



Action Plan
of
Working Group on SMEs

2014 - 2015 Country-Coordinator
Republic of Turkey

BASIC INFORMATION

- Country Coordinator** : Republic of Turkey
- Action Duration** : January 1st 2014 - December 31st 2015
- Main Theme** : Project on Promoting Innovation and Entrepreneurial Culture in the BSEC Member States and Exchanging Experience on Energy Efficiency Policies and Practices for SMEs
- Focal Points** : Mr. Ömer PAK
Head of KOSGEB EU and Foreign Relations Department
e-mail : omer.pak@kosgeb.gov.tr
- Ms. N. Pınar IŞIN
Director of KOSGEB International Relations
e-mail : pinar.isin@kosgeb.gov.tr
- Ms. Gülşen ALPER
SME Expert
e-mail : gulsen.alper@kosgeb.gov.tr
- Mr. Ertuğrul NAZLI
SME Expert
e-mail : ertugrul.nazli@kosgeb.gov.tr

INTRODUCTION

“Small and medium-sized enterprises (SMEs)” are defined as firms that employ not more than a given number of employees. While this number varies across national statistical systems, its most frequent upper limit is 250 employees, but again this upper limit also varies between 50 and 500 across countries. The share of SMEs in total firms can account for as high as 95% in some countries. They are deemed the biggest contributors to creating new job opportunities within economies. It is found that SMEs with 250 employees or less generate 86% of the new jobs.¹

New technologies have reduced the importance of economies of scale in many activities and have enhanced the potential contribution of small and medium sized firms. Even though SMEs employ a substantial number of people and generate more jobs than bigger ones, their contribution to productivity growth is not necessarily high. Many SMEs do not survive the competition with incumbent domestic and foreign enterprises. Thus, enhancing their competitiveness and increasing their contribution to productivity require policies which would focus on the challenges and obstacles faced by SMEs. These challenges and obstacles include, but are not limited to, lack of access to finance, difficulties in exploiting new technologies, lack of required business training and managerial capabilities, as well as taxes, regulatory burdens, and corruption.

In addition, policies are needed to improve entrepreneurship and innovation capacities. Most developing economies lack required dynamism of new firms that tend to be productive and provide fast growth. Policies are also required to lend SMEs an easy access to international markets, as a means of expanding sales and acquiring the latest technologies, techniques, and know-how. Exporting and exposure to international competitions also increase average productivity and competitiveness of SMEs.

The importance of innovative SMEs has been recognized by various regional and international organizations. In this context, due to the considerable importance of SMEs in job creation as well as economic growth and development, policies and approaches to enhance their competitiveness have become an important part of developmental policy making.

¹ Ayyagari, M., A. Demircuc-Kunt and V. Maksimovic (2011), “Small vs. Young Firms across the World: Contribution to Employment, Job Creation, and Growth” World Bank Policy Research Working Paper.

Many international institutions, such as the World Bank and the United Nations Development Program (UNDP) have given significant attention and assistance toward promoting micro-enterprises. While many people agree that promotion of small and medium sized enterprises (SMEs) is an effective strategy for spurring entrepreneurship, reducing poverty, lowering income inequality, and stimulating economic growth, development of the private sectors of many emerging and developing economies today is hindered by a “missing middle”²; lack of SMEs.

As in many countries, SMEs play a crucial role in economic and social life in BSEC Member States. In this regard, development and promotion of SMEs is acknowledged as one of the main targets of the government. With effective policies and well established coordination among the public institutions and continuous dialogue with the private sector, the role of SMEs has grown dramatically in the region’s economy and the BSEC Member States as well.

On the other hand, energy demand in the world is rapidly increasing. According to the estimations of the International Energy Agency, the total energy demand in the world between 2005 and 2030 shall increase by 49%, reaching 17,0 billion Tonne of Oil Equivalent (TEP) from 11,4 billion TEP, provided that the current energy policies and preferences on energy supply prevail.

Increasing energy efficiency, promoting the use of renewable energy resources and other environmental procedures have a positive influence on the employment since they also contribute to energy efficiency, economy and mitigate the impacts of the climate change.

When business indicators of the EU concerning the impact of energy savings on job creation (stating that with every 1 million TEP of energy saved, 2000 full time jobs could be created) are taken into account, it could be inferred that 50,000 full time jobs could be created with the potential amount of savings that is calculated approximately as 25 million TEP. If the side-employment is taken into account, it could well be stated that 150,000 jobs could be created.

² Kauffmann, C. (2005), “Financing SMEs in Africa,” Policy Insights, No: 7, OECD.

In this context, it is highly recommended to further promote exchange of experiences on energy efficiency in SMEs as an on-going activity of BSEC in the sphere of SMEs.

RELEVANCE TO BSEC ECONOMIC AGENDA 2012 PRIORITY AREAS AND BSEC STRATEGIES

All activities and objectives are defined in accordance with the three priorities, namely priorities no. 2, 5 and 6, out of the 10 priorities listed under Goal 9 (Support for the Sustainable Development of the SME Sector) of the Economic Agenda, during the medium-term covering the 2013-2015 periods, which are:

- Developing BSEC programs aimed at promoting favourable conditions for local businesses and foreign investments; facilitating networking, exchange of experiences and know-how; organizing training for young entrepreneurs. (Priority 2)
- Focusing on high technology, innovation, clusters, industrial-technology and software parks and business incubators as concrete instruments to facilitate SME start-ups in the Member States and to encourage entrepreneurship, competitiveness and cooperation with large companies in the BSEC Region. (Priority 5)
- Developing a support system for innovation and technology at BSEC region, with the view to promoting cooperation among SMEs and the university environment, or research and development institutions. (Priority 6)

LONG-TERM OBJECTIVES

The general objectives of the project is linking of knowledge and innovation to sustainable development and the development of best practice models of entrepreneurial and innovation networking to contribute to the economic development and prosperity of the BSEC States. Entrepreneurship, technology and energy efficiency contribute to growth and sustain employment and are increasingly becoming significant pillars of sustainable development.

The project aims to strengthen the entrepreneurial spirit of SMEs, to support the technology and innovation activities of SMEs and to contribute to energy efficiency activities of SMEs,

to lower their use of carbon energy and to improve their environmental performance and hence increase energy efficiency to promote the use of energy-efficient technologies and implementation of measures for saving energy among industrial enterprises, through enhancing their capacity with a view to increase energy efficiency in the BSEC Member States.

Besides allowing for an exchange of best practices, the project aims to raise awareness on energy efficiency among the SMEs, promote domestic production and the use of renewable energy; mitigate the burden on SMEs and the economy related to energy costs.

The project also has the following long-term overall objectives:

- Investing on entrepreneurship, technology and energy efficiency;
- Promoting Capital Formation
- Creating Large-Scale Employment Opportunities
- Promoting Balanced Regional Development
- Reducing Concentration of Economic Power
- Wealth Creation and Distribution
- Increasing Gross National Product and Per Capita Income
- Improving the Standard of Living
- Promoting Exports
- Facilitating Overall Development
- Protecting the Environment

The ultimate goals of this project are;

- to contribute to the economic and social development of the Member States,
- to increase the technological and economical collaboration amongst institutions and SMEs in the Member States in the spheres of entrepreneurship, technology, innovation and energy efficiency,
- to strengthen the institutional capacity of institutions dealing with SMEs in the BSEC Member States, determining and adopting joint policies, contributing to technological and economic cooperation amongst SMEs in the Member States.

- to foster the entrepreneurial spirit and culture in the Black Sea countries by facilitating exchange of knowledge, experience and networking among SME related organizations and entrepreneurs,
- to identify new strategies and policies for the development of entrepreneurial culture and environment, spreading entrepreneurship in the Black Sea countries and supporting entrepreneurs.

SPECIFIC OBJECTIVES

Specific objectives are;

- Supporting regional development and sustainable growth,
- Contributing to job creation, income generation,
- Supporting research and technology commercialization
- Building an environment of knowledge, science, and entrepreneurial activity
- Increasing cross-country collaboration among the BSEC Member States in the sphere of SMEs,
- Preparing booklets on government policies in the BSEC Member States which encourage innovation and entrepreneurship and SME success stories from individual Member States within the framework of their related programs,
- Publishing a booklet on Energy Efficiency Best Practices in the BSEC Member States.

EXPECTED RESULTS

Expected results include:

- A region-wide strategy to nurture the spirit and culture of entrepreneurship and innovation,
- A dynamic mechanism to promote economic growth and reinforce sustainability,

- Target-oriented and sustained policies and support programs on entrepreneurship, innovation and energy efficiency,
- Well established, efficiently managed network for addressing SME related topics,
- Enhanced exchange of experiences and increased number of trained decision-makers, experts, opinion-makers and other agents in the fields of SMEs from governmental organizations dealing with SMEs in the BSEC Member States through their participation in the meetings and workshops to be organized under the project.

EVENTS

While many countries continue their efforts to increase the competitiveness of the SMEs via the implementation of effective policies, it also explores the means of enhancing bilateral and multilateral cooperation in this area.

Within this context, it is proposed to implement following events to enhance regional cooperation through exchanging the experiences on “Models for Strengthening Entrepreneurship Spirit and Supporting Entrepreneurs” and “Models for Creating Innovation and R&D Culture and Supporting Entrepreneurs”.

Program on Promoting Innovation Culture in the BSEC Member States

- The program will include a knowledge sharing component to facilitate networking and exchange of information on issues related to innovation, R&D and technology networks.
- A comprehensive workshop will be organized to share best practices.
- A region-wide network of institutions dealing with innovation will be established.
- As a deliverable of the workshop and networking, an e-booklet will be prepared which will cover the conclusions and recommendations of the workshop as well as government policies in the BSEC Member States which encourage innovation and SME success stories from individual Member States within the framework of their innovation programs.
- The results and the success stories will be presented in the final workshop.

Program on Promoting Entrepreneurial Culture in the BSEC Member States

- The program will include a knowledge sharing component to facilitate networking and exchange of information on issues related to entrepreneurship and incubators.
- A comprehensive workshop will be organized to share best practices.
- Training program will be implemented to various target groups (women, youths, entrepreneurs, ...)
- A region-wide network of institutions dealing with entrepreneurship will be established.
- As a deliverable of the workshop and networking, an e-booklet will be prepared which will cover the conclusions and recommendations of the workshop as well as government policies in the BSEC Member States which encourage entrepreneurship, list of incubators in the BSEC Member States and success stories from individual BSEC Member States within the framework of their entrepreneurship and incubation programs.
- The results and the success stories will be presented in the final workshop.

Exchanging Experience on Energy Efficiency Policies and Practices for SMEs

- An electronic “Energy Efficiency Best Practices Booklet” will be prepared by compiling the best practices of the BSEC Member States in Energy Efficiency in SMEs under the coordination of the BSEC Permanent International Secretariat.
- A network of institutions dealing with entrepreneurship will be established.
- The results and the success stories will be presented in the final workshop.

DURATION & TIMELINE

Promoting Innovation and Entrepreneurial Culture in the BSEC Member States and
Exchanging Experience on Energy Efficiency Policies and Practices for SMEs
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Exchanging Experience on Energy Efficiency Policies and Practices for SMEs elaborated during the upcoming meeting of the Working Group on SMEs (BSEC Headquarters, 8-9 May 2014).

RISKS AND ASSUMPTIONS

It is assumed that there is joint and sustained willingness on part of all 12 BSEC Member States to implement the project. Financial barriers constitute the main risk for the implementers.

MONITORING AND EVALUATION

The general objectives of the project proposal is linking of knowledge and innovation to sustainable development and the development of best practice models of entrepreneurial and innovation networking to contribute to the economic development and prosperity in the BSEC States. In this context, the main indicators in monitoring the implementation of this project would be the existing support policies and programs as well as networks for SMEs in the BSEC Member States. The results of the programs would be evaluated and disseminated for the sustainability of the acquired practices.

The success of the events will be measured through questionnaires and the development of new and/or improved SME support policies, programs and networks and their evaluations.

Annex 1: KOSGEB – INFO Note

Annex 2: Project Proposal

Annex 1: KOSGEB – INFO Note

Given the vital importance of SMEs to national, regional and local development it is clear that creating a conducive environment for creation, growth and development of SMEs and to entrepreneurial activity in general is a key to progress of the Turkish economy. In this regard Turkish government authorities have for many years carried out a variety of programmes to support these enterprises. Therefore, design and implementation of such programmes have received increasing attention. With effective policies and well established coordination among the public institutions and continuous dialogue with the private sector, the role of SMEs has grown dramatically in Turkish economy.

Several institutions have been involved in the formulation and implementation of such programmes. The main objective of SME policy is to improve the productivity of the SMEs, to increase their share within total value added and to enhance their international competitiveness.

Small and Medium Sized Enterprise Development Organization (KOSGEB) is the major national organization responsible of all SMEs. It was established in 20 April 1990 in order to increase the share and effectiveness of small and medium sized industrial enterprises, raise their competitiveness, and to realize integration in industry in line with economic developments. In this context, KOSGEB have been designing and carrying out a variety of programs to support SMEs with its 88 branches in 81 cities of Turkey;

General Support Program

For SMEs that do not have a high tendency to prepare projects – found in sectors which KOSGEB had recently designated as target sectors – KOSGEB has designed a program called the “General Support Program” which aims at encouraging the general enterprise development activities of SMEs in order to increase their competitiveness. KOSGEB has also improved the introduction and marketing activities of these SMES in order to expand their domestic and international market shares. The General Support Program provides 13 types of support, including, support for domestic fairs, qualified personnel, consultancy, training, energy efficiency, industrial property rights and business trips abroad.

R&D, Innovation and Industrial Application Support Program

The R&D Innovation and Industrial Implementation Support Program was designed for developing SMEs and entrepreneurs possessing new ideas/inventions on new products, for providing information and/ or services to facilitate the production and commercialization processes and for supporting innovative activities of SMEs. The program aims at supporting the SMEs’ high added value R&D projects with up to 1 million Turkish Liras. These supports are offered in the form of grants and loans. Projects receiving support from KOSGEB cannot receive support for the same kind of expenditure by another institution. Applicants pledge to abstain from doing so by the support decision of their projects.

Entrepreneur Support Program

With this program, KOSGEB aims at disseminating the entrepreneurship culture in the society and at raising the employment level. The “Applied Entrepreneurship Training Program” a sub-program of the “Entrepreneurship Support Program” explains to entrepreneurs how to set up their business. The KOSGEB then supports them financially through the “Support for New Entrepreneurs” program, another sub-program. These training programs received great public interest. It is worth noting that KOSGEB trained 200,000 entrepreneurs in the past two years, of which nearly 9700 set up their own businesses. KOSGEB has also undertaken a leading role in promoting the concept of business incubators and facilitating their development in Turkey in an attempt to encourage entrepreneurship and job creation. For this purpose, a model has been developed for the provision of funds during the establishment and development phases of incubators set up as local initiatives and operated as companies on a not-for-profit basis. Currently, there are 38 business incubators.

SME Project Support Program

The aim of this program is to establish a project culture and awareness among SMEs, to support the projects designed by SMEs to solve their specific problems by flexible support systems and to improve SMEs’ capacities of running a project. SME projects on the issues of production, management organization, marketing, foreign trade, human resources, financial issues and finance, and information management are being supported.

Thematic Project Support Program

This support program consists of an Invitation- Based Thematic Program and a Non-Governmental Organization Project Support Program. In the Invitation-Based Thematic Programs, supports can be given to SMES as both non-refundable and refundable, according to what has been specified in the call for proposal. With respect to Non-Governmental Organization Project Support Programs, supports given to SMEs can be non-refundable. In Invitation-Based Thematic Programs, projects with themes determined by KOSGEB to develop SMEs receive support. In Non- Governmental Organization Project Support Programs, however, projects with themes determined by non-governmental organizations to develop SMES receive support.

Cooperating-Leaguig Support Program

This program is designed for developing the culture of partnerships and cooperation among SMEs. With this support SMEs find solutions to problems which SMEs cannot solve on their own; for instance, problems related to financing, weakness in competitiveness, low capacity usage, marketing and procurement.

Emerging Enterprises Market SME Support Program

This KOSGEB support program supports SMEs with the potential of growth and development by getting them into capital markets. During the process of getting SMEs into the Istanbul Stock Exchange Market (IMKB) Emerging Enterprise Market (GİP), SMEs receive up to TL100,000 in supports from KOSGEB under the “Emerging Enterprises Market SME Support Program”.

Credit Interest Support Program

KOSGEB has been developing “Credit Interest Support Programs”, since 2003, in order to enable the access of SMEs to funds. Under these programs, the interest on loans taken by SMEs from banks entered into contract with KOSGEB is paid by KOSGEB. Accordingly, SMEs have been able to benefit from bank credits at favourable conditions. An SME applying for the program is analysed, in this respect, by both KOSGEB and the bank. The interest on the credit is paid to the bank by KOSGEB; meanwhile, only the principal amount of the credit is returned to the bank by the benefiting SME during a determined payback period.

Other Finance Initiatives

SMEs in Turkey have been facing similar types of problems such as; access to bank loans due to the higher interest rate with short term maturity and collateral problems; insufficient access to capital market instruments and insufficient equity capital opportunities. Aware of the difficulties SMEs have in accessing finance; KOSGEB has been developing and implementing financial models for SMEs. In this context KOSGEB;

Credit Guarantee Fund (KGF) provides loan guarantees to SMEs. KGF acts as an intermediary organization and makes it possible for the SME'S with the inadequate collaterals to apply for bank credits, also increase the number of customers for the banks and minimize their risks.

Principle of KGF is sharing the risks. In this context, In the case of KGF's sources, KGF has 80 % shares and banks have the 20 % (maximum), and in the second case which is called “Treasury Support” case, KGF shares maximum 75% whereas banks share is of maximum 25 %.

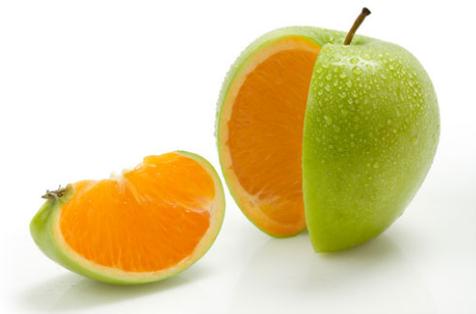
KGF draws annually definite and certain amount of commission on balance of guarantee by cash. Commission rates are between 1% and 2% depend on type of guarantee. Guarantee limit is TRY 1.000.000 per SME. Guarantee limit is for the risk group that SME related to is TRY 1.500.000.

Established iVCi to facilitate Venture Capital/Private Equity investments: Istanbul Venture Capital Initiative (iVCi), founded in 2007, is Turkey's first ever dedicated fund of funds and co-investment programme. iVCi is a pioneer programme in Turkey structured as a Public Private Partnership that aims to serve as a catalyst for the development of the private equity industry in this country whilst achieving good returns for its investors. Total fund commitments amount to EUR 160 million from public and private investors. iVCi has made commitments into 10 funds.

The Emerging Companies Market was established as a distinct market within the Istanbul Stock Exchange to create a transparent and organized platform where securities, issued in order to raise funds from the capital markets by companies with growth and development potential, can be traded. KOSGEB covers some part of the costs of the process.

Small and Medium Enterprises Development Organization (KOSGEB) Technology Incubators and R&D Activities

KOSGEB which was established with the mission to transform SMEs from enterprises that try to follow change into those which direct the change has, in its Establishment Law, the first and foremost duty to “establish technology centers, technoparks, consulting centers, institutes and similar units to support research and development activities in the industry and put into application”.

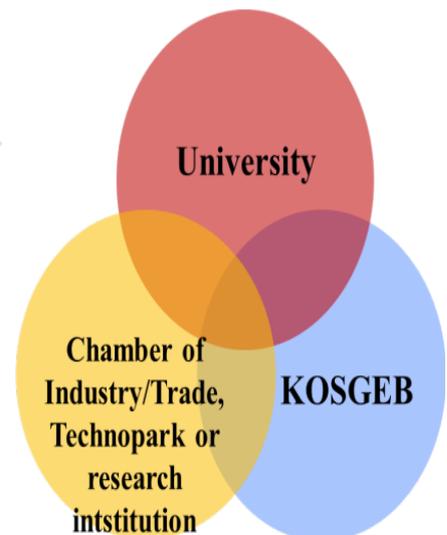


Innovation

- ✓ Employee talent
- ✓ “Most admired” criteria
- ✓ Use of cooperate assets
- ✓ Financial soundness
- ✓ “Innovativeness”
- ✓ Long-term investment value
- ✓ Quality of management
- ✓ Quality of products/services
- ✓ Social responsibility

Having carried out works that render the enterprises and entrepreneurs having R&D and innovation based projects that are regarded as the key for development more courageous since the year 1990 when it was founded, KOSGEB funds the projects by supporting R&D and innovation based project owner enterprises and entrepreneurs within the frame of Technology Development Centers (TEKMERS) and R&D and Innovation Cooperation Protocols which it established with special protocols concluded with entities as universities, technoparks, trade and industry chambers and research entities.

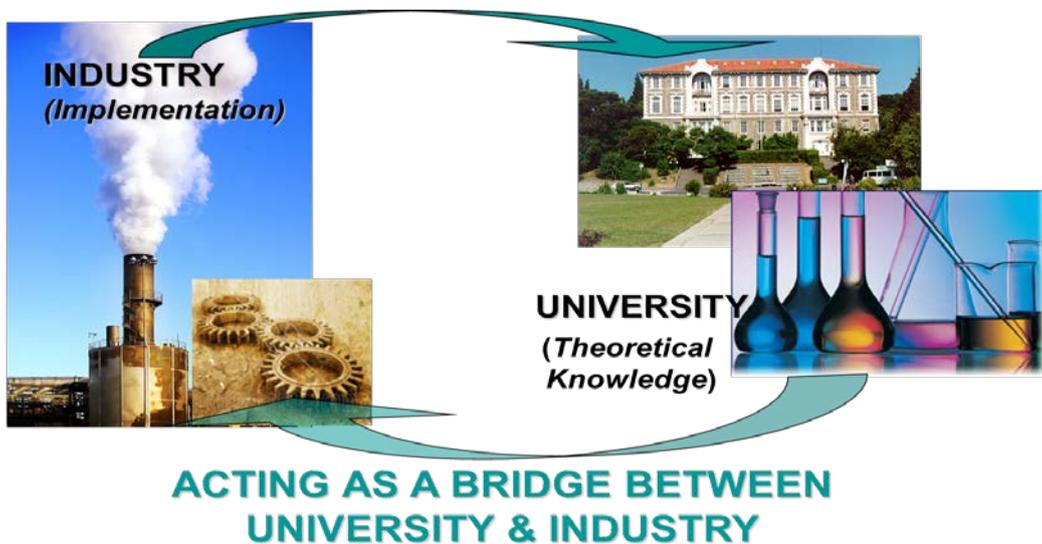
TEKMER



KOSGEB provides its R&D and innovation supports by two specialized Collaboration Protocols that are signed between KOSGEB and Universities and/or chamber of commerce's, technoparks etc.

<p>TEKMER Colloboration Protocol</p>  <p>Allocation of Physical Space (Incubator-TEKMER) By University of other partners</p> 	<p>R&D and Innovation Colloboration Protocol</p> <p>No Allocation of Physical Space (Virtual Incubator)</p> 
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TEKMERS are “technology incubators” which nurture new private enterprises, by providing them with physical, financial and technical supports. TEKMERs have accumulated significant knowledge and experience in the framework of supporting the formation and development of technology based enterprises until the establishment of Technology Development Zones by the Law No. 4691. Enterprises graduating from such centers following the end of the support period have formed the core of technoparks as the first enterprises there. TEKMERs contained technology based start-ups which are small sized but have potential for rapid growth and high added value, provided intensive support environment and when the enterprises were ready to fly on their own, they left TEKMERs leaving their space to newcomers.



Thereby, technology oriented, high added value, innovative entrepreneurs or enterprises were supported for development in a work environment of quality infrastructure needed for knowledge intensive production; and it was possible to strengthen the cooperation between the industry and universities that were effective in transfer of science and technology.

The following criteria are mainly required of entrepreneurs/enterprises for admission to Technology Development Centers:

- Having entrepreneurial spirit
- Project having economic value
- Consideration of prospective contribution to regional/national economy (potential to create jobs, diffuse use that affect other industrialists)
- Project having scientific and technological innovation.

TEKMERS have had numerous achievements since their inception. Further, businesses graduating from TEKMERs market their technologies on both local and international markets, obtain patents for their inventions, contribute significantly to creating quality jobs which overall prove that the original goal of creating high added value firms with high competitive power that offer new life styles has been achieved. The fact that many successful enterprises which have graduated from TEKMERs continue to operate soundly is an indication that TEKMERs, which have a brand value today, has delivered and will continue to deliver good quality services by appropriate support models and practices. The set up of decentralized services and incubation is a strongest aspect of KOSGEB in R&D and Innovation support.

Purposes of Establishing TEKMERs:

- Increasing competitive power of existing small businesses by enabling them to develop new production methods and place new products on the markets
- Supporting R&D, innovation and industrial application activities of enterprises under the KOSGEB legislation and contribute to strengthening the university-industry cooperation
- Promoting and supporting entrepreneurship for new technologies and innovation
- Enabling SMEs to benefit from what universities offer
- Directing the scientific and technological knowledge of universities to economy and production
- Creating an experimental test environment for universities for technological advancement
- Providing pre-incubation and incubation services
- Increasing the number of entrepreneurs that benefit from incubation services
- Enhancing R&D and innovation capacity
- Helping commercialization of R&D and innovation work results, and facilitate their steering into investments.

Services provided by TEKMERs:

- Provision of business space (for 2 + 1 year)
- Office services (photocopy, fax, secretarial...)
- Consulting services (technical, administrative, financial ...)
- Internet services
- Common use spaces
- Conference and meeting rooms
- Benefiting from university facilities

- Supporting R&D, Innovation and Industrial Application projects.

Project Evaluation Process and Considerations:

The project evaluation phase starts upon the filing of the project application by the applicant entrepreneur or SME with the KOSGEB Database. The Service Center Directorate shall make an initial assessment of the application, and requests completion of any missing documents, then the application will be evaluated by the Evaluation and Decision Board (Board) composed of stakeholders under the respective TEKMER Cooperation Protocol. Such evaluation shall be based on the following criteria:

- Sustainable competitive power along the science and technology axis
- Scientific and technological innovation (project's R&D and innovation dimension)
- Economic added value and commercialization potential
- Institutional structure and feasibility of project (institutional and technical competence, entrepreneurial potential etc)
- Accurate identification of resource needs of the project and resource planning (manpower, time, project stages, machinery-equipment and other resources)
- Compliance of the project with existing legislation and adaptation potential
- Market potential and analysis of alternative products, services and competitors
- Sustainability of the project and outputs
- Appropriateness/necessity for the project of requested support in terms of subject and quantity
- Project financing (KOSGEB support rate, funding from the enterprise/entrepreneur and other resources etc).

The Board may accept, reject the project or ask the opinion of the relevant university about the project or ask the project owner to revise it. Where the final decision is for the support of the project, the project owner shall be invited to the Service Center to sign a Letter of Commitment with the entrepreneur/enterprise. After this stage, if the project owner is an entrepreneur, he is required to establish the enterprise within 60 days; if project owner is an enterprise, then it is required to go to KOSGEB Service Center to sign a Letter of Commitment. The date when the Letter of Commitment is signed shall be considered the project start date. In the later steps, the enterprise will apply for and received the appropriate support as approved by the Board decision.

R&D, Innovation and Industrial Implementation Support Programme's incentives are given under the scope of technology development centers and virtual incubators. The R&D, Innovation and Industrial Implementation Programme aims to meet the need for support mechanisms to develop SMEs and entrepreneurs that have new ideas and inventions based on science and technology, promote R&D awareness in SMEs, increase R&D capacity, develop existing R&D supports, support innovative activities and commercialize and put into practice the results of R&D and innovation projects. The projects to be supported under this programme are assessed by Boards, and those which are found eligible for support receive support up to 1 million TL from two distinct but complementary programmes, namely: R&D and Innovation Programme and Industrial Application Programme.

Project durations are:

- For R&D and Innovation Programme, at least 12 months and at most 24 months
- For Industrial Application Programme, at most 18 months with a possibility of extension up to 12 months by the Board's decision.

The programme provides support for seed/start-up capital as well as support mostly in the form of grants to labor force, machinery, equipment, consumables, service procurement needed for the success of a project and training, consultancy, intellectual and industrial property, foreign cooperation/visit and promotion costs. Projects successfully completed also receive support from the Industrial Implementation Programme for commercialization of the project.

R&D and Innovation Support Programme		Upper Support Limit (TL)	Support Ratio (%)
Workshop Allocation Support		Free	75
Rent Support		12.000	
Machinery, Equipment, Raw Material, Software & Service Costs Support (Grant)		100.000	
Machinery, Equipment, Raw Material, Software & Service Costs Support (Soft Loan)		200.000	
Staff Costs Support		100.000	
Seed Capital Support		20.000	100
Project Development Supports	Consultancy Support	25.000	75
	Training Support	5.000	
	Industrial and Intellectual Property Rights Support	25.000	
	Project Publicity Support	5.000	
	Foreign Fair, Congress, Conference, Technological Cooperation Support	15.000	
	Test, Analysis and Calibration Support	25.000	

Industrial Implementation Support Programme		Upper Support Limit (TL)	Support Ratio (%)
Rent Support		18.000	75
Staff Costs Support		100.000	
Machinery, Equipment, Raw Material, Software And Service Costs Support (Grant)		150.000	
Machinery, Equipment, Raw Material, Software And Service Costs Support (Soft Loan)		200.000	

There are 38 TEKMERs and 7 virtual incubators partnerships for implementing innovation promotion schemes.

KOSGEB
(SMALL AND MEDIUM ENTERPRISE DEVELOPMENT ORGANIZATION)

ENTREPRENEURSHIP DEVELOPMENT ACTIVITIES

Small Business Administration of Turkey (KOSGEB) which was established in 1990 is the main public agency in Turkey responsible for the development of SMEs. The Administration operates under the Ministry of Science, Industry and Technology with its headquarters located in Ankara. It extends its services through KOSGEB Service Centres located in all around in Turkey.



Entrepreneurship development occupies an important place in the strategic plan of KOSGEB. In pursuit of this strategy, the Administration established its Entrepreneurship Development Directorate in 1998, and ten years later amended its Establishment Law to adopt entrepreneurship as one of its main pillars of operation, the other pillar being the development of SMEs.

The instruments of support to entrepreneurs, coordinated by the Directorate of Entrepreneurship are categorized as follows:

1. Entrepreneurship training (start-up training)
2. Business incubators
3. Start-up capital
4. Business plan awards

1. ENTREPRENEURSHIP TRAINING (start-up training)

KOSGEB has been implementing entrepreneurship training programmes since 2000 all over the country appearing as an important actor in the non-formal entrepreneurship education sector.

This more than 10-year experience enabled KOSGEB to be recognized as a pioneering agency in the field of entrepreneurship development and it also facilitated KOSGEB to oversee the state of non-formal entrepreneurial learning in the country. KOSGEB was then able to observe through surveys and other tools that:

In 2010, KOSGEB up a new model to involve local organizations as partners in training programme activities and, in this way, to increase the number of training programmes. Within the new model, KOSGEB established a standard for training (regarding the content, duration and delivery methodology) and a standard for trainers. Local partners (ISKUR-the Employment Agency of Turkey-, municipalities, chambers, NGOs, universities etc.) can implement training according to these standards after obtaining prior approval from KOSGEB who examines the application to see whether the content of the proposed training programme and qualifications of the trainers are consistent with the related standards of KOSGEB.

When it is “KOSGEB approved” training, the graduates become eligible for the start-up capital support of KOSGEB. So the new model made it possible for a large number of partners to mobilize their resources towards this aim while it is still possible for KOSGEB to implement programmes by itself whereby respective agencies (KOSGEB or the local partner) cover the costs related with training. This partnership approach has yielded the following results:

- The number of participants has increased to approximately 200.000 since 2010 which is a very ambitious figure when compared with 7,000 participants in ten years between 2000 and 2010.
- Underserved segments (the unemployed, women etc.) have gained better access to training.
- Extension of the programmes to even the smallest cities has created awareness about entrepreneurship among their populations.
- Private and NGO funds have been catalysed towards a common aim and a public-private synergy has been created.
- University programmes have been designed to cover all the departments including business and non-business departments.

Expected future results:

- Majority (even all) universities will include entrepreneurship training in their curricula after gaining experience with KOSGEB programmes. This means that more high growth oriented companies will have been set up in the future.
- Markets for entrepreneurship training services will develop.

The participants who have attended at least 80% of training and who set up their own businesses become eligible to apply for the start-up capital support of KOSGEB.

2. START-UP CAPITAL

The support is comprised of two components:

- 1) Start-up grant (in an amount of maximum 30.000 TL)
- 2) Start-up loan with no interest (in an amount of maximum 70.000 TL)

The following entrepreneurs are eligible to apply for this support within the first two years after establishing their businesses.

- Graduates of training programmes implemented by KOSGEB
- Graduates of training programmes arranged by the local partners
- Incubator tenant companies



Support ratios vary between 60-80% depending on the geographical location of the business and whether the beneficiary is from a special target group, such as women or disabled, or not.

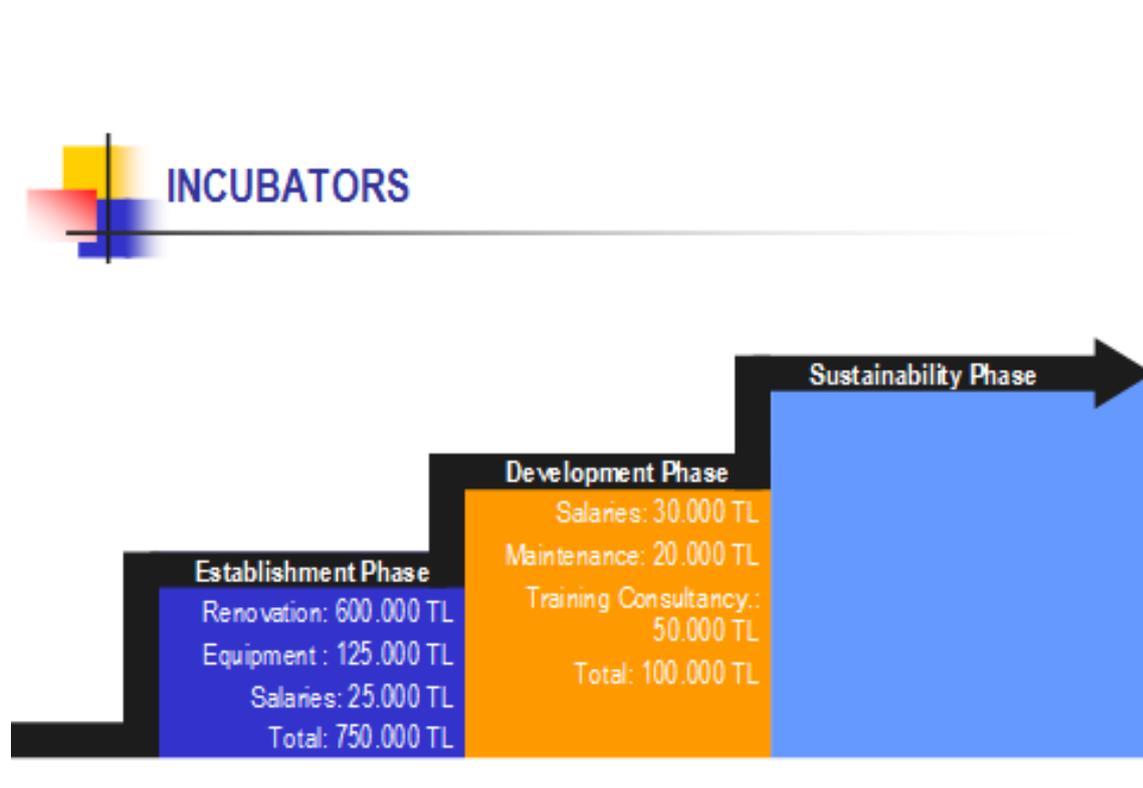
3. BUSINESS INCUBATORS

KOSGEB has undertaken a leading role in promoting the concept of business incubators and facilitating their development in Turkey in an attempt to encourage entrepreneurship and job creation.

For this purpose, a model has been developed to provide funds during the establishment and development phases of the incubators which are set up as local initiatives and operated as companies on a not-for-profit basis.

Currently, there are 22 incubators which have generated approximately thousands of jobs with a job creation cost of less than 4000 USD.

KOSGEB has established some good practice standards and benchmarks for operating the incubators and it evaluates the incubators against these criteria. Those incubators which pass these criteria are allowed to use KOSGEB Logo which entitles the tenant companies to the start-up capital support of KOSGEB.



5. BUSINESS PLAN AWARD

Universities which have entrepreneurship courses placed in their curricula can apply for the annual award program. For each university, the prizes are 15,000, 10,000 and 5,000 TL for the 1st, 2nd and 3rd winners. The winners are eligible for these prizes only if they set up their businesses within 24 months of announcement of the winners.

Energy Bottleneck and Energy Efficiency

Energy demand in the world is rapidly increasing. According to the estimations of the International Energy Agency; total energy demand in the world between 2005 and 2030 shall increase by 49%, reaching 17,0 billion TEP from 11,4 billion Tonne of Oil Equivalent (TEP), provided that the current energy policies and preferences on energy supply prevail.

As for the case in Turkey; rapid increase in energy demand, high dependency on imports and high energy density (inefficient use of energy) mark the current situation. Among all the OECD countries, Turkey is the one with the fastest increase in energy demand that is recorded in the last ten years. Primary energy consumption has steadily increased between 1990 and 2010; with an annual increase rate of 4%. Economic crisis that has prevailed during the last quarter of 2008 and throughout 2009 has paved the way for a decline in the demand. In 2010, primary energy consumption was 109.3 million TEP, ranking Turkey as the 25th country in the world in terms of energy consumption.

As for the energy supply in Turkey; only 24 – 29% of the energy requirement of the country is supplied through domestic resources. Main energy resources are coal (mainly lignite), hydraulic energy, biomass and petroleum. Hydraulic energy, which is highly dependent on the amount of the overall rainfall, has covered 25% of total electricity consumption in 2010. As for the total petroleum consumption; 9% of the overall petroleum consumption in Turkey is covered through domestic production.

Turkey possesses a great potential concerning the energy consumption. Research conducted by the Directorate General for Renewable Energy states that within a primary energy demand of 222 million TEP in 22 countries, there is a potential of saving up to 15% of the said amount (amounting to 29 mTEP) by 2020. On the other hand, another research by the World Bank indicates a potential of saving up to 27% of the energy.

Research indicates that 15% of the energy used in industrial premises, 35% in residential areas and 15% in transportation could be saved. It is also stated that 50% of the savings to be made in industry can be achieved through investments with low-costs and/or reimbursement period of less than two years.

Increasing energy efficiency, promoting the use of renewable energy resources and other environmental procedures have a positive influence on the employment since they also contribute to energy efficiency, economy and mitigate the impacts of the climate change.

When business indicators of the EU concerning the impact of energy savings on job creation (stating that with every 1 million TEP of energy saved, 2000 full time jobs could be created) are taken into account, it could be inferred that 50,000 full time jobs could be created with the potential amount of savings that is calculated approximately as 25 million TEP. If the side-employment is taken into account, it could well be stated that 150,000 jobs could be created.

KOSGEB Energy Efficiency Support Programs

In order to benefit from this potential, public and private sectors must collaborate while drafting the said legislation. Taking into account the national and international conjuncture, KOSGEB has also regarded Energy Efficiency as an important item in the agenda.

KOSGEB has already prepared the secondary legislation concerning the energy efficiency support program in SMEs including trainings, audits and consultancy services to be offered to SMEs. Pre-audits surveys / detailed audits, consultancy services for energy efficiency improvement projects aiming to increase energy efficiency and energy management training services are offered by the energy accredited energy efficiency companies are subsidized under “Energy Efficiency Supports” issued by a Regulation published in Official Gazette on 18 October 2008. Conditions for beneficiaries have also been improved through an amendment issued on 15 June 2010.

With the amendment dated 15 June 2010; the annual energy consumption amount (the average of three years), which is one of the preconditions of benefiting from the support, has been decreased from 500 TEP to 200 TEP.

During the Support Program, the upper limit for Energy Efficiency Support is 30.000 (thirty thousand) TL. The cost of the preliminary survey could be supported up to 2000 TL, detailed survey up to 20.000 TL, and Consultancy Support offered to Projects Aiming to Increase the Energy Efficiency can be supported up to 5000 TL. As for the support ratios; for Zones 1 and 2, the support ratio is 50% whereas for Zones 3 and 4, it is 60%.

Depending on TEP range, support mechanism is as follows:

Upper Limits for Support on Preliminary Surveys are stated below as per the relevant TEP:

TEP Range	Support Upper Limit (TL)
For 200-500 TEP	1.500
For 501 TEP and above	2.000

Upper Limits for Support on Detailed Surveys are stated below as per the relevant TEP range:

TEP Range	Support Upper Limit (TL)
For 200-500 TEP	15.000
For 501 TEP and above	20.000

The Upper Limit for Consultancy Support offered to Energy Efficiency Projects (VAP) is shown below:

TEP Range	Support Upper Limit (TL)
For 200-500 TEP	3.000
For 501 TEP and above	5.000

The Upper Limit for Energy Manager Training Support is shown below:

TEP Range	Support Upper Limit (TL)
For 200 TEP and above	3.000

In addition to Energy Efficiency Supports, SMEs are also supported in terms of energy efficiency and renewable energy resources through SME Project Support Program, Cooperating-Leaguings Support Program (which enables the SMEs to be engaged in joint purchasing, production and marketing activities) and R&D Innovation and Industrial Application Support Program.

KOSGEB and Energy Efficiency Projects

KOSGEB also cooperates with international organizations such as UNDP, UNIDO and the France Development Agency. Within the framework of cooperation with UNDP and UNIDO; "Project on Improving Energy Efficiency in Industry Turkey" supported by United Nations Global Environmental Fund is carried out.

KOSGEB, Directorate General for Renewable Energy, TTGV and Turkish Standards Institute (as the national stakeholders) together with UNIDO and UNDP (as the international stakeholders) carry out a project of five years with an overall budget of 36 Million USD.

The project aims to promote the use of energy-efficient technologies and implementation of measures for saving energy among industrial enterprises, through enhancing their capacity with a view to increase energy efficiency in Turkish industry. The Project has been launched in February 2011.

There is second project, jointly carried out with the France Development Agency, "Project on Energy Efficiency in SMEs in Turkey" which has been launched with a financing agreement concluded between KOSGEB and Development Agency of France on 23 June 2011. The project has been launched in May 2013.

The project aims to contribute to energy efficiency activities of the Turkish SMEs, to lower their use of carbon energy and to improve their environmental performance and hence increase energy efficiency in Turkey. With an overall budget of 3 Million Euros and duration of three years, the project will be implemented with the financial contributions of KOSGEB and French Global Environmental Fund.

Support programs and international projects aim to realize national and international liabilities, raise awareness on energy efficiency among the SMEs, promote domestic production and the use of renewable energy; mitigate the burden on SMEs and the economy related to energy costs.

DRAFT PROJECT PROPOSAL¹

Title	Project on Promoting Innovation and Entrepreneurial Culture in the BSEC Member States and Exchanging Experience on Energy Efficiency Policies and Practices for SMEs
Area (such as transport, social affairs, water etc...)	Small and Medium Enterprises (SMEs)
Name of initiating Member State/s (MS/MSs) specify leading MS in case of a group of MSs	Republic of Turkey
Geographical scope (regional/sub-regional/transnational)	Regional (open to all BSEC Member States)
Location	BSEC Member States
Countries involved (and regions/towns if applicable)	BSEC Member States
Proposed starting date (mm/yyyy)	01.06.2014
Expected completion date (mm/yyyy)	31.12.2015
Total Cost (in Euro)	145.000 (will be discussed)
Contribution of the initiating/leading MS/s	10.000 (will be discussed)

CONTENT**I. Background and Rationale**

LOCATION | Geographical location of the project implementation (country (ies), region, city as relevant)

All BSEC Member States are involved. Events will be open to all 12 BSEC Member States.

¹ The first project proposal should not exceed 10 pages (annexes not included)

“Small and medium-sized enterprises (SMEs)” are defined as firms that employ not more than a given number of employees. While this number varies across national statistical systems, its most frequent upper limit is 250 employees, but again this upper limit also varies between 50 and 500 across countries. The share of SMEs in total firms can account for as high as 95% in some countries. They are deemed the biggest contributors to creating new job opportunities within economies. It is found that SMEs with 250 employees or less generate 86% of the new jobs.²

New technologies have reduced the importance of economies of scale in many activities and have enhanced the potential contribution of small and medium sized firms. Even though SMEs employ a substantial number of people and generate more jobs than bigger ones, their contribution to productivity growth is not necessarily high. Many SMEs do not survive the competition with incumbent domestic and foreign enterprises. Thus, enhancing their competitiveness and increasing their contribution to productivity require policies which would focus on the challenges and obstacles faced by SMEs. These challenges and obstacles include, but are not limited to, lack of access to finance, difficulties in exploiting new technologies, lack of required business training and managerial capabilities, as well as taxes, regulatory burdens, and corruption.

In addition, policies are needed to improve entrepreneurship and innovation capacities. Most developing economies lack required dynamism of new firms that tend to be productive and provide fast growth. Policies are also required to lend SMEs an easy access to international markets, as a means of expanding sales and acquiring the latest technologies, techniques, and know-how. Exporting and exposure to international competitions also increase average productivity and competitiveness of SMEs.

The importance of innovative SMEs has been recognized by various regional and international organizations. In this context, due to the considerable importance of SMEs in job creation as well as economic growth and development, policies and approaches to enhance their competitiveness have become an important part of developmental policy making.

² Ayyagari, M., A. Demirguc-Kunt and V. Maksimovic (2011), “Small vs. Young Firms across the World: Contribution to Employment, Job Creation, and Growth” World Bank Policy Research Working Paper.

Many international institutions, such as the World Bank and the United Nations Development Program (UNDP) have given significant attention and assistance toward promoting micro-enterprises. While many people agree that promotion of small and medium sized enterprises (SMEs) is an effective strategy for spurring entrepreneurship, reducing poverty, lowering income inequality, and stimulating economic growth, development of the private sectors of many emerging and developing economies today is hindered by a “missing middle”³; lack of SMEs.

As in many countries, SMEs play a crucial role in economic and social life in Turkey. In this regard, development and promotion of SMEs is acknowledged as one of the main targets of the government. With effective policies and well established coordination among the public institutions and continuous dialogue with the private sector, the role of SMEs has grown dramatically in the Turkish economy and the other BSEC Member States as well.

While Turkey continues its efforts to increase the competitiveness of the SMEs via the implementation of effective policies, it also explores the means of enhancing bilateral and multilateral cooperation in this area. In this context, Turkey actively participates in the cooperation efforts of international and regional organizations. Furthermore, relevant Turkish agencies, especially the Small and Medium Size Enterprises Development Organization (KOSGEB) initiate partnership and cooperation agreements with relevant institutions in other countries to enhance cooperation in this field. In this context, KOSGEB is proposing to implement this project to enhance regional cooperation through exchanging the experiences on “Models for Strengthening Entrepreneurship Spirit and Supporting Entrepreneurs” and “Models for Creating Innovation and R&D Culture and Supporting Entrepreneurs”.

On the other hand, energy demand in the world is rapidly increasing. According to the estimations of the International Energy Agency, the total energy demand in the world between 2005 and 2030 shall increase by 49%, reaching 17,0 billion Tonne of Oil Equivalent (TEP)TEP from 11,4 billion TEP, provided that the current energy policies and preferences on energy supply prevail.

³ Kauffmann, C. (2005), “Financing SMEs in Africa,” Policy Insights, No: 7, OECD.

Increasing energy efficiency, promoting the use of renewable energy resources and other environmental procedures have a positive influence on the employment since they also contribute to energy efficiency, economy and mitigate the impacts of the climate change.

When business indicators of the EU concerning the impact of energy savings on job creation (stating that with every 1 million TEP of energy saved, 2000 full time jobs could be created) are taken into account, it could be inferred that 50,000 full time jobs could be created with the potential amount of savings that is calculated approximately as 25 million TEP. If the side-employment is taken into account, it could well be stated that 150,000 jobs could be created.

In this context, it is highly recommended to further promote exchange of experiences on energy efficiency in SMEs as an on-going activity of BSEC in the sphere of SMEs.

RATIONALE | Issues addressed, experiences and added-value⁴

Business and innovation networking and incubation constitute well established mechanisms for developed economies and most importantly to promote economic growth and reinforce sustainability in emerging economies.

The creation of business and innovation networking can have a significant role in aiding economic growth according to the specific needs, required reforms and strategic development plans of each of the BSEC Member States.

Furthermore, effective networking and incubation foster business initiatives, aid growth and the development of self-sustained economies through the establishment of common paths to development and the reinforcement of links of collaboration.

RELEVANCE TO BSEC Economic Agenda 2012 priority areas, BSEC strategies, cross-cutting issues

⁴ This section should not exceed two pages

All activities and objectives are defined in accordance with the three priorities, namely priorities no. 2, 5 and 6, out of the 10 priorities listed under Goal 9 (Support for the Sustainable Development of the SME Sector) of the Economic Agenda, during the medium-term covering the 2013-2015 periods, which are:

- Developing BSEC programs aimed at promoting favorable conditions for local businesses and foreign investments; facilitating networking, exchange of experiences and know-how; organizing training for young entrepreneurs. (Priority 2)
- Focusing on high technology, innovation, clusters, industrial-technology and software parks and business incubators as concrete instruments to facilitate SME start-ups in the Member States and to encourage entrepreneurship, competitiveness and cooperation with large companies in the BSEC Region. (Priority 5)
- Developing a support system for innovation and technology at BSEC region, with the view to promoting cooperation among SMEs and the university environment, or research and development institutions. (Priority 6)

II. Objectives and Expected Results

1. LONG-TERM OBJECTIVES

The general objectives of the project is linking of knowledge and innovation to sustainable development and the development of best practice models of entrepreneurial and innovation networking to contribute to the economic development and prosperity of the BSEC States. Entrepreneurship, technology and energy efficiency contribute to growth and sustain employment and are increasingly becoming significant pillars of sustainable development.

The project aims to strengthen the entrepreneurial spirit of SMEs, to support the technology and innovation activities of SMEs and to contribute to energy efficiency activities of SMEs, to lower their use of carbon energy and to improve their environmental performance and hence increase energy efficiency to promote the use of energy-efficient technologies and implementation of measures for saving energy among industrial enterprises, through enhancing their capacity with a view to increase energy efficiency in the BSEC Member States.

Besides allowing for an exchange of best practices, the project aims to raise awareness on energy efficiency among the SMEs, promote domestic production and the use of renewable energy; mitigate the burden on SMEs and the economy related to energy costs.

The project also has the following long-term overall objectives:

- Investing on entrepreneurship, technology and energy efficiency;
- Promoting Capital Formation
- Creating Large-Scale Employment Opportunities
- Promoting Balanced Regional Development
- Reducing Concentration of Economic Power
- Wealth Creation and Distribution
- Increasing Gross National Product and Per Capita Income
- Improving the Standard of Living
- Promoting Exports
- Facilitating Overall Development
- Protecting the Environment

The ultimate goals of this project are;

- to contribute to the economic and social development of the Member States,
- to increase the technological and economical collaboration amongst institutions and SMEs in the Member States in the spheres of entrepreneurship, technology, innovation and energy efficiency,
- to strengthen the institutional capacity of institutions dealing with SMEs in the BSEC Member States, determining and adopting joint policies, contributing to technological and economic cooperation amongst SMEs in the Member States.
- to foster the entrepreneurial spirit and culture in the Black Sea countries by facilitating exchange of knowledge, experience and networking among SME related organizations and entrepreneurs,
- to identify new strategies and policies for the development of entrepreneurial culture and environment, spreading entrepreneurship in the Black Sea countries and supporting entrepreneurs.

2. PROJECT SPECIFIC OBJECTIVES

- Supporting regional development and sustainable growth,
- Contributing to job creation, income generation,
- Supporting research and technology commercialization
- Building an environment of knowledge, science, and entrepreneurial activity
- Increasing cross-country collaboration among the BSEC Member States in the sphere of SMEs,
- Preparing booklets on government policies in the BSEC Member States which encourage innovation and entrepreneurship and SME success stories from individual Member States within the framework of their related programs,
- Publishing a booklet on Energy Efficiency Best Practices in the BSEC Member States.

BENEFICIARIES

The target group comprises decision-makers, experts, opinion-makers and other agents of change in the fields of SMEs from governmental organizations which support SMEs and are responsible for SMEs in the BSEC Member States.

In this context, all SMEs located in the BSEC Member States are also indirect beneficiaries.

EXPECTED RESULTS | Impact

Expected results include:

- A region-wide strategy to nurture the spirit and culture of entrepreneurship and innovation,
- A dynamic mechanism to promote economic growth and reinforce sustainability,
- Target-oriented and sustained policies and support programs on entrepreneurship, innovation and energy efficiency,
- Well established, efficiently managed network for addressing SME related topics,

- Enhanced exchange of experiences and increased number of trained decision-makers, experts, opinion-makers and other agents in the fields of SMEs from governmental organizations dealing with SMEs in the BSEC Member States through their participation in the meetings and workshops to be organized under the project.

III. Project Management and Implementation

ACTIVITIES and WORK PLAN| Main actions⁵

- Program on Promoting Innovation Culture in the BSEC Member States

The program will include a knowledge sharing component to facilitate networking and exchange of information on issues related to innovation, R&D and technology networks.

A comprehensive workshop will be organized to share best practices.

A region-wide network of institutions dealing with innovation will be established.

As a deliverable of the workshop and networking, an e-booklet will be prepared which will cover the conclusions and recommendations of the workshop as well as government policies in the BSEC Member States which encourage innovation and SME success stories from individual Member States within the framework of their innovation programs.

The results and the success stories will be presented in the final workshop.

- Program on Promoting Entrepreneurial Culture in the BSEC Member States

The program will include a knowledge sharing component to facilitate networking and exchange of information on issues related to entrepreneurship and incubators.

A comprehensive workshop will be organized to share best practices.

A region-wide network of institutions dealing with entrepreneurship will be established.

As a deliverable of the workshop and networking, an e-booklet will be prepared which will cover the conclusions and recommendations of the workshop as well as government policies in the BSEC Member States which encourage entrepreneurship, list of incubators in the BSEC Member

⁵ This section should not exceed two pages

States and success stories from individual BSEC Member States within the framework of their entrepreneurship and incubation programs.

The results and the success stories will be presented in the final workshop.

-Exchanging Experience on Energy Efficiency Policies and Practices for SMEs

An electronic “Energy Efficiency Best Practices Booklet” will be prepared by compiling the best practices of the BSEC Member States in Energy Efficiency in SMEs under the coordination of the BSEC Permanent International Secretariat.

A network of institutions dealing with entrepreneurship will be established.

The results and the success stories will be presented in the final workshop.

DURATION & TIMELINE| Implementation Steps

Promoting Innovation and Entrepreneurial Culture in the BSEC Member States and **Exchanging Experience on Energy Efficiency Policies and Practices for SMEs** Promoting Innovation and Entrepreneurial Culture in the BSEC Member States and **Exchanging Experience on Energy Efficiency Policies and Practices for SMEs** elaborated during the upcoming meeting of the Working Group on SMEs (BSEC Headquarters, 8-9 May 2014).

LEADING/INTIATING MEMBER STATE/S | Description⁶

On behalf of the Working Group on SMEs, the institution which executes the role of the Republic of Turkey as the Country-Coordinator for the 2014 – 2015 periods, namely the Small and Medium Enterprises Development Organization (KOSGEB), will lead the project. KOSGEB has been established as an “associated organization” to the Ministry of Science, Industry and Technology of the Republic of Turkey on 20 April 1990 with the Law No. 3624, with the purposes of:

- Increasing SMEs share and effectiveness,
- Improving SMEs competitive power and level,
- Ensuring industrial integration in conformity with economic development,

⁶ This section should not exceed one page

for meeting the social and economic needs of the Country.

Objective of KOSGEB

To improve production quality, capacity, market share, contribution to export and added value of the SMEs which are flexible, more open to innovation, more entrepreneurial and creative.

Mission of KOSGEB

To increase the share of SMEs in economic and social development by providing qualified service and support in a way to improve SMEs' competitive power and disseminate entrepreneurship culture

Vision of KOSGEB

To be a model organization in the world, which is effective in determining SME and entrepreneurship policies, which encourages the SMEs to undertake an important role in global market

Target Group

SMEs, which are defined as “Enterprises, which have less than 250 employees and whose annual net sales revenue or annual financial balances sheet is under 40 million TL” are the target group of KOSGEB.

KOSGEB has started to support SMEs in sectors other than manufacturing (trade and service sectors) as well with an amendment made in the related legislation in May 2009. Sectoral and regional priorities of services and supports given by KOSGEB for SMEs are determined by the Council of Ministers of the Republic of Turkey.

Branch Offices

KOSGEB is one of the major organizations executing the SME policy in Turkey. The bodies under the organization of KOSGEB are the General Assembly, Executive Committee and the KOSGEB Presidency. KOSGEB is chaired by the President and is mainly composed of policy maker units, service providers and internal supporting units. KOSGEB has 88 Service Centers, 38 Technology Development Centers, 14 Business Development Centers and 68 Representatives.

KOSGEB Supports and Services

Numerous supports and services of KOSGEB, which has always been by the side of SMEs from past to today, are classified under **4 main headings**:

• Supports provided within the scope of Support Programs Regulation

Seven KOSGEB Support Programs, namely;

1. SME Project Support Program,
2. Thematic Project Support Program,
3. Cooperation- Collaboration Support Program,
4. R&D, Innovation and Industrial Practice Support Program,
5. Entrepreneurship Support Program,
6. General Support Program,
7. Emerging Companies Market SME Support Program,

have been established taking into consideration the basic needs of the SMEs.

- The Programs are prepared with a view to meet the needs and expectations of KOSGEB's expanded target group.
- The legislation is simple, easy to access and implement.
- It encourages the SMEs to be involved in R&D and Innovation activities, establish the culture of partnership and entrepreneurship.
- It gives the priority to the sectors with high added value, competitive power and potential to develop.
- It envisages a "project-based support system".
- It is in line with the legislation on e-state structure and the provision of public services.
- It aims to create efficient, explicit and positive impacts on SMEs.

• KOSGEB Finance (Credit Interest) Supports

In Turkey, KOSGEB has been conducting "credit interest" support schemes in order to increase the share of small businesses in total bank lending. With the Credit Interest Support Programs which have started in 2003, KOSGEB subsidizes interest rates of loans directed to SMEs and SMEs have been able to utilize bank credits at favorable conditions.

These supports depend on the agreements made by KOSGEB and banks as well as the Credit Guarantee Fund. The purpose of the agreement is to provide short term credits for SMEs under suitable conditions. In this agreement; the bank is the party that provides capital of the credit, and therefore the credit rating and assessment is made by the bank.

KOSGEB is the party that undertakes the credit interest (whole or partly) on behalf of the SME. To do this, the SME should fulfill the obligatory procedure to register to the KOSGEB Database. Firstly, SMEs are required to fill up various forms via internet. Secondly, SME Experts of KOSGEB approve these forms after they visit the SMEs.

KOSGEB supports provided through Credit Mechanisms include financial needs of SMEs such as financing exports, financing employment, etc.

- **KOSGEB Laboratory Services**

Services are provided by KOSGEB's laboratories specialized in metal, plastics, rubber, textile and environment.

- **Information and Guidance Supports**

Among other activities, these supports include Announcing SMEs the calls for projects within the scope of EU Funds and services of national organizations which are related to SMEs.

PROJECT GOVERNANCE| Management and coordination mechanisms⁷

Under the coordination of BSEC Working Group on SMEs, Small and Medium Enterprises Development Organization (KOSGEB) of Turkey and other countries' SME related institutions will be responsible for launching this project.

The coordination mechanisms foreseen with other relevant national and international stakeholders will be ensured via the existence of a sustained and efficiently managed network

IV. Monitoring and Evaluation

⁷ This section should not exceed one page

RISKS and ASSUMPTIONS⁸

It is assumed that there is joint and sustained willingness on part of all 12 BSEC Member States to implement the project. Financial barriers constitute the main risk for the implementers.

MONITORING AND SUSTAINIBILITY⁹

The general objectives of the project proposal is linking of knowledge and innovation to sustainable development and the development of best practice models of entrepreneurial and innovation networking to contribute to the economic development and prosperity in the BSEC States. In this context, the main indicators in monitoring the implementation of this project would be the existing support policies and programs as well as networks for SMEs in the BSEC Member States. The results of the programs would be evaluated and disseminated for the sustainability of the acquired practices.

EVALUATION

The success of the events will be measured through questionnaires and the development of new and/or improved SME support policies, programs and networks and their evaluations.

V. Budget and Financial Plan

BUDGET | Cost and expenses

(Will be elaborated in the light of the discussions during the forthcoming Meeting of the Working Group on SMEs)

FINANCING PLAN

(Will be elaborated in the light of the discussions during the forthcoming Meeting of the Working Group on SMEs.)

VI. Contact details

⁸ This section should not exceed one page

⁹ This section should not exceed one page

Mr. Ömer PAK

Head of KOSGEB EU and Foreign Relations Department

e-mail: omer.pak@kosgeb.gov.tr

Ms. N. Pınar IŞIN

Director of KOSGEB International Relations Department

e-mail: pinar.isin@kosgeb.gov.tr

VII. Annexes

Calendar of Activities

Description of activity	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M	M
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Experience Exchange Workshop for Entrepreneurship Policies and Supports Exchange Workshop			X															
Experience Exchange Workshop for Technology – Innovation Policies and Supports Exchange Workshop					X													
Preparation phase	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Final Workshop on Entrepreneurship Policies and Supports for the results and success stories																X		
Final Workshop on Innovation Policies and Supports for the results and success stories																		X
Workshop on Energy Efficiency Best Practices												X						

BUDGET	Estimated Cost Year (ECY) 1				ECY 2
	Unit	Number of units	Unit cost (EUR)	Total Year 1	Total Year 2
	**	(a)	(b)	(d) = (a)*(b)	(d) = (a)*(b)
1. Staff costs					
1.1.	Rate				
1.2.	Rate				
2. Cost of Consumables and Supplies					
1.1 Works					
1.2 Equipment					
3. External experts					
4. Communication/ Dissemination					
5. Travel Costs (including accommodation and allowances)		26	1.000	52.000 (for 2 workshops)	78.000 (for 3 workshops)
6. Conferences/ Events related to the project (Meeting Room Cost)		5	5.000	0 (2 workshops at BSEC Headquarters)	15.000 (3 workshops)
7. Other implementation contracts (specify)					
8. Reporting and Evaluation					
9. Contingency reserve					
10. Other (please specify)					
TOTAL					

** Units in which these costs are measured, e.g. for staff could be hourly rate, daily rate, monthly rate.

Sources of Funding

	Name Organization	Type of financial instrument/Nature of Funding	Timeframe				% of Total	Total
			Year 1	Year 2	Year 3	Year 4		
1. Financial Contribution for the Project from leading/initiating MS/s (own resources)								
2. In-Kind contribution from leading/initiating MS/s (own resources)								
3.Revenues/benefits generated by the project								
4.Contributions from third parties/funders (commitment or firm pledge)								
5.Potential Contributions from third Parties (Funders already approached)								
6.Envisaged Contributions from third parties (funders yet to be approached)								
7.Requested fund-raising from BSEC								
Total sources of funding						100%		

