

SOUTHEASTERN ANATOLIA PROJECT (GAP)*

Southeastern Anatolia Project (GAP) is a regional development project aiming at the overall socio-economic development of a 75,358 km² area with a population of over 6.1 million. The project area covers the provinces of Adiyaman, Batman, Diyarbakir, Gaziantep, Kilis, Mardin, Siirt, Sanliurfa and Sirnak. GAP is the largest investment ever made for regional development in Turkey. As direct or indirect consequences linked to GAP, there has been so far a favorable development in local capital accumulation. Demise of terror and decreasing inflation rate further brighten the future business prospects.

GAP investments cover a variety of sectors such as:

- urban and rural infrastructure
- agriculture
- transportation
- industry
- education
- health
- housing
- tourism
- dams on the basin of the Euphrates and Tigris
- power plants and irrigation schemes

Basic objectives of GAP are:

- to remove interregional disparities in income level and living standards
- to enhance productivity and employment activities
- to improve the population absorbing capacity of larger cities in the region
- to contribute to overall development objectives such as sustained economic growth, export promotion, and social and political stability

The program for the development of water resources consists of two groups of projects: the Euphrates Basin and the Tigris Basin projects. It envisages the construction of 22 dams, 19 power plants and numerous irrigation canals. When the project will be completed 28% of the total water potential of the country will be controlled through the facilities constructed on the rivers Euphrates and Tigris that have all together an annual flow of 50 billion m³. In addition to that, it will be possible to irrigate an area of 1.7 million ha and generate hydraulic energy of 27 billion kWh/year with a settled capacity of over 7485 MW. The total land planned for irrigation corresponds to 20% of total irrigable land in Turkey. The annual electric energy production in the region constitutes 22% of the electric energy potential of Turkey.

According to projections, upon the completion of the irrigation projects, the yield increase will be 90% in wheat, 43% in barley, 600% in cotton, 700% in tomatoes, 250% in lentils and 167% in vegetables.

GAP Master Plan: Completed in 1989, the GAP Master Plan envisages an overall framework for the development of the region through alternative scenarios by analyzing the available resources of the country and the region: needs and human, technical and financial limitations. The plan introduces a timetable developed by these means.

Status of Hydropower and Irrigation Development in GAP Region (2003)	Completed	Ongoing	Planned	Total
Capacity (MW)	5,463	50	1,972	7,485
Energy Production (GWh/yr)	20,349	124	6,872	27,345
Irrigation Area (000 ha)	215	179	1,306	1,700
Number of Dams	9	1	12	22
Number of Hydropower Plants	7	1	11	19

Source: GAP Administration

BUSINESS ENVIRONMENT

Incentives

In addition to the existing incentives provided for the less developed regions of Turkey which include income tax refunds until an investment is totally recovered, reductions in customs duties, VAT and other tax concessions; the Parliament passed a law on 21 January 1998, granting additional incentives specifically designed for the Region. The incentives for new investments employing 10 or more people are as follows:

- Exemption from all income tax payments for 5 years including the investment period. Depending upon the number of employees these taxes will be paid at 40-60% reduced rates until the end of 2007.
- The payment of income and corporate taxes withheld from employees may be deferred for 2 years.
- The employer's share of the employee social security payments is to be paid by the Turkish Government.
- 50% reduction on the cost of electricity consumed during the investment period and the initial 3 years of operations.
- The state owned land is allocated for new investments without charge, subject to the availability of public land.

Existing Infrastructure in the Region for the Development of Industrial Investments

- Two conventional (Gaziantep and Diyarbakir) and 5 STOL (short-take off and landing) airports (Adiyaman, Batman, Mardin, Siirt and Sanliurfa). An international airport in Sanliurfa with the largest cargo capacity in Turkey is under construction
- 2 free trade zones, 12 organized industrial zones for medium and large industries (7 in operation and 5 under construction) and 34 small industrial estates (18 in operation and 12 under construction)

Prospective Industries in the GAP Region

- Wheat related industries (wheat flour, macaroni-semolina)
- Cotton related industries (ginning, yarn, weaving, ready-made clothing)
- Edible oil industry (raw edible oils, refined oils, animal feed)
- Industry based on livestock (slaughtering, tanning and leather, meat and milk processing, finished leather)
- Construction materials industry (bricks, tiles, pipes)
- Others (printing and publishing materials, packing, mineral extraction)

Potential Investment Areas

Agriculture, nurseries, seed production farms, export oriented vegetables production, greenhouse establishments, vegetable seedling, vegetable and fruit canning and processing, frozen food, packing and storage facilities, integrated livestock and poultry production, edible oils industry, textile and clothing, ginning and pressing, cotton yarn and weaving, wood and wood products, furniture, wooden packaging materials, commercial fertilizers, machine and farm equipment, water pumps.

Business Prospects in Other Fields

Animal husbandry, improvement of local cattle and sheep breeds, improvement of intensive stock raising practices, irrigation and hydropower generation, transportation network, container depots, grain storage facilities, cold storage establishments, telecommunication systems, tourism accommodation facilities, construction, urban infrastructure (water supply, sewage and treatment facilities), healthcare services and medical equipment.