and Deputy Team Leader to his/her day-to-day interaction with the local stakeholders and development and monitoring of project work plans.

The Project Coordinator should, ideally,

- Have a university degree in political sciences, administrative sciences (i.e. management, economics etc.) or social sciences (i.e. regional development etc.) or relevant field of engineering (i.e. industrial engineering etc.),

- Post graduate degree in one of the above mentioned areas will be an asset,
- Fluency in English and Turkish,
- Advanced user of computerized office applications (i.e. MS Office etc.),
- At least 10 years of professional experience,
- At least 5 years of project management experience,
- Minimum 2 years of international experience,
- Minimum 2 years of previous experience in administrative and operation functions in UN system will be an asset.

Portfolio Manager (PM; 15 months, Ankara)

The PM will be assigned by UNDP to work on a part-time basis (50%) during the entire lifespan of the Project. She/he will be in charge of the high-level planning, coordination with EU-funded projects and related UN agencies, and managing relations with the Beneficiary, Contracting Authority and the EUD. He/she bears the responsibility for controlling the quality of the contractual (i.e. narrative and financial) reports. He/she will be working at the UNDP premises.

Portfolio Administrator (PA; 10 months, Ankara)

The PA will be assigned by UNDP at the UNDP premises. He/she will be responsible for keeping the accounts and doing the financial reporting of all Project activities in coordination with the TL and PM. The incumbent will keep the accounts and maintain adequate records for all expenditures incurred, develop regular expenditure reports and update the PM on the financial standing of the Project, facilitate project-based internal and external financial assessment(s).

Short Term Experts

A total of 2410 working/days of short-term expertise will be mobilised for a number of activities where draft allocation is presented with the Budget for the Action.

VII. MONITORING FRAMEWORK AND EVALUATION

In accordance with the programming policies and procedures outlined in the UNDP User Guide, the project will be monitored through the following:

Within the UNDP annual cycle

- On a quarterly basis, a quality assessment shall record progress towards the completion of key results, based on quality criteria and methods identified in Action.
- An Issue Log shall be activated in Atlas and updated by the Portfolio Manager to facilitate tracking and resolution of potential problems or requests for change.
- Based on the initial risk analysis submitted (see annex 1), a risk log shall be activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation.
- Based on the above information recorded in Atlas, a Project Progress Reports (PPR) shall be submitted by the Project Manager to the Project Board through Project Assurance, using the standard report format available in the Executive Snapshot.
- a project Lesson-learned log shall be activated and regularly updated to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the project
- a Monitoring Schedule Plan shall be activated in Atlas and updated to track key management actions/events

Annually

- **Annual Review Report.** An Annual Review Report shall be prepared by the Portfolio Manager and shared with the Project Board and the Outcome Board. As minimum requirement, the Annual Review Report shall consist of the Atlas standard format for the QPR covering the whole year with updated information for each above element of the QPR as well as a summary of results achieved against pre-defined annual targets at the output level.
- **Annual Project Review.** Based on the above report, an annual project review shall be conducted during the fourth quarter of the year or soon after, to assess the performance of the project and appraise the Annual Work Plan (AWP) for the following year. In the last year, this review will be a final assessment. This review is driven by the Project Board and may involve other stakeholders as required. It shall focus on the extent to which progress is being made towards outputs, and that these remain aligned to appropriate outcomes.
- **Progress and final reports** will be provided in line with reporting requirements set out in the General Conditions, Annex 2 to the EU-UNDP Agreement.
- Any evaluation of this Action shall be conducted in line with the Financial and Administrative Framework Agreement in place between the European Union and the United Nations, and in accordance with the General Conditions, Annex 2 to the present Agreement.

Visibility of the project will be realised in line with the communication strategy within the scope of dissemination component as depicted in section C.2.4. All visibility actions will follow the following principles:

All necessary measures will be taken to ensure the visibility of the European Union and the Republic of Turkey. All visibility actions will be carried out in accordance with the General Conditions (ANNEX II - General Conditions PA Grant of Delegation Agreements, Article 8). The actions on visibility of the Project will follow the Joint Visibility Guidelines for EC-UN actions in the field, the link to the manual is;

http://ec.europa.eu/europeaid/funding/procedures-beneficiary-countries-and-partners/fafa-United-nations_en ; complemented by the visibility guidelines of the delegation at:

<http://avrupa.info.tr/eu-funding-in-turkey/visibility-guidelines.html> .

The EU-Turkey cooperation logo should be accompanied by the following text:

"This project is co-financed by the European Union and the Republic of Turkey"

Confirmation must be sought from the CFCU and the EUD regarding the visibility items.

All equipment, shall have a solidly fixed and durable label, as appropriate for each piece of equipment, with the standard EU- Turkey cooperation logo.

In general the following principles apply to all reports:

- All reporting will be done in English, all critical publications (i.e. Synthesis Report, Benchmarking Report, Green Paper, White Paper) will be translated into Turkish, as well;
- UNDP will submit the final drafts of all reports to the MoD, CFCU and EUD at the same time, all addressees will respond at most in 10 working days in writing (i.e. e-mails etc.). The final versions of the reports will be submitted in 4 hard copies (2 copies to the MoD, 1 copy to the CFCU and 1 copy to EUD), including the soft copies to be provided in CD/DVDs.

Inception Report: Within 12 weeks of commencement of the Project, UNDP will prepare and submit for approval an inception report to the CFCU and the Ministry including a copy to the EUD, outlining the general approach, methodology and timetable for preparation and implementation of all activities funded under the Project. The inception report will include a work plan for the first year's activities and expenditures and a detailed work plan for the next 6 months. The addressees of the inception report will comment on or approve/clear the inception report in 10 working days in writing.

Biannual Progress Reports: PMU will prepare and submit for approval biannual progress reports to the CFCU and the Ministry including a copy to the EUD. Each report will include a detailed narrative discussion of the progress achieved in the reporting period and a detailed work plan for the following reporting period. These reports will be the basis of discussions at the Steering Committee, described above.

Financial Reports: Financial reports will be prepared and submitted by UNDP to the CFCU including a copy to the MoD and the EUD at the time of requests for payment for further pre-financing and final report as defined in the Special Conditions.

This program activity will be assessed by an independent team in terms of efficiency and effectiveness of delivery at the end of the project duration.

Final Reports: The final report will be submitted in accordance with the principles defined above and as per the provisions set out in the Special Conditions & General Conditions of the Agreement.

VIII. LEGAL CONTEXT

This document together with the CPAP signed by the Government and UNDP through the legal framework of Revised Standard Agreement signed on 21 October 1965, constitute the instrument envisaged in Supplemental Provisions to the Project Document, attached hereto.

Consistent with the Article III of the Standard Basic Assistance Agreement, the responsibility for the safety and security of the executing agency and its personnel and property, and of UNDP's property in the executing agency's custody, rests with the executing agency.

The executing agency shall:

- a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
- b) assume all risks and liabilities related to the executing agency's security, and the full implementation of the security plan.

UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement.

The executing agency agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via <http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.

IX. RISK LOG

Project Title:	<i>Support to Development of a Policy Framework on Total Factor Productivity</i>	Award ID:	Date: July 2015
-----------------------	----------------------------------------------------------------------------------	------------------	------------------------

#	Description	Date Identified	Type	Impact (I) & Probability (P)	Countermeasures/ Mngt response	Owner	Submitted, updated by	Last Update	Status
1	The interest from companies will be limited due to changing market conditions	July 2015	Political/Operational	Impact: 4 Probability: 2	In consultation with MoD, additional incentive programs could be designed to attract companies participation	Portfolio Manager	Portfolio Manager	(In Atlas, automatically recorded)	
2	There is a lack of interest and ownership from stakeholders	July 2015	Operational	Impact: 3 Probability: 2	The project management will conduct a strong awareness raising and interest building operation at the stakeholder level.	Portfolio Manager	Programme Manager	(In Atlas, automatically recorded)	

* on Scale of 5, 5 being the highest



**UNDP LOCAL PROJECT APPRAISAL COMMITTEE (LPAC)
MINUTES OF THE MEETING**

Date & Time	30 July 2015, 14.30 – 16.30
Venue	UN House, Ankara
Project Title	Support to Development of a Policy Framework for Total Factor Productivity
Chair	Matilda Dimovska (MD), Deputy Resident Representative, UNDP
Participants	Mustafa A.Fazlıoğlu (MAF), Sector Manager, European Union Delegation to Turkey (EUD) Mahmut Arslan (MA), Expert, Development Ministry (DM) Pınar Yaşar (PY), Expert, Development Ministry Mehmet Hondur (MH), Expert, Development Ministry Pelin Rodoplu (PR), Portfolio Manager, UNDP Arif Mert Öztürk (AMÖ), Portfolio Administrator, UNDP Esra Ulukan Fettahoğlu (EUF), RBM Associate, UNDP Gökçe Yörükoğlu (GY), Programmatic Partnerships Associate, UNDP
Agenda	(1) Opening (2) Presentation of the proposed project, expected outputs and activities (3) Other (implementation modality, implementation period, budget etc.) (4) Closing

Item 1	Opening
Discussions	<p><u>MD:</u> The objective of the proposed project is in line with the overall objectives of United Nations Development Cooperation Strategy (UNDCS) and new UNDP Country Programme Document (CPD). Competitiveness economic growth scope also contributes to new CPD priorities and fits very well into new structures after CO repositioning.</p> <p>The project responds to the first priority transformation program in the 10th National Development Plan, “enhancing productivity in manufacturing industries” through development of a policy framework to improve total factor productivity. The overall objective is to improve the contribution of total factor productivity to growth. Specific objective is to improve the institutional capacities to formulate and implement sector policies and strategies that contribute to national competitiveness. The Project will target to reach and interact with a wide range of stakeholders from public sector to private sector covering policy makers and business actors including think tanks, business service organisations etc.</p>
Comments	None

Item 1	Opening
Conclusion	Agreed
Action	None required

Item 2	Presentation of the proposed project, expected outputs and activities
Discussions	<p><u>PR</u>: The proposed project has two outputs:</p> <p>In Turkey, productivity is the main obstacle of the growth. The purpose of the Project is to produce a policy framework, which is shaped by a forward-looking analysis, based on economic convergence scenarios, and which at the same time takes into account the fundamental differences between manufacturing industries in terms of Total Factor Productivity (TFP) constraints.</p> <p>In order to craft an effective policy framework, it is important to start with an understanding of the fundamental differences between manufacturing industries, as well as the global trends that affect how such industries function. This requires company-level assessments to identify TFP constraints, as well as an international benchmarking exercise that would produce scenarios from a convergence perspective. The analysis of convergence scenarios is critical for identifying the interplay between different components of TFP. Such an approach will provide the policy makers with the opportunity to “quantify” impact of various TFP determinants on long-term growth trajectories. Therefore the first output of the Project targets to identify factors limiting Total Factor Productivity in Turkey through detailed field analysis with specific research objectives. In addition a detailed benchmarking exercise will be carried out to identify several best practices which can be utilised in our analysis. Finally field analysis and benchmarking results will be integrated in a synthesis report to identify the main obstacles and opportunities for Turkish context.</p> <p>Second output will be focusing on development and operationalization of a macro-level policy framework that would boost total factor productivity. Activities here will be informed by the findings of the first output and concerns (1) development of a national policy framework for boosting TFP in Turkey, (2) operationalization of the said policy framework through pilot initiatives, and (3) enhancement of the institutional capabilities to ensure sustainable implementation of the policy framework. As such, this output is composed of 3 activity groups: 2.1: Development of the Policy Framework 2.2: Piloting the Operationalization of the Policy Framework, and 2.3: Strengthening the Institutional Framework.</p>
Comments	<p><u>MAF</u>: Action was developed with MoD, EUD and UNDP. EUD is extremely keen to move forward and very interested to have the outputs and supporting tools which will be developed within the Action. Since these will be key to sustain the results and contribute national priorities. It took quite a long time to come to this stage and EUD is looking forward to see the Project moving as planned.</p> <p><u>PY</u>: The project document has been prepared in close cooperation with the</p>

Item 2	Presentation of the proposed project, expected outputs and activities
	Development Ministry. The activities and results will not only contribute to transformation programme #1 but also will be implemented throughout for improving national competitiveness. MoD prioritizes this Action and look forward to working closely with the team.
Conclusion	Agreed
Action	None required

Item 3.a	Other: Implementation modality
Discussions	<u>PR</u> : Project is proposed to be executed under NIM Modality with the MoD as the National Implementing Partner. CFCU will be contracting authority for the Action.
Comments	None
Conclusion	Agreed
Action	None required

Item 3.b	Other: Implementation Period
Discussions	<u>PR</u> : 30 months to begin by the contract signature by UNDP as the last party.
Comments	<u>MH</u> : Considering the intensity of the activities and the Project management structures 30 month period may not be enough for the implementation. What can be the consequences for this? <u>MAF</u> : EUD has set a very clear target for implementation period extensions. As per the recent communication no extension will be exercised for any of the Projects and this can be no exception. <u>MD</u> : We have already started recruitment and other preparations. So all actions will be taken in order to ensure that no extension will be required.
Conclusion	The implementation period will be 30 months
Action	Utmost importance will be given to ensure timely implementation.

Item 3.c	Other: Management arrangements
Discussions	<u>PR</u> : A technical team, Team Leader and Deputy Team Leader will be mobilized with a full time project coordinator. Also UNDP Portfolio Manager and Portfolio Administrator will ensure UNDP's inputs are incorporated. Also short term experts will be mobilized.
Comments	<u>MA</u> : Project management arrangement looks very complicated and crowded. Justification for the reasoning will be required. <u>MD</u> : Since this is a complicated project requires very close follow up more frequent steering committee meetings would be useful.
Conclusion	<u>PR</u> : In line with the formulation of the activities, technical team which will be supported by STEs will be needed. The scope of the activities requires several expertise areas, macro- economic analysis and policy work will be TL's responsibility area. Identification of micro determinants and sectoral inputs will be

Item 3.c	Other: Management arrangements
	<p>DTL's area of work. Loaded schedules will require high level project management skills. Therefore project coordinator role will also be needed. The scope of the activities require technical inputs as well as strong communication and participatory governance systems in place through working groups, scientific committee etc. All components should be run in coherence and will need iterative processes. Therefore strong management team will be needed to ensure healthy communication flow as well as strong technical inputs in a timely manner.</p> <p>Action already covers flexibility on the frequency of the steering committee meetings. Therefore more frequent meetings can be arranged upon the decisions of the committee.</p>
Action	None required

Item 3.d	Other: PD format
Discussions	PD format was shared with the invitation of LPAC
Comments	<p>MA: There are some mistakes in the format needs to be corrected. Team cost should be reflected. GMS amount should be included in the cover page. Also other changes should be done according to the format.</p> <p>MD: The organization chart will also be updated_project assurance mechanism should reflect the role of portfolio manager, not only the steering committee and scientific committee.</p>
Conclusion	Necessary format changes will be completed.
Action	Updated Project document will be sent to LPAC members along with the minutes of meeting.

Item 4	Closing
Discussions	Parties endorsed project document, subject changes (Item 3.d.) to be made in accordance with the discussions, held at the LPAC meeting. The Project Document needs some editing.
Comments	None
Conclusion	Agreed
Action	UNDP will make the necessary revisions and submit the Project Document and the LPAC MoM to the MFA for approval, as per the established formal signature process.

LPAC Meeting for

"Support to Development of a Policy Framework on Total Factor Productivity"

30 July 2015; 2:30 p.m.

Name, Surname	Organisation	Title	Phone number	E-mail
Pınar Yaşar	MoD	Expert	294 6017	pınar.yasar@bakinmo.gov.tr
Mehmet HONDUR	MoD	Expert	294 6014	mehmet.hondur@bakinmo.gov.tr
H-Mahmut ARSLAN	"	"	294 6406	hmarstan@dpt.gov.tr
Kutide Dincel	UNDP	DR		
ARIF MEHT OZTURK	UNDP	Port Administrator	537 7267083	arif.meht.ozturk@undp.org
MUSTAFA FAZLIOĞLU	EUD	Sector Man.	4598700	mustafa.fazlioglu@ceac-europe.eu
Pelin Rodoplu	UNDP	Port. Manager	4541061	pelin.rodoplu@undp.org
Esra FETTAHOĞLU	UNDP	RBM Programme Associate	454 1121	esra.ulukan@undp.org
Gökçe Yörükoglu	UNDP	Programmatic Partnership Assoc.	454 1056	gokce.yorukoglu@undp.org