



This project is co-funded by the European Union and the Republic of Turkey.

Technical Assistance for Support to Development of a Policy Framework on Total Factor Productivity

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ANNUAL PROGRESS REPORT

Reporting Period: 12.11.2015 – 28.12.2016

**United Nations Development Programme
Country Office, Turkey**

Support to Development of a Policy Framework on Total Factor Productivity is a technical assistance project financed by the European Union (EU) and Republic of Turkey (TR) and executed by the United Nations Development Programme (UNDP). The Central Finance and Contracts Unit (CFCU) is the contracting authority of the Project. The final beneficiary of the Project is the Ministry of Development (MoD).



TABLE OF CONTENTS

PROJECT SYNOPSIS	3
EXECUTIVE SUMMARY	5
REVIEW OF PROGRESS AND PERFORMANCE	6
UPDATED TIME PLAN	13
RESOURCES AND BUDGET	14
HUMAN RESOURCES	15
RISK LOG.....	16
CONCLUSIONS	17
LIST OF ANNEXES	18

PROJECT SYNOPSIS

Title of the action:	Support to Development of a Policy Framework on Total Factor Productivity
Name of the Beneficiary Institution:	Kalkınma Bakanlığı Ekonomik Modeller Dairesi Ekonomik ve Stratejik Araştırmalar Genel Müdürlüğü Necatibey Caddesi, No:110/A Kat:10, Yücetepe, Ankara/TURKEY Phone : +90.312.294 60 26 Fax : +90.312.294 60 77
Location of the Action:	Turkey
Total duration of the action:	30 Months
Total budget for the action:	EUR 2.975.411,30
EU and Turkey financing requested:	EUR 2.975.411,30 (EU 85% +Turkey 15%)
EU and Turkey financing requested as a percentage of total budget of the Action:	EU 85%, TUR 15%
Objectives of the action:	Overall objective: To improve the contribution of total factor productivity to growth. Specific objective: To improve the institutional capacities to formulate and implement sector policies and strategies that contribute to national competitiveness.
Target groups:	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 organizations, SMEs etc. Minimum 3000 companies will be reached through surveys and more than 40 institutional stakeholders will be reached through working groups, scientific committee etc.
Final beneficiaries:	Ministry of Development will be the final beneficiary who will own the policy framework and manufacturing industry representatives and overall economic actors will be also among the final beneficiaries to be affected by the policy framework.
Estimated results:	1. Factors limiting Total Factor Productivity in Turkey identified. 2. A macro-level policy framework that would boost total factor productivity developed and operationalized.

Activity	Status
C 0.1 Research and Synthesis Framework	✓
C.0.1.1 Development of the Research Framework	✓
C.0.1.2 Development of the Synthesis Framework	✓
C.1.3. Inception Report	✓
C.0.2. Working Groups	✓
C.1 TFP Assessment	✓
C.1.1 Assessment of the Factors Limiting TFP at Company Level	✓
C.1.1.1 Design of the Company-Level Surveys	✓
C.1.1.2 Survey	➡
C.1.1.3 Assessment of Results	➡
C.1.2 Benchmarking Turkey's Growth Prospects with a Convergence Perspective	➡
C.1.1.1 Scoping	➡
C.1.1.2 International Benchmarking Exercise	➡
C.1.3 Synthesis	NS
C.1.1.3 Development of the Synthesis Action Plan	NS
C.1.1.4 Implementation of the Synthesis Action Plan	NS
C.2 TFP Policy Framework	NS
C.2.1 Development of the Policy Framework	NS
C.2.2 Piloting the Operationalization of the Policy Framework	NS
C.2.3 Strengthening of Institutional Framework	NS
C.2.4 Dissemination	➡
C.2.4.1 Development of Communication Strategy	➡
C.2.4.2 Implementation of Communication Action Plan	➡

NS: Not Started

✓ : Completed

➡ : In Progress

EXECUTIVE SUMMARY

The Support to Development of a Policy Framework on Total Factor Productivity Project consists of three components. As stated in the Description of Action (DoA) document, (a) Inception (involves 3 months' activity), (b) TFP Assessment (involves 26 months' activity), and (c) TFP Policy Framework (involves 27 months' activity). Given the 30 months' duration of the project, there are to be lengthy overlaps among the quite disparate activities to be carried out.

This Progress Report presents work done through the period for the first year of the project. All three components have begun with the Inception component accomplished, all activities but Synthesis in the TFP Assessment component are in progress as of the 11th month in the progress and only the Dissemination activity of the last component has started for the last few months.

A number of output reports and notes (a detailed list is presented in tabular format in Annex 1) have been received/submitted to reflect different aspects of the tasks undertaken through short term technical expertise. Part of these outputs have contributed directly to the field surveys either in the form of inquiries or in form of the survey methodology and training for its practice. There are also output items produced through secondary research on the role of productivity on convergence trends of growth and development at large; on the new approaches gathered from developments with regard to global value chains.

The project commencement coincided with the aftermath of the general elections held on November 1, 2015, followed by a replacement of the cabinet in the seventh and a very dramatic event of a coup attempt in the ninth months of the project. These occasions impacted the project stakeholders in the government and coupled with the extensive procedures at the main contractor's house there had to be amendments in time plans. Such amendments of shifting activities in the time scale are realized without violating the expected completion date of the project. The Scientific Committee is yet to meet for its first gathering and study visits to observe practices abroad are yet to be staged.

Project also faced some turbulent times in terms of human resources and both Team Leader and Deputy Team leader resigned in November and December respectively. Recruitment processes are started within the reporting period. In the meantime all contractual processes were closely followed in order not to reflect any additional burden. Together with the resignation of the technical team the major source of risk at the closing of the first year was the delays in Project activities mainly stemming from the field visits. Over the last seven months 70% of one category of the sample visits and 23% of the second category have been accomplished. The last category have been picked up lately and seems to be running at a more encouraging rate (50 company visits accomplished within the pilot in only a week's time and 760 visits are completed as of December 28th out of 2500). From November on, speeding up for the first two tiers also realized compared with the slow performance of the summer months.

The activities to be performed in the near future (like analysis and synthesis for the policy framework, potential pilot activity areas and scopes of international visits) have their paths sketched technically as of reporting. The methodologies and their prospective outcomes have been suggested and are made ready to ask for the reviews and consultation by the Scientific and Steering Committees in the very near future. These will, definitely, facilitate a new thrust in the operations and conduct of the project.

Due to experienced delays in the activities both stemming from internal and external problems 6 months-time extension will be beneficial for a more efficient closure. Although this has been discussed in several occasions and there is a definite negative tendency for an extension request Project Implementation Unit urges that this should be considered as soon as possible.

REVIEW OF PROGRESS AND PERFORMANCE

This section presents (a) the activities carried out during the reporting period; (b) the difficulties, if any, encountered and measures taken during the reporting period; (c) the changes, if any, introduced in implementation; and (d) achievements and/or results. Such information is presented in a tabular format, with each table being dedicated to a specific component of the Project.

Each table initially depicts the scope of the concerned component by indicating its purpose, implementation timeframe, and providing a brief description of the relevant activities. This is followed by the list of main deliverables that need to be produced within the concerned component, means of verification, and assessment date or interval. The component-specific tables conclude with a summary of the progress made during the reporting period. This final part of such tables also presents the difficulties, if any, encountered and measures taken during the reporting period and the changes, if any, introduced.

Component 0	Inception Phase	Starts: M01	Ends: M05
Purpose	This component aims at (a) critically reviewing the intervention modality of the Action and (b) establishing the institutional mechanisms (committees and boards) that will facilitate implementation of the Action, formally		
Description	Component 0 aims at methodical conduct of the project setting and the management structure of the Project. The activities within Component 0 are: C.O.1: Research and Synthesis Framework C.O.2: Working Groups		
Outputs/Deliverables			
Deliverable	Means of Verification	Assessment Date	Status
Inception Report	Report	Inception Phase	✓
Progress and Assessment of Progress			
Progress: C.O.1: During the reporting period, a long list of Research Objectives has been gathered from a report submitted by a Senior Expert based on an in-depth secondary research. This list was taken to the two Focus Group Meetings with relevant stakeholders held on 26.01.2016 and 29.01.2016 to be discussed. The discussion results were carried forward to the further activities of Component C.1.1 mentioned below. A four-stage Synthesis Action Plan has been conceived and included in the Inception Report (paragraphs 128-135). This sets the framework for the Synthesis Implementation (a tentative plan presented in paragraph 136 in the aforementioned report). • C.O.2. One Working Group establishment rather than multiple Working Groups has been decided by PMU. A candidate list of members to be invited has been prepared and submitted to MoD for their approval on 09.12.2015. The endorsement was told to be made following the Kick-off Meeting held on 22.12.2015. The final approval was received on 09.02.2016. This was in M04. First WG Meeting was held in M05. • Two Focus Group Meetings one with the representatives of government agencies and one with the private industry were held on 26 and 29.01.2016, respectively. These two participative meetings were held in M3 as planned in the time schedule given in DoA for the activities C.O.1.1 and C.O.1.2 covering the development tasks of the research and synthesis frameworks, respectively. • The Inception Report Draft was submitted on 02.02.2016 just by the end of M03 as planned in DoA and the meeting for its Assessment with the stakeholders was held on 24.02.2016. Revisions were asked and the eventual form was submitted on 06.04.2016 and approved by the contracting authority on 24.05.2016. • During the Inception Period a series of successful engagements were held by PMU with third parties. Notes of these engagements are presented in Annex 6.			
Assessment: • This activity has been completed with the submission just by the end of M03 as was originally planned in DoA. Revisions asked by the parties had been received from EUD. An Inception Report Review Meeting			

was held to collect all the views on 24.02.2016. Later on a series of rounds of revisions were made and the final approval of the Inception Report in revised form was assumed by default after its official submission. This happened in M05 on 24.05.2016 by the formal approval from contracting authority.

Component 1	TFP Assessment	Starts: M03	Ends: M19 (Ongoing as of 28.12.2016)
Purpose	This component aims at identifying the factors that limit/drive TFP in the manufacturing industry together with underlying impacts of government policies on such factors to produce the ultimate output, the Synthesis Report .		
Description	<p>Component 1 is composed of three inter-linked sub-components: (1.1) Assessment of the Factors Limiting as well as “driving” Total Factor Productivity at the Company Level considered within the scope and the target of the analysis, (1.2) Benchmarking Turkey’s Growth Prospects with a Convergence Perspective, and (1.3) Synthesis.</p> <p>Establishing linkages between the Synthesis Report and the policy framework is to be produced within the scope of the second component of the Action and thus such linkages are not specifically addressed in full and in detail, but are included wherever indicative conceptions are needed.</p> <p>The three activities within Component 1 are:</p> <p>C.1.1: Assessment of the Factors Limiting TFP at the Company Level: Gathering data from company based field surveys is the main purpose of this activity. The general approach in broad terms and the sampling plan are explicitly mentioned in DoA under the titles SSID Interviews (Semi structured Survey and Structured Surveys). This activity group consists three undertakings:</p> <ul style="list-style-type: none">C.1.1.1 Design of the Company Level SurveysC.1.1.2 SurveysC.1.1.3 Assessment of Results <p>C.1.2: Benchmarking Turkey’s Growth Prospects with a Convergence Perspective: The objective of C.1.2 is to compare growth dynamics of Turkey to some of the G20 countries and to provide supplementary information to the company-level assessments with the insights gathered on the bigger picture of practice leading to sustained economic growth. This activity group consists two undertakings:</p> <ul style="list-style-type: none">C.1.2.1 ScopingC.1.2.2 International Benchmarking Exercise <p>C.1.3: Synthesis (have not been started as of M12): Data gathered from company based field surveys and analysed in the further stages of Component 1 are to be integrated with an international benchmarking exercise. The ultimate result of the activity, namely the Synthesis Report, also constitutes the main output of component 1. This activity group consists two undertakings:</p> <ul style="list-style-type: none">C.1.3.1 Development of the Synthesis Action PlanC.1.3.2 Implementation of the Synthesis Action Plan		
Outputs/Deliverables(Listed in Annex 1)			
Deliverable	Means of Verification	Assessment Date	Status
6.2 Identification of Content of International Approved Report Benchmarking and Field Survey		M05	✓
12.1 Field Survey Manual	Presentation Material	M07	✓
10.1 One coherent training manual covering all three separate survey implementations	Presentation Material	M09	✓
8.1 Framework of Interview questions	Approved Report	M07	✓
12.2 Note on Sample Inquiry Areas and Findings from Sample Survey Work	Approved Report	M08	✓
6.3 Assessment note on criteria and	Approved Report	M07	✓

reasoning for a focused list of research objectives			
1.2 Research on productivity dynamics in Turkish manufacturing Industries	Approved Report	M07	✓
7.1 Field Survey Methodology draft survey questionnaires	Approved Report	M08	✓
1.1 Note on Sector Selection Criteria	Approved Spreadsheet	M06	✓
13.1 Brief Report on Integrating Inclusive Growth Project with TFP Project	Approved Report	M10	✓
14.1 Global Value Chain Assessments	Approved Report	M08	✓
14.2 GVC Assessment on Automotive	Approved Report	M08	✓
14.3 GVC on Food Sector	Approved Report	M08	✓
14.4 GVC on Apparel	Approved Report	M08	✓
14.5 GVC on Domestic Appliances	Approved Report	M08	✓
14.6 Proposed Survey Questions	Approved Report	M08	✓
3.1 TFP Survey 100	Approved Survey	M11	✓
3.1 TFP Survey 400	Approved Survey	M11	✓
3.1 TFP Survey 2500	Approved Survey	M11	✓
9.2 Evaluation Note on Pilot Interviews	Approved Report	M11	✓
4.1 Prepared Database for National and International Benchmarking	Approved Note	M12	✓
6.1 Assessment note on national and international data sources for analysis	Approved Report	M12	✓

Progress and Assessment of Progress

Progress:

- **C.1.1:** This activity was initiated with the operationalization of the long list of research objectives to be converted into the **short list of specific research objectives**. The **Working Group Meeting I** held on 31.03.2016 (in M05) was instrumental in applying a scoring approach to rank the list of research objectives. This list is included in the report submitted to the Steering Committee Meeting held on 22.06.2016 (M08) and was later used in constructing the root subject classes mentioned below.

Secondary Research was conducted to identify open sources of data for aggregate analysis (mentioned in **Assessment of Results** below), global experience with company-level and GVC surveys given the research questions. Moreover, a review of current state of the art studies on economic growth with connotations of TFP titled “**Research on Productivity Dynamics**” was submitted and approved.

Survey Methodology was elaborated on and finalized in the report **Field Survey Methodology and Survey Questions** approved in M08. To ensure the coverage of a meaningful part of the national value chains in manufacturing given the time and scope limitations of this Project, four manufacturing sectors to develop and test the overall approach were chosen. This is done through a ranking method based on summing the scores assigned to ten critical sectoral indicators by the participants of the Working Group Meeting I. **A tabular calculation methodology** reported in a spreadsheet (in Turkish) is saved for later use after the handover.

All survey material (interview, semi structured questionnaire, structured questionnaire) has been carefully scrutinized for applicability and meaningfulness. The final forms have been saved.

To facilitate replicability and sustainability of the survey methodology two separate manuals ready to be used as presentation material format have been received from the Senior Experts: **Field Survey Manual** and the **TFP Interview Manual**. Both manuals were put to class testing in two training sessions (one in June 2016, one in September 2016 both held at premises of TEPAV) with groups of researchers and interviewers whom will undertake surveys for the second tier of the surveys – 400 companies.

Assessment of results is initiated in two avenues to be merged later: Findings from company level interview and questionnaire results and aggregate analysis. The former is realized in the preliminary report **Evaluation Note on Pilot Interviews** which shall be complemented by later reports to accompany as company-level surveys accumulate. The latter is initiated by the report **Aggregate Analysis** which covers cross-sectoral and sector specific findings from the aggregate panel data gathered from public sources of Turk STAT and EIS.

The Working Group Meeting II held on October 27, 2016 has convened with two purposes related to the field surveys and the initial ideas gathered from aggregate analysis done till then. Findings and possible directions for policy operationalization (together with some preliminary ideas on institutionalization) were presented and discussed. On the other hand, preliminary results of value chain connections on the domestic and international fronts, sectoral TFP and labor productivity figures, their dynamics in the last 10 years were shown. Annex 6 titled “Notes on Engagements and Meetings” includes minutes and summarized results of the working Group II Meeting.

- **C.1.2:** The objective of **International Benchmarking** is to develop a long-term view of the growth dynamics in Turkey as stated in DoA. This activity was started with Scoping which entails the framing of the international comparisons to be made. As stated in DoA, the emphasis is to be on convergence trends and impacts of a series of factors on such outcomes as growth, competitiveness, sustainability and inclusiveness. In this regard, The report titled **Identification of Content of International Benchmarking and Field Survey** has sections on **Content of the Benchmarking Analysis** and **Linkage Between International Benchmarking and Field Survey**.

An additional pillar to support this activity are the insights, data and developments to be gathered from the Human Development Index with connotations to Inclusive Growth. This main item is addressed in the received and approved report titled **Brief Report on Integrating Inclusive Growth Project with the Total Factor Productivity Project**.

The **International Benchmarking Exercise** proceeds on two avenues: One is the analysis to be done on a relevant data set reflecting both the qualitative and quantitative facts, especially for a number of G20 countries. An outline for this particular analysis is reviewed and enlisted in an approved Note titled **Types of Analysis**. The list of metrics to be gathered for comparative analysis has been produced has been formed after a careful evaluation of the approved report **Identification of Content of International Benchmarking and Field Survey** in M06.

In a complementary manner and as a joint decision of the technical assistance team international benchmarking exercise is formulated in a way to assess four global value chains, identify norms and trends that affect functioning and growth, review public interventions made by the national governments and produce a set of hypothesis to be tested during the field studies. The selection of the four sectors to be analyzed is decided by the technical assistance team as the result of **sector selection summary table** as presented in (Annex 1 Deliverable No:1.1) **Global Value Chain Assessment Vertical Report (Annex 1 Deliverable No:14.1)** has been developed providing an overall summary of the four global value chain reports and all four books (**No: 14.2, 14.3, 14.4, 14.5**) provided in depth analysis of the four global value chains providing detailed assessments of trends norms and political norms that are affecting company level decisions and actions. The hypothesis developed under these studies will be tested during interviews and important feedback from vertical report will be reflected into synthesis report.

International study visit was conceived of as an experience with governmental practices and established institutes abroad to witness their roles in convergence stories and TFP performances. An overall search was conducted on alternative countries and institutionalization styles. Countries like Germany and South Korea with their respective governmental agencies, Innovation-R&D networking practices have been spotted. In parallel in line with the inception report decision and according to feedback from the Beneficiary, additional country reports will be prepared to reflect specific public policy measures to provide feedback on respective policy frameworks.

Assessment:

The first Steering Committee Meeting originally planned in M03 in DoA was postponed until M08. The composition of the SC was reviewed by the Beneficiary in a view to reach technical focal points in relevant Ministries. However due to staff changes appropriate nominations could not be completed by respective Ministries. The SC composition held at M08 was not inclusive enough according to DoA therefore it was agreed to be postponed. Following the changes in human resources of the TAT the SC will convene at the soonest available time.

Survey question construction was started by identifying the root subjects in M06 as depicted in the revised Annual Work plan (Annex 5) following the Inception Report Approval. Review of sample inquiries and the availability of internationally benchmarked indicators were done simultaneously with the initiation of the verbal development in M05. Pilot implementations to realize the first round of corrections were made the last week of M06. The planned duration in the DoA was not found realistic by PMU and were proposed to be lasting 4 months overlapped with survey implementation in the M03-M06 period. This was approved by the parties in the Inception Report review period as it would not call for an extension in the further activities. The survey development was decided to be done from an extended form of interviews and questionnaires to a narrowing down (with a reduced volume of questions) of the content. Thus the field work done through the development stages (M03-M06) would not result in wasted field contacts.

In the meantime, by the month M06, PMU decided and received the approval of the parties to outsource the appointment setting and the conduct of field surveys with semi structured questionnaires on the second link firms (400 suppliers to the leading 100 companies). This was caused by the extensive load of setting appointments related to the need to make so many personal and institutional contacts in the face of slow developing in procedures in need of close tracking by the PMU team. These were partly due to the developments in the country and in part due to the compulsory administrative procedures in the main contractor of this project. However, it was recovered by the extra but realizable concurrencies created among the activities.

A contractor (TEPAV) was contacted, an agreement for the contractor's supervisors to carry out part of the leading company contacts together with the senior experts (as on-the-job training) was reached after a series of talks. Teams were set up and were first trained for making the company contacts and setting appointments in M06 and they were active by the middle of M07. With the initial appointments being arranged in parallel with second and third rounds of corrections in the survey questions, about 77 of the leading 100 companies had been visited through M13. This marked the end of the Surveys (Activity C.1.1.2) if the DoA time plan were to be followed. PMU had recognized the insufficiency of the 5-months period allowed for surveys in DoA. This opinion was emphasized in the Inception Report and had modified the duration to 9 months (not starting in M04 as in DoA but in M07) with no extension necessary in the later activities had gotten the approval of the parties.

Surveys started practically in the third week of M06, before the date declared in the revised time plan. Nevertheless, the shifting of the start from M04 to M06 was caused by the postponement of the WG I Meeting held on the last day of M05.

The beginning of M09 was occupied one full week with a lengthy religious holiday which was followed by another week of recovery from the slowdown in the previous week. No company-level visits were made for two weeks in M09. Following the coup attempt on 15.07.2016 a very serious sluggish period in the arranging the appointments started. Through the period M10-M12 only 21 more of the 100 leading companies with 30 of their suppliers (Tier-1) had been visited. In the meantime, the last link (Tier-2 and 3) of the chain companies have been identified, this task is outsourced to another contractor and very recently 30 of the total 2500 visitations have been realized. The progress of company visits to the leading 100 and supplier 400 firms up to the end of December 2016 (M13) can be examined in the graph supplied in the Annex 2.

These have brought the total count of company level contacts close to 928 sample field visits out of the total required of 3000 (77%, 23% and 30% respectively of the three groups of companies). However, it should be noted that companies from the final link of the value chains make up 85% of the sample and they are much more compact in their localities. Hence, the survey activity in the revised Annual Work

plan (Annex 5) shall be achieved as scheduled (M15 for the completion of results, M16 for the full Assessment) with a very high likelihood, subject to the risks mentioned below.

Benchmarking exercise as formulated by PMU took more than six months more than 50 countries are analyzed in comparison to four selected sector performances together with the policy level actions. Benefiting from the analysis survey questions are developed in four main categories (Sourcing and Logistics, Production, Product and Marketing and Sales) (**Annex 1 Deliverable 14.6**) and both quantitative and qualitative questions are developed. These questions are proposed to PMU and PMU integrated them into the final questions which are being executed in three tiers. In addition selected data which could be reached are collected and country examples are essential will be benefited in the upcoming synthesis work. **Global Value Chain Assessment Vertical Report (Annex 1 Deliverable No:14.1)** developed providing an overall summary of the four global value chain reports and all four books (**No: 14.2, 14.3, 14.4, 14.5**) provided in depth analysis of the four global value chains providing detailed assessments of trends norms and political norms that are affecting company level decisions and actions. The hypothesis developed under these studies will be tested during interviews and important feedback from vertical report will be reflected into synthesis report. Additionally country reports will be prepared to provide deeper insight for public policy measures in response to specific needs of the Beneficiary.

Component 2	TFP Policy Framework	Starts: M05	Ends: M30 (One activity ongoing as of 28.12.2016)
Purpose	This component includes development, implementation of pilot activities for the policy framework and strengthening institutional framework for the same cause. It also includes dissemination activities. A part of the dissemination activities was realized within the timespan reported in this Progress Report.		
Description	Within activity 2 of this Component there is the element of Development of a Computerized System (C.2.3.3) which has been considered to a limited extent within the time period covered in this Progress Report., Activity 4 of this Component (prior activities 1-3 have not been started as of the time this Progress Report was written) is composed of two elements: (C.2.4.1) Development of the Communication Strategy and (C.2.4.2) Implementation of the Communication Action Plan.		
Outputs/Deliverables			
Deliverable	Means of Verification	Assessment Date	Status
Communication Action Plan (Annex 3: Communication Action Plan)	Notification sent to CFCU	M11	→
Progress and Assessment of Progress			
Progress:			
C.2.3.3 Development of Computerized Systems			
A conceptual sketch was proposed for the prospective system in the Inception Report. The underlying basic idea was to provide a Decision Support System for use in deriving regional policies in connection to the public policies for boosting productivity. The data modelling for inferences is made an integral part of the data to be collected in the company-level field surveys.			
C.2.4 Dissemination			
With regard to visibility and development of a communication strategy, PMU decided to start from the selection and approval of the Project Logo to create the corporate identity of the Project prior to the creation of the communication strategy. The Logo discussions kicked off in M03 and two designers were consulted for options. As of February 24 th initial alternatives were presented to the stakeholders of the project in the Inception Report Review Meeting. (The initial alternatives of logo are given in Annex 6). However, a consensus on design was reached later in M06 and the PMU was advised to present the alternatives at the first Steering Committee which was not organised until June 22 nd (M08). At the Steering Committee Meeting, the PMU were advised to share the Logo Options and PMU submitted the			

idea and got feedback as of the end of M09 and the finalization of the logo design reached as late as August 10th close to six months after officially submitting the initial ideas.

After the finalization of Logo, PMU formulated the Communications Strategy (Annex 3) and wanted to mobilise a Communication Expert to be instrumental for the Communication Strategy on 23.08.2016 and a PN form was issued. Communication Strategy was shared with Project Partners at the Coordination Meeting was organized on 8th September and PMU was told that the modifications of Actions of Communication Strategy from DoA need to be reported separately as part of a notification to CFCU. A notification was prepared covering Communication Strategy Action Plan and sent to CFCU as of November 3rd due to waiting for the other material to be merged sent simultaneously to the same party. Major change was the replacement of launching event planned for the M06 in the revised Time Plan of the approved Inception Report with press gatherings in both Ankara and İstanbul after the requisitioned Communication Expert is on board.

The Communication Strategy Action Plan includes the logo, making of an infographic video, poster creation printing of the synthesis report, training modules, a high level international conference, advocacy meetings with key stakeholders at Chambers, Development Agencies and a closure event to share the results.

The Communication Expert has been mobilized and updated Project Brochure is shared with the Project Partners waiting for their feedback. Promotional material for the project such as bags, pens, notebooks etc. are also planned and at the moment are being designed.

Draft brochure of the Project is shared with the Project Partners and presented in Annex 6.

Assessment:

There have been long delays in decision making processes and approval processes related with the Dissemination activity, starting from the formation of the institutional identity of the project.

With the mobilization of the communication expert, activities will gain pace and additional activities could be proposed.

UPDATED TIME PLAN

The time plan presented with notification is presented in Annex 5 along with the alternative time plan, if time extension could be considered by Contracting Authority.

RESOURCES AND BUDGET

The total budget of the Project is EUR 2,975,411.30. As per the special conditions of the Contribution Agreement signed between UNDP and CFCU, this sum is to be paid to through a two pre-financing payments and a final payment. First pre-financing payment with an amount of EUR 1,222,908 was received on 23.12.2015 and it was recorded in the project account at UNDP and the exchange rate for the expenses to be financed with the 1st pre-financing payment is USD/EUR 0, 9120.

The following table provides a financial overview of the budget of the Project at the as of December 28th

Expenses	Allocated (€)	Used (€)	Utilization Rate (%)
1.Human Resources	1,888,500	881,383	46.6 %
2.Travel	155,200	27,299	17.5%
3.Equipment and Supplies	19,658	7,570	38.5%
4.Local Office	51,000	28,001	54.9%
5.Other Cost, Services	445,400	11,703	26.2 %
6.Other	221,000	0	0 %
Administrative Cost (%7)	194,653	66,917	34.3%
TOTAL	2,975,411	1,022,872	34.38 %

The main expense item in the progress phase was Human Resources in line with the project budget allocations which included the salaries of the Project Management Team members and the costs of the international and local senior experts. Project human resources, travel, equipment and supplies, local office, other cost and services, total project budget and the administrative costs also remain intact.

There were some changes in the HR resources in line with the completion of the recruitment processes. The relevant changes are communicated to contracting authority through an official notification. Below the notifications, justifications are also reflected. The notification is approved by contracting authority as of 23th November 2016.

Modifications in the budget summarized below were submitted as notification in November 3rd, 2016.

Due to the new Service Contract Salary Scale of UNDP Turkey Co which was accepted after the starting of the project implementation, realized unit value of the Deputy Team Leader and Project Coordinator were different than the unit value budgeted for these positions. The estimated unit amount for Deputy Team Leader and Project Coordinator in the project was budgeted 7000 Euros and 4250 Euros respectively and the mobilisation are broken down into activities listed on the Description of Action(DoA) document. According to the level of the positions determined as per the qualifications of the selected staff, the realized unit value of the Deputy Team Leader and Project Coordinator to 5625 Euros while Human Resources budget subtotal remained unchanged.

Annual Resource schedule and Budget are presented in Annex 4. The budget has been revised in line with the rates and figures confirmed with the Notification # 1 as approved as of November 23rd.

HUMAN RESOURCES

Unfortunately there have been changes in Human Resources. Team Leader has resigned as of November 2016 and the Deputy Team Leader left as of December 2016. The recruitment process for the Team Leader started as of November and the selection process took place in December. The Team Leader mobilization is expected to take place in February 2017 and DTL mobilization is expected to be completed in March 2017.

Team Leader did not provide official explanation for the reasons of leaving in his resignation letter. Deputy Team Leader did not request contract extension although he was offered one. He has stated that he will not request contract extension due to complexities faced in implementation.

RISK LOG

#	Description	Date Identified	Type	Impact & Probability	Counter Measures	Owner	Submitted / Updated By	Last Update	Status
1	The office of PMU faced inadequacies in setting all appointments to accomplish the planned survey	April 2016	Organizational	The impact on the project time plan will be detrimental Impact: 5 Probability: 4 (on a scale of 1 to 5, where 5 is the highest)	Outsourcing the setting of the appointments and the conduct of the majority of the company visits.	UNDP	PMU	August 8, 2016 (signing of the Service Contract)	In effect
2	The allowed 5 months' time span is inadequate to complete the three rounds of surveys in series.	February 2016	Operational	The delivery of certain activities of the project might be delayed Impact: 4 Probability: 4	A shifting and extension of the period allowed with concurrent activities not to induce any extension in the overall was envisaged.	UNDP	PMU	April 6, 2016 (Approval of the Revised Inception report)	In Effect
3	Delays in setting company contacts due to reluctance observed in the contacts made following the events after the coup attempt on July 15, 2016.	October, 2016	Operational	The impact on the project will be inapplicable time plan Impact: 3 Probability: 3	Extension given to the contractor with the no-extra-cost amendments to the Service Contract. Overall Time plan will not be effected.	UNDP	PMU	November 3, 2016 (Extension guaranteed)	In Effect

CONCLUSIONS

The initiation year of the project was marked with the starter events and arrangements. There were inevitable learning and adaptation sluggishness. Committees, Working Groups were suggested following a long series of contacts with individuals and institutions some ending up with no commitments. Project Time Plan has been revised without any overall extension, merely for practical reasons and submitted to the stakeholders. Moreover, while establishing fresh contacts and assessing commitments, a heavy load of documents and literature reviews had to be examined in a short time to gather overall ideas on the growth, inclusiveness, competitiveness, sustainability and productivity issues. Over 20 notes and reports from the experts and the service providing consulting firm have been received and reviewed with some asked to be revised in rounds.

These initiation related difficulties and slowdowns were later deepened by the political situation and events, government bureaucrats occupied with administrative overloads in the meantime and the unavoidable organizational ambiguities thereof. Some of the meetings and approval processes had to be, thus, postponed inadvertently. Such delays, ambiguities and postponements caused slippages and unintentional weaknesses in some of the operational and administrative stages. Meetings of the Steering and the Scientific Committees were effected due to the need to clarify the conceived approaches also changes in the PMU negatively affected the flow of meetings. The PMU side has been alerted in foreseeing its hardships to make as many company contacts as needed in the sampling plan given the time limits. Nevertheless, a countermeasure to this end was put into effect in two to three months' time and is still in action.

The major source of risk as of the closing of the first year has been in the area of company visits. Over the past six months 77% of one category of the sample visits and 23 % of the other category have been accomplished. The last (the third) category have been picked up lately and completed 30%.

On the expenditures side, all are in harmony with the initial allocations, seem to be adequate for their reckoned purposes and the project team looks forward to reaping the benefits of these invested sources through the upcoming activities.

The activities to come in the near and distant future (like analysis and synthesis for the policy framework construction, potential pilot activity areas, scopes of international visits) have their paths sketched technically as of December 2016, marking the end of M12. The methodologies and their prospective outcomes have been suggested and are made ready to ask the reviews and consultation by the Scientific and Steering Committees in the very near future. These will, definitely, constitute new thrust in the operations and conduct of the project.

Unexpected problems faced due to political developments as well as lower response rate from companies and additional human resources problems caused serious delays in most of the activities. In consideration to healthier transition and completion of the activities additional time for consultation and finalization of activities may be needed. Although extension requests are not considered positively, PMU highlights the need and kindly request for consideration of 4 to 6 months extension for the Project.

List of ANNEXES

- Annex 1: Output List provided in the CD's attached.
- Annex 2: Progress of Company Visits
- Annex 3: Communication Strategy Action Plan
- Annex 4: Resource Schedule and Budget
- Annex 5: Updated Annual Work Plan as presented with the notification number 1.
- Annex 6: Project Logo Alternatives and Draft Brochure in line with the Communication Strategy Action Plan
- Annex 7: Logframe OVIs