FINANCING MEMORANDUM

The European Commission, hereinafter referred to as "THE COMMISSION", acting for and on behalf of the European Community, hereinafter referred to as "THE COMMUNITY"
on the one part, and

The Government of the Republic of Turkey, hereinafter referred to as "THE RECIPIENT"
on the other part,

HAVE AGREED AS FOLLOWS:

The measure referred to in Article 1 below shall be executed and financed out of the budget resources of THE COMMUNITY in accordance with the provisions set out in this Memorandum. The technical, legal, and administrative framework within which the measure referred to in Article 1 below shall be implemented is set out in the General Conditions annexed to the Framework Agreement of 1 April 1999 between THE COMMISSION and THE RECIPIENT, and supplemented by the terms of this Memorandum and the Special Provisions annexed hereto.

ARTICLE 1 - NATURE AND SUBJECT

As part of its aid programme, THE COMMUNITY shall contribute, by way of grant, towards the financing of the following MEASURE:

Programme number: TR 2003/005-667.01 to TR 2003/005-667.07
Title: 2003 National Programme for Turkey
Duration: Until 30 November 2005

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of €145,1 million hereinafter referred to as "THE EC GRANT".

ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until 30 November 2005 subject to the provisions of this Memorandum. All contracts must be signed by this date. Any balance of funds of the EC GRANT, which have not been contracted by this date shall be cancelled.
The deadline for execution of contracts of THE EC GRANT is 30 November 2006. THE COMMISSION may however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the contract execution period, should this be requested in due time and properly justified by THE RECIPIENT. This Memorandum shall expire at the expiry date for execution of contracts of the EC GRANT. All the funds which have not been disbursed shall be returned to the Commission.
ARTICLE 4 - ADDRESSES

Correspondence relating to the execution of THE MEASURE, stating THE MEASURE'S number and title, shall be addressed to the following:

for the COMMUNITY:
   Representation of the European Commission in Turkey
   Ugur Mumcu cad. No. 88/4
   Gazi Osman Pasa 06700
   Ankara Turkey
   Fax: (+90.312) 446 6737

for THE RECIPIENT:
   The Secretariat General for European Union Affairs
   Eskisehir Yolu
   9.km.06900
   Ankara, Turkey

ARTICLE 5 - NUMBER OF ORIGINALS

This Memorandum is drawn up in duplicate in the English language.

ARTICLE 6 - ENTRY INTO FORCE

This Memorandum shall enter into force on the date on which it has been signed by both parties. No expenditure incurred before this date is eligible for the EC GRANT.

The Annexes shall be deemed an integral part of this Memorandum.

Done at Ankara  
Date 19.02.2004  

Abdullah Gül
for THE RECIPIENT

Done at Ankara  
Date 25.02.2004  

Ali Babacan
for THE RECIPIENT

Done at Ankara  
Date 1.3.2004  

H.J. Kretschmer
for THE COMMUNITY
Encl.
1. Framework Convention
2. Memoranda of Understanding
4. Visibility/Publicity
FINANCING PROPOSAL

Pre-accession Financial Assistance: 2003 National Programme for Turkey

1. STRATEGY

The overall aim of the National Programme is to assist Turkey’s preparations for EU membership, on the basis of the priorities identified in the Accession Partnership for Turkey, approved by the Council on 14 April 2003. Pre-accession financial assistance programming has also taken careful account of the findings of the Commission’s Regular Report on Turkey’s progress towards accession (November 2002), the priorities identified in the Government of Turkey’s National Programme for the Adoption of the Acquis (March 2001 but currently being revised), and the issues arising in Association Committee sub-committee discussions under the aegis of the EC-Turkey Association Agreement.

The Turkish National Aid Co-ordinator played an active role in helping to identify programme priorities and potential projects. Counterparts throughout the Turkish administration were invited by the National Aid Co-ordinator to prepare projects consistent with the programming priorities. The Commission maintained regular contacts with the IMF, World Bank, EIB and bilateral aid agencies to ensure adequate co-ordination of external assistance.

The main criteria used for the final selection of projects for support under the 2003 National Programme were the extent to which proposed projects reflected the programming priorities and the maturity of projects at the time that the programme was finalised in April 2003. Pre-accession financial assistance is programmed with a multi-annual perspective, so account was taken of past and ongoing support in each sector.

In conformity with the pre-accession financial assistance guidelines, a proper balance has been struck between institution building, investment in the acquis and investment in economic and social cohesion, bearing in mind the predominance of socio-economic development support in previous years and the need to “kick start” institution building actions in the framework of the Accession Partnership. Institution building therefore accounts for significantly more than 30% of the overall programme. Careful account has been taken of absorption capacity and the strength of implementation arrangements, especially in the area of investment in the acquis, and projects involving grant schemes.

For the period until 1999 the key aim of assistance to Turkey under the Meda programme had been to accompany the process of structural reform, as for other Mediterranean partners. One of the most important developments for Turkey in the 2002 programming exercise was the exclusive focus on projects targeted at meeting the accession criteria, in particular those aiming at the implementation of the acquis. This has been seen both in the project identification work under the national programmes for 2002 and 2003, as well as in the importance given to twinning as the delivery mechanism of choice for institution building projects.

The 2003 programme consists of the following main elements:
Addressing the Copenhagen political criteria. Turkey is the only candidate country which does not meet the political criteria set out in Copenhagen in 1993. As a result, previous financial assistance programmes have been heavily weighted towards support for non-governmental organisations and other civil society groups. Turkey is also a focus country under the European Initiative for Democracy and Human Rights. This year it is intended to continue work begun in the 2002 programme with the national police, make a major investment in human rights, democracy and citizenship education in schools, and improve government-to-civil society dialogue.

Approximation to the acquis communautaire. Turkey has achieved a good degree of legislative alignment in the areas covered by the Customs Union, while in other areas this alignment is less advanced. Major discrepancies between the acquis and Turkish legislation remain. Progress has been achieved in areas such as the banking sector, telecommunications, energy and agriculture. The financial sector has been restructured and administrative capacity in this field has been streamlined. In 2002 Turkey made further progress in the areas of internal market, notably in the field of public procurement, as well as in the areas of energy and justice and home affairs. However, little progress has been achieved in other areas. A significant effort will therefore be made to improve market surveillance and conformity assessment systems, adopt EU environmental standards in the fields of drinking water, air quality, chemicals and waste management. Activities to approximate insurance legislation and financial control practices with EU standards display the complementarity between the pre-accession programme and the on-going public sector reform efforts inspired by the international financial institutions.

Strengthening public administration. Progress in strengthening administrative capacity to implement the acquis has been limited. Turkey needs to continue its efforts to strengthen public administration. The programme includes projects to strengthen the capacity of the customs administration, fisheries management, the energy market, transport and foreign direct investment.

Justice and home affairs. Turkey has begun alignment of visa legislation and practice with the EU, and needs to continue strengthening border management and prepare for implementation of the Schengen Convention, adopt and implement EU acquis and practices on migration so as to prevent illegal migration, as well as addressing the Accession Partnership objectives relating to corruption, the fight against drugs, organised crime and money laundering. The programme addresses these areas and builds on the first major projects in the JHA field approved in 2002. Developing the capacity of the police continues the process begun then of moving towards a judicial system where convictions are secured on the basis of evidence and not on the extraction of confessions.

Economic and social cohesion. Turkey needs to address a number of economic and social challenges. It has the widest regional disparities of any candidate country—three of 19 regions, in eastern Anatolia, have GDP per capita of between 7% and 16% of the EU average. The NPAA also sets out the government’s wish to improve the situation of SMEs across the country, particularly as regards changes wrought by the implementation of the customs union. This objective therefore targets three under-developed regions and aims to improve the capacity of EU approaches to regional economic development both in these regions, in the SME cluster around Istanbul and in developing INTERREG approaches to development in the border regions.
The programme also includes capacity building for the National Aid Co-ordinator secretariat (primarily in project preparation, to improve their capacity to design pre-accession assistance programmes); and co-financing for Turkey’s contribution for participation in certain EC programmes and agencies.

2. OBJECTIVES, DESCRIPTION AND CONDITIONALITIES

2.1. Objective 1: Addressing the Copenhagen political criteria

2.1.1. TR 0301.01: Strengthening the accountability, efficiency and effectiveness of the Turkish National Police

The aim of this project is to strengthen the accountability of the Turkish National Police in accordance with democratic principles and with regard to the human rights of all citizens. It will enhance the effectiveness of the police in the discharge of their responsibilities and strengthen the institution’s ability to adopt current and future EU recommendations regarding working conditions for police officers. It will also improve the police’s training and personnel systems with a view to strengthening their ability to cooperate with other police organisations.

Primarily implemented through “twinning” the project will provide assistance to the Turkish Police Restructuring Team to help finalise the corporate plan for the reorganisation of the service. A guidance manual on operational standards for policing communities (including preventive and patrol policing, standards for the protection of human rights for detainees in community police facilities, and standards for the protection and collection of evidence) will be prepared. Research and evaluation functions of the Department of Research Planning Coordination will be strengthened. The project will also develop police training programmes based on an assessment of current activities and the identification of future developments to the curricula for basic, in-service and management training. Assistance will also be provided for the development of personnel support systems together with an evaluation and assessment of the current promotion and appointment system of the national police.

No contract will be signed under this project until the establishment of the Restructuring Team under the auspices of the Research Planning & Coordination Department in order to develop the Corporate Plan for the reorganisation of the police service.

2.1.2. TR 0301.02: Development of human rights, democracy and citizenship education

The objective of this project is to strengthen human rights, democracy and citizenship education in schools with related partners across Turkey. Assistance will be provided to the government to design, develop and implement effective education in this area in way which corresponds with standards applied in the EU. Laws, regulations and circulars related to human rights, democracy and citizenship education will be revised and recommendations made to the Board of Education at the Ministry of National Education for approval. Curricula for such education, including learning materials and supporting guides, for pre-school, grades 7 and 8 of primary school and secondary school will be developed, delivered and disseminated. In-service training programmes will be developed (and tested in selected schools) for curriculum development specialists in the Ministry of National Education and teachers, but also inspectors, headmasters and educational directors in the provinces. Awareness campaigns will target local stakeholders, including parents, NGOs and local
government. The Ministry of National Education will establish four “core groups” to advise on the implementation of individual components of the programme.

2.1.3. TR 0301.03: Improving cooperation between NGOs and the public sector and strengthening NGOs’ participation in the democratic process

The objective of this project is to strengthen the role of NGOs in the democratic process and improve the ties between the public sector and civil society. The project will help prepare an action plan on “Public Sector-Civil Society Cooperation”, emphasising the importance of promoting such relations within a structured dialogue. A technical assistance team will undertake a feasibility study to examine potential areas of cooperation between NGOs and public institutions, determining priority activities for a grant scheme under the project supporting pilot projects in these areas. It will also establish an above mentioned action plan which will outline regulatory changes, identification of good practice, codes of conduct for cooperation between civil society and the public sector, and capacity building for all stakeholders. The Secretariat General for EU Affairs will be required to allocate staff for the management of this project before any contract is signed.

2.2. Objective 2: Approximation to the acquis communautaire

2.2.1. TR 0302.01: Support to the Turkish conformity assessment bodies and the Ministry of Industry and Trade in the implementation of new approach directives

The objective of the project is to contribute to the implementation of the internal market acquis, specifically focusing on the creation of a functioning network of conformity assessment bodies and market surveillance support laboratories. A “twin” will provide technical support to the Ministry of Industry and Trade in reviewing relevant secondary legislation and providing guidance to administrative restructuring. Training for inspectors on the implementation of New Approach directives including the electro-technical, machinery and pressure vessels fields will be provided. The investment component of the project will provide laboratory equipment for conformity assessment bodies covering the following sectors following a call for proposals: low voltage devices (LVD), electromagnetic compatibility (EMC), telecommunications, machinery, pressure equipment, pressure vessels, toys, medical devices and detergents.

The signature of contracts for the investment component of the project is conditional upon (a) acquis compliant legislation in the appropriate sector, (b) sector specific market surveillance strategy including target numbers for inspection visits and tests and finalised notification criteria, and (c) confirmation of the structural condition of the laboratories in which the equipment will be housed.

2.2.2. TR 0302.02: Upgrading the physical infrastructure in the telecommunications sector regarding market surveillance

The overall objective of the project is to contribute to the enforcement of the acquis in the area of the internal market, specifically focusing on conformity assessment and market surveillance in the telecommunications sector. According to the Accession Partnership, reinforcing the existing market surveillance and conformity assessment structures with equipment and training is a short-term priority. This is also an obligation stemming from the Customs Union Decision. The project specifically aims at upgrading the national laboratory infrastructure of the market surveillance support laboratory of the Telecommunications
Authority to support the enforcement of acquis-compatible legislation in the telecommunications sector.

This project complements an on-going €13m (EC contribution) institution building project in this sector, and consists of the establishment of testing and measurement laboratories with up-to-date equipment and involving industrial and government partnership. Therefore the required preconditions for the implementation of this project are that the harmonised Turkish legislation transposing the radio equipment and telecommunications terminal equipment (R&TTE) directive (1999/5/EC) is in full conformity with the acquis and the necessary physical infrastructure (building facilities) is operational.

2.2.3. TR 0302.03: Support to Turkey in the field of air quality, chemicals and waste management

This project, to be implemented through three “twinning” covenants has as its objective increasing the institutional and technical capacity of the Ministry of Environment and the Ministry of Health in the adoption of certain EC directives: the air quality framework directive (96/62/EC); air pollution from large plants directive (2001/80/EC); key chemicals directives; and waste directives (packaging, waste framework, hazardous waste, incineration, landfill and shipment). The project will help implement effective environmental policy measures and strengthen the regulatory cycle (including governmental and non-governmental institutions) with a role in the field of air, waste and chemicals management.

2.2.4. TR 0302.04: Alignment of the Turkish public internal financial control system with international standards and EU practice

The aim of this project is to facilitate implementation of the Public Financial management and Financial Control (PFMFC) Law across the administration. This law aligns Turkish public sector administration with modern financial management and control systems. The project will mainly be implemented through “twinning” and will include the preparation of secondary legislation, internal audit manuals and an internal audit charter and code of conduct. Model training programmes will be prepared and assistance given with organisational change and IT support.

No contract under the project will be signed until approval by the parliament of the draft PFMFC law.

2.2.5. TR 0302.05: Strengthening the audit capacity of the Turkish Court of Accounts

The objective of this project is to enable the Turkish Court of Accounts (TCA) to fully assume its role as an external auditor in line with international standards and best practice. Primarily implemented through “twinning” the project will strengthen the institutional capacity of the TCA, help develop national audit standards in line with international and EU audit requirements, develop an external audit procedures manual and develop the capacity of the TCA staff to carry out external audits. Newly established standards and procedures will be applied in selected pilot areas.

2.2.6. TR 0302.06: Reinforcement of the institutional capacity of the General Directorate of Insurance and the Insurance Supervisory Board

The aim of this project is to harmonise Turkish insurance legislation with the relevant acquis and ensure its proper implementation. A “twin” will implement three components of the
project: assistance in the preparation and drafting of primary legislation; reviewing the administrative structures and operational procedures of the general Directorate of Insurance in the Undersecretariat of Treasury (GDI) and the Insurance Supervisory Board (ISB); and training for the officials of the GDI, ISB and other public institutions. Additional components will assist with the preparation of the insurance accounting and statistics system and in the setting up of an IT system for financial monitoring and statistics reporting.

Signature of contracts under this project is conditional upon the adoption of the Insurance Supervision Law and annulment of the re-insurance monopoly law No 1160. Contracts for any investment components under the project will only be signed following the adoption of secondary legislation for accounts and statistics systems in line with EC standards.

2.2.7. TR 0302.07: Strengthening the public procurement system in Turkey

This project, which will mainly be implemented through “twinning”, aims to assist the Public Procurement Authority (PPA) in the implementation of the new Public Procurement Law (PPL) and support ongoing efforts by the Turkish administration to align the public procurement regime in Turkey more closely with the acquis.

The signature of the twinning covenant is conditional upon: (a) a properly functioning Public Procurement Agency which continues to exercise its duties and responsibilities as set out in Law 4734 on Public Procurement and Law 4761 on the Amendment of Certain Laws; (b) prior submission of draft amendments to the PPL by the PPA to the Prime Ministry. These amendments will further align the PPL to the EU acquis; and (c) upon the adoption by the Turkish government of a timetable for full alignment of the PPL with the acquis.

2.3. Objective 3: Strengthening public administration

2.3.1. TR 0303.01: Customs modernisation project

The project aims at strengthening the administrative and legislative environment of the Turkish customs administration and its capacity with regard to customs controls and laboratory tests. The key element of the project is a “twin” – the first for the customs administration – to assist in improving the degree legal alignment of Turkish customs legislation to the acquis. He/she will also strengthen the administrative capacity of the customs administration and help align customs procedures to EU standards as described in the “EU customs blueprint”.

The investment component of the project will furnish customs sites with inspection equipment necessary to combat trafficking of goods. It will establish an integrated customs enforcement capacity to strengthen cooperation with other bodies and identify risk consignments at international level. New regional customs laboratories will be furnished. The launch of tender for the investment components is conditional upon a final review of technical specifications for equipment by the PAA, to ensure consistency with the overall strategy for customs modernisation. The signature of contracts relating to the investment component is conditional upon (a) the approval by the customs administration of an action plan for the improvement of customs border posts (linked to the customs pre-accession “blueprints” for border and inland control, infrastructure and equipment), and (b) certification of the structural condition of the laboratories in which the equipment will be housed.

For security reasons and to ensure compatibility with existing equipment for the customs administration purchased with other donor support, part of the investment component of the
project will be contracted through a negotiated procedure (direct agreement) with the Turkish agency TUBITAK.

2.3.2. TR 0303.02: Fisheries sector – legal and institutional alignment to the acquis

The objective of this project is the alignment of fisheries activities and legislation to current EU practices and standards to enhance the sustainable contribution of the fisheries sector to the national economy and prepare for accession. Including a “twinning” component the project will strengthen the institutional capacity of the Ministry of Agriculture and Rural Affairs (MARA) and align fisheries and aquaculture sector management and control, fish marketing and structural development practices, laws and regulations to the acquis (in particular to the components of the Common Fisheries Policy). The project will also assist the development and implementation of a computerised fisheries vessel registration, vessel monitoring and statistical information system in compliance with current EC legislation in this field.

Prior to the signing of any contract under this project MARA will be required to provide official confirmation that institutional restructuring to create an appropriate institution (Directorate General for Fisheries or semi-autonomous Fisheries Agency) is in progress and that such an organisational structure will also be applied at the provincial level. An approximation strategy will also be adopted by the same time.

2.3.3. TR 0303.03: Complementary technical studies for the synchronisation of the Turkish power system with the UCTE power system

The purpose of the project is to determine the technical conditions under which the Turkish power system may be synchronised with the Union for the Coordination and Transmission of Energy (UCTE) power system. The UCTE is an association comprising the transmission system operators of the countries in the region. It aims at providing a reliable market base through ensuring efficient and secure “power highways”. The connection of Turkey to the UCTE network will have an impact not only on local power systems but also on the entire UCTE network. This project will determine these impacts and define counter-measures to eliminate undesirable ones. This will allow interconnection of Turkey and the UCTE system first via a line between Turkey and Bulgaria and second via a line between turkey and Greece with no negative impacts on other power networks. This is an essential first step towards achieving full integration of Turkey with the EU market. The project will be contracted through a negotiated procedure (direct agreement) with UCTE. Turkey applied to join UCTE in 2000 and the project is co-financed by UCTE. No further specific conditions are proposed for the implementation of the project.

2.3.4. TR 0303.04: Development of a regulatory information system for the Energy Market Regulatory Authority (EMRA)

The objective of this project is to ensure the efficient operation of the liberalised electricity and gas markets in Turkey. This is to be achieved through the development of an integrated Regulatory Information System (RIS) for the Energy Market Regulatory Authority. The requirements of the RIS include the maintenance of numerous registries for licensees, etc; monitoring the workflow of different procedures such as licensing or tariff approval; or the development of applications such as tariff calculation and demand forecasting. These requirements stem from the duties and responsibilities set out in the Electricity and Gas Market laws and secondary legislation.
2.3.5. TR 0303.05: Assistance to the Petroleum Pipeline Corporation (BOTAS) on gas transmission and transit

The aim of this project is to ensure the Turkish Petroleum Pipeline Corporation (BOTAS) is capable of fulfilling its responsibilities related to natural gas transportation and transit in compliance with EU standards and practices. A technical assistance team will provide advice to BOTAS in improving its institutional capacity and, inter alia, on (a) the design or review of traffic methodology for transit gas flows, (b) design, review and/or implementation of the transfer to third parties of gas purchase contracts concluded by BOTAS, (c) model gas transportation agreements, and (d) technical, economic and financial assessment of gas transit projects.

2.3.6. TR 0303.06: Improvement of energy efficiency in Turkey

The purpose of this project is to establish the legislative and institutional framework, in accordance with EU rules and best practice, for better design and implementation of energy efficiency programmes. A “twin” will advise the Directorate General for Electrical Power Resources Survey and development Administration (EIE) and the National Energy Conservation Centre (NECC) on clarification and development of energy efficiency policies in Turkey. He/she will, as appropriate, draft, review and propose amendments to primary and/or secondary legislation to help create the necessary legal basis to promote an energy efficiency strategy in Turkey. The capacity of the EIE/NECC to further energy strategy development will be strengthened and he/she will also assist in designing and implementing energy efficiency programmes and actions in line with the national energy efficiency strategy. This will include the development of consumption price scenarios in a number of energy markets to help determine the economic viability of various energy saving measures. The signature of the twinning covenant is conditional upon approval by the Turkish government of a national energy efficiency strategy.

2.3.7. TR 0303.07: Turkish rail sector re-structuring and strengthening

The overall objective of this project is to help re-organise the Turkish rail sector in accordance with the acquis. A “twin” will assist in the preparation and drafting of new legislation (framework law for the rail sector and a law governing the General Directorate of the State Railways Administration (TCDD)) and in the identification of bodies necessary according to the corresponding acquis (infrastructure manager, regulatory body, license issuing authority, safety certificate issuing body). Advice on their operational establishment and the training of their staff will be provided. Advice will be provided to TCDD in the setting up of a new business unit based structure and establishing a more stable financial relationship with central government in accordance with the acquis. A management information system (MIS) will be supplied to enable the financial performance of business units and sub-sectors within TCDD to be measured and monitored.

No contract relating to the implementation of the project will be approved before the adoption of an action plan for the restructuring of the rail transport sector in accordance with the acquis.

2.3.8. TR 0303.08: Installing the FDI promotion functions within the Investment Promotion Agency of Turkey

The overall objective of this project is to increase foreign direct investment and enhance its contribution to the Turkish economy. Primarily implemented through twinning, the project
will provide expertise to the Undersecretariat of Treasury to help develop a programme of regulatory reforms to reduce barriers to investment, as set out in a Council of Ministers Decision of December 2001. Expertise will also be provided to the Investment promotion Agency which is to be established as part of this reform process. The IPA will be advised on the development of investment promotion functions including image building, investment generation, investor servicing and policy advocacy. Assistance will also be provided for developing the IT infrastructure of this new body.

No contract will be signed under the project prior to the adoption of the draft law on Foreign Direct Investment and the draft laws on Amendment of the Turkish Company Law, Tax Procedure Law, Stamp Tax Law, Labour Law and Social Insurance Law. No contract will be signed prior to adoption of the draft law on the Establishment of the Investment Promotion Agency and upon the establishment of the agency with appropriate office facilities, an appointed board and adequate staff.

The service and supply contracts will not be signed prior to signature of the twinning covenant. The technical assistance contract concerning media strategy will only begin once the investment promotion strategy has been adopted by the IPA.

2.4. Objective 4: Justice and home affairs

2.4.1. TR 0304.01: Strengthening police forensic capacity

This project aims to enhance respect for the rule of law through the introduction of modern scientific methods into police investigative practices. The project will be implemented through "twinning". It will assist in the expansion of crime scene examination training facilities and establish regional centres of excellence for crime scene investigation. Improvements will be made to police forensic laboratories, including the implementation of a quality management system to ISO 17025 standards, and a significant investment in equipment. This will be accompanied by training programmes both for senior investigating officers and first officers attending the scene of a crime. A multi-agency working group will be established to develop and implement a disaster victim identification plan. A performance monitoring unit will also be established.

2.4.2. TR 0304.02: Strengthening institutions in the fight against trafficking in human beings

The aim of this project, which will be implemented through "twinning", is primarily to assist Turkey in the development and promulgation of its strategy to fight trafficking in human beings. Help will be provided in the development of victim support programmes including the development of return and reintegration assistance. The "twin" will also support the development of a comprehensive legislative framework for combating trafficking and strengthening law enforcement (including international cooperation and coordination).

2.4.3. TR 0304.03: Strengthening the fight against money laundering, financial sources of crime and the financing of terrorism

This project will strengthen the capacity of the anti-money laundering system in Turkey. It will assist the Turkish National Police in tracing the financial sources of crime, carrying out major financial investigations, and implementing seizure/confiscation of the proceeds of crime. It will also help the police develop cooperation with national and international institutions involved in the fight against money laundering, terrorism financing and other
financial crimes. The project will mainly be implemented through “twinning” with the “twin” housed in the Ministry of the Interior. An investment component will include support for analytical tools, in particular information technology.

2.4.4. TR 0304.04: Visa policy and practice

The aim of this project is to achieve compliance with visa policy and practice in line with Schengen standards, as set out in the relevant protocol to the Amsterdam Treaty. Primarily implemented through “twinning”, the project will address three main areas. The first is assistance in the harmonisation of Turkish visa legislation and practice with that of the EU and assistance in the development of the new Turkish legislative framework on visa issues. The second is strengthening measures for document security through training and equipping Turkey’s diplomatic and consular missions to combat forgery. Finally, the project will provide assistance in the development of the new Turkish visa sticker.

2.5. Objective 5: Economic and social cohesion

2.5.1. TR 0305.01: Support to the State Planning Organisation – General Directorate for Regional Development and Structural Adjustment – for strengthening institutional and administrative capacity

The objective of this project is to assist Turkey in strengthening integrated mechanisms for the development and implementation of regional policy and the institutional capacity for both the management and coordination of regional development policies and the implementation of projects supported with EU funds. The project, which will be implemented through “twinning”, will support the State Planning Organisation (DPT) in improving the regional and central policy and planning aspects of the implementation of the Accession Partnership, NPAA and the National Development Plan. It will help develop the legal and organisational structures for regional development (including regional development agencies) and those institutions and processes potentially involved in the management of Structural Funds. It will also help improve the capacity for cooperation between central and regional levels in implementing regional development programmes and projects.

2.5.2. TR 0305.02: Regional development in Samsun, Kastamonu and Erzurum NUTS II regions

This project will support the Turkish government in implementing integrated regional development programmes in three NUTS 2 regions: Samsun (provinces of Amasya, Corum, Samsun and Tokat), Kastamonu (provinces of Cankiri, Kastamonu and Sinop) and Erzurum (Erzurum, Erzincan and Bayburt). The project will promote sustainable economic development in the regions concerned and provide experience at regional level of implementing appropriate EU co-financed grant schemes. In each target region the following will be established: a grant scheme for local development initiatives, a grant scheme for SMEs and a small-scale infrastructure grant scheme. Technical assistance will also support the implementation of the programme.

No investment component of the programme will become operational until the twinning covenant implementing project TR 0305.01 is signed. Contracts under the grant schemes may not be signed until the technical assistance team is in place to provide support for implementation and monitoring and the project implementation units in each region are fully established and staffed.
2.5.3. TR 0305.03: CBC with Bulgaria – Joint Small Project Fund

This is a pilot initiative to develop a “cross border cooperation” programme between Turkey and Bulgaria based on the approach of the Phare Cross Border Cooperation Programme regulation. An identical fiché will be included in a future 2003 Phare financing proposal covering Bulgaria’s non-Phare and non-EU borders.

A joint small project fund will be established to promote a first phase of “soft” cross border activities. The fund will finance selected small-scale “people-to-people” projects (projects located in the Turkish border region, or from the Turkish JSPF contribution to common Bulgarian-Turkish projects). Grants will only be made available for projects whose immediate objective is non-commercial and not-for-profit.

2.5.4. TR 0305.04: Fashion and textile cluster

The objective of this project is to support, develop and sustain a competitive and innovation-driven textile and clothing industry in Turkey and assist it to withstand global competition. The project will therefore assist the government in developing effective support mechanisms and instruments aimed at SMEs in this sector. It will enhance the capacity of the Istanbul Textile and Apparel Exporters’ Association (ITKIB) to provide assistance in technological innovation and skills enhancement to SMEs, stimulating this successful local industry cluster. A technical assistance team will undertake an analysis of the regional clusters (strengths, weaknesses, opportunities, threats) and develop the capacity of ITKIB to lead this cluster. This will include strengthening the regional textile R&D centre and establishing a fashion institute. There will also be an assessment of SME technology needs.

2.6. Objective 6: Project preparation and Community programmes

2.6.1. TR 0306.01: Support activities to strengthen the European integration process

This facility aims at enhancing the ability of the various Turkish institutions concerned to play an active and effective role in the EU pre-accession process.

It will be mainly targeted at increasing the quality of pre-accession projects (Project Preparation component) and at upgrading the skills and knowledge of the staff of various Turkish administrations on EU related issues, thus increasing their ability to implement the NPAA (training in EU affairs and short term technical assistance for acquis related activities). For the latter, the project could be used for TAIEX activities to bridge any gap between those implemented as a result of the 2001 TAIEX programme commitment and those to be contracted as a result of the 2004 budget allocation for TAIEX activities in the remaining candidate countries.

For the preparation of pre-accession projects, this facility will finance the external expertise required for feasibility studies, detailed design of institutional building or investment support projects, environmental impact assessment and the definition of technical specifications and tender documents. In terms of training on EU affairs organised by the NAC and short term technical assistance for acquis related activities, the project will mainly target those institutions (including public bodies and NGOs) closely involved in the pre-accession process. Short term expertise will be provided to the Turkish institutions responsible for legislative alignment and harmonisation of the Turkish regulatory framework with that of the EU.
2.6.2. TR 0306.02: Participation in Community programmes and agencies

This facility will provide co-financing to help Turkey pay its contribution for participating in, among others, the following Community programmes and agencies in 2004: the education programmes (Socrates, Leonardo, Youth), the Sixth Framework Programme for Research and Development, and Customs 2007. Both pre-accession assistance co-financing and participation will take place on the basis of the relevant Association Council decisions or Memoranda of Understanding. As a result, any EC finance not required for 2004 costs would be used to co-finance participation in the same programme in 2005.

2.7. Objective 7: Enlargement communication strategy and assistance with the implementation of the programme

2.7.1. TR 0307.01: Enlargement communication strategy

The purposes of the project are to improve public knowledge and understanding of the European Union and explain the implications of eventual accession. The project will build on the Communication strategy project of 2002 and include the following main actions: standard activities of the EC Representation (website, newsletter, press conferences, etc), capacity building activities for media, support to the information centre in Istanbul, and developing media research and analysis.

2.7.2. TR 0307.02: Essential operational expenditure linked to implementation of the assistance programmes in Turkey

The purposes of this project are to facilitate the advertisement locally of calls for proposals under the assistance programmes in Turkey, to undertake audits of projects when required, and to establish the PERSEUS reporting facility for the decentralised implementation system.

Lessons learned

In designing the 2003 programme, account has been taken of the results of projects programmed in previous years where possible. However, most of these activities focus on socio-economic development objectives and are not directly related to the institution building or acquis focus of the “new wave” of pre-accession financial assistance. Implementation of existing projects is beginning to accelerate due to the deconcentrated approach established at the EC delegation in Ankara in 2002; the key lesson learned from previous years is the need for maturity in project design at the moment of approval – something at the forefront of preparations for the 2003 programme.

Experience with the implementation of Phare programmes in previous years in the other candidate countries and evaluation of these have led to a number of general lessons being learned. These lessons are reflected in the design and implementation of the 2002 national programme for Turkey. The thematic reports on Phare assistance in various sectors over the past six years have also proved useful sources, in particular in fields such as justice and home affairs or public administration reform where EC assistance to Turkey has not previously been targeted or where such support approved in 2002 has not yet been implemented. Pre-accession advisers (“twins”) serving in other candidate countries have once again undertaken short missions in Turkey to help design similar projects for the Turkish national programme in the justice and home affairs field. TAIEX support to Turkey has proved to be successful.
The programming of assistance has also benefited from experience from pilot actions funded from three “unallocated institution building” type activities under the Meda programme totalling €25 million since 1999. These projects (1999 Administrative Co-operation, 2001 Administrative Co-operation II and 2001 Overall Allocation) have provided “seed” institution building resources for a wide range of ministries and agencies responsible for the implementation of the acquis. They have also allowed the EC to respond rapidly to needs emerging during the Association Committee sub-committee discussions (including detailed legislative scrutiny).

More specific lessons relating to individual sectors, ministries or project types have also been learned and are reflected in individual project documents.

**Overall programme conditionalities**

Before the Financing Memorandum between the Commission and the Government of Turkey is signed, the National Aid Co-ordinator will satisfy the Commission that it is taking adequate steps to staff and resource adequately the National Fund, CFCU, and other agencies involved in implementing this programme. All contracts and covenants under this programme will be signed by the CFCU thus necessitating its establishment and subsequent accreditation by the EC prior to signature of any contract under this programme.

Before the Financing Memorandum between the Commission and the Government of Turkey is signed, the National Aid Co-ordinator will confirm the availability of the national co-financing indicated in each project fiche, and the intended means by which pre-accession financial assistance and national co-financing will be combined when projects are contracted.

Any project involving the supply of equipment and works requires national co-financing equivalent to at least 25% of total eligible expenditure under the relevant project, as shown in the corresponding project fiche. If the total cost of such equipment or works is less than the amount envisaged in the fiche, the amount of pre-accession financial assistance will be reduced to maintain the maximum proportion of pre-accession financial assistance in any such project’s cost at 75%. If the total cost is greater than the amount envisaged in the fiche, the extra support required will be provided by additional national co-financing.

Before the Financing Memorandum between the Commission and the Government of Turkey is signed, the National Aid Co-ordinator will satisfy the Commission that draft twinning covenants, terms of reference and technical specifications have been prepared or are under preparation, as appropriate, to allow each project to be launched in accordance with the timetable set out in the respective project fiches.

The NAC will ensure that the first meeting of the Joint Monitoring Committee will take place in December 2003.

For any project delivered partly or wholly by twinning, a draft twinning covenant shall be presented to the Commission Delegation for approval within four months of notification of selection of the twinning partner. If no draft covenant is presented within this period, the Commission may re-circulate the project to Member States for selection of a new twinning partner, request the CFCU to tender the project for commercial technical assistance, or cancel the project.

Projects to be implemented through twinning or twinning light require the full commitment and participation of the senior management of the beneficiary institution. In addition to
providing the twinning partner with adequate staff and other resources to operate effectively, the senior management must be fully involved in the development and implementation of the policies and institutional change required to deliver the project results.

For projects involving more than one Turkish ministry or agency, the National Aid Co-ordinator will ensure that effective mechanisms for co-operation and co-ordination between such Ministries or agencies are in place.

3. **BUDGET (MILLION EURO, INDICATIVE)**

<table>
<thead>
<tr>
<th>Code</th>
<th>CRIS/DAC Code</th>
<th>Objective</th>
<th>Total EC support</th>
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<th>Investment</th>
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<td>Addressing the Copenhagen political criteria</td>
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<td>9.194</td>
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<td>005-667/15040</td>
<td>Approximation to the acquis communautaire</td>
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<td>TR 0303</td>
<td>005-667/15040</td>
<td>Strengthening public administration</td>
<td>25.027</td>
<td>17.393</td>
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<td>TR 0304</td>
<td>005-667/15030</td>
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<td>5.403</td>
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<td>TR 0305</td>
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<td>005-667/15065</td>
<td>Communications</td>
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<td><strong>71.690</strong></td>
<td><strong>73.410</strong></td>
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A fuller budget breakdown by project is provided in annex 3.

4. **IMPLEMENTATION ARRANGEMENTS**

4.1. **a) Financial and project management by the candidate country**

The programme will be managed in accordance with the Decentralised Implementation System (DIS) procedures as set out in Article 7 (and annex) of Regulation 2500/2001 and in accordance with the rules set down in Council Regulation 1605/2002 (Financial Regulation) and Commission Regulation 2342/2002 (Implementing Rules of the Financial Regulation).

Objective 7 will, however, not be decentralised.

The National Aid Co-ordinator (NAC) will have overall responsibility for programming and monitoring of pre-accession financial assistance programmes. The National Authorising Officer (NAO) and the Project Authorising Officers (PAO) will ensure that the programmes
are implemented in line with the procedures laid down in the DIS Manual and other instructions of the Commission, and that all contracts required to implement the Financing Memorandum are awarded using the procedures and standard documents defined and most recently published by the European Commission for the implementation of external actions.

The National Fund (NF) in the Undersecretariat of Treasury of Turkey, headed by the NAO, will supervise the financial management of the programme, and will be responsible for reporting to the European Commission. The NAO shall have overall responsibility for financial management of the EC pre-accession financial assistance funds. He shall ensure that the rules, regulations and procedures pertaining to procurement, reporting and financial management as well as Community state aid rules are respected, and that a reporting and project information system is functioning. This includes the responsibility of reporting all suspected and actual cases of fraud and irregularity. The NAO shall have the full overall accountability for the EC pre-accession financial assistance funds of a programme until the closure of the programme.

4.2. b) Project size

All projects will be greater than €2 million, except those in the following areas:

a) projects focused primarily on institution building where the Turkish ministry or agency concerned has limited absorption capacity and cannot utilise as much as €2m (these projects are implemented through “twinning”) and;

b) a pilot project to establish the first CBC programme in Turkey and two small but technically complex projects in the energy sector.

4.3. c) Contracting and disbursement deadline

All contracts must be concluded by 30 November 2005. In no case can the contracting period exceed 3 years after the date of the global commitment.

All contracts must be executed by 30 November 2006. Budgetary commitments which have not given rise to payments during three years counted from the date of the legal commitment will be decommitted.

4.4. d) Clearance of Accounts Procedure and Recovery of funds

A clearance of accounts procedure in line with Article 53 para 5 of the Financial Regulation\(^1\) and Article 42 of the Implementing Rules of the Financial Regulation\(^2\) will be put in place.

Any proven irregularity or fraud\(^3\) discovered at any time during the implementation of the programme will lead to the recovery of funds by the Commission.

If the implementation of a measure appears not to justify either a part or the whole of the assistance allocated, the Commission is to conduct an appropriate examination of the case, in particular requesting the beneficiary country to submit its comments within a specified period of time and to correct any irregularity.

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\(^1\) Council Regulation 1605/2002 of 25 June 2002  
\(^2\) Commission Regulation 2342/2002 of 23 December 2002  
\(^3\) As defined under number 8a (Audit and anti-fraud measures by the candidate countries) of this document
Following the examination referred to in the previous paragraph, the Commission may reduce, suspend or cancel assistance in respect of the measures concerned if the examination reveals irregularity, an improper combination of funds or a failure to comply with one of the conditions in the Financing Memorandum and in particular any significant change affecting the nature or conditions of implementation of the measure for which the Commission's approval has not been sought. Any reduction or cancellation of the assistance is to give rise to recovery of the sums paid.

Where the Commission considers that an irregularity has not been corrected or that all or part of an operation does not justify either all or part of the assistance granted to it, the Commission is to conduct a suitable examination of the case and request the beneficiary country to submit its comments within a specified period. After the examination, if the beneficiary country has undertaken no corrective measures, the Commission may:

a) reduce or cancel any advance;

b) cancel all or part of the assistance granted to the measure.

The Commission is to determine the size of a correction taking into account the nature of the irregularity and the extent of any failures in the management and control systems.

Any funds not used by the expiry date of the programme will be recovered by the Commission. A final written declaration with supporting documentation shall be issued by the NAO two months after all payments have been made showing the total amount contracted and disbursed. A final bank reconciliation showing the existing balances in the NF/IA/CFCU shall also be enclosed.

Notwithstanding the recovery of unused and ineligible funds after expiry of the Financing Memorandum, a complementary recovery order may be issued after the final audit of the reliability and consistency of contracts and disbursements as well as their compliance with the provisions of the Financing Memorandum has been carried out, taking into account the independent opinion of the final audit.

The National Authorising Officer will ensure the reimbursement of any unused funds or any sum wrongly paid within sixty calendar days of the date of notification. If the NAO does not repay the amount due to the Community, the beneficiary country shall refund this amount to the Commission. Interest on account of late payments shall be charged on sums not repaid by applying the rules specified in the Financial Regulation governing the Community Budget.

4.5. e) Financial Flows

The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and the Government of Turkey in February 2002. Funds will be transferred following requests from the NAO onto a separate bank account, denominated in Euro, which will be opened and managed by the NF in the Central Bank.
4.5.1. aa) Transfer of funds to the National Fund

A first transfer of up to 20% of the funds to be managed locally\(^*\) representing pre-financing\(^4\) will be sent to the NF following signature of the Financing Memorandum and the Financing Agreements (FAs) between the NF and the Implementing Agencies (IAs)/Central Finance and Contracts Unit (CFCU). The provisions foreseen in Articles 2 and 12 of the MoU on the NF must also be met. Furthermore, the NAO must submit to the Commission the designation of the PAOs and a description of the system put in place, highlighting the flow of information between the NF and the IA/CFCU and the manner in which the payment function will be carried out.

Two further transfers of up to 30% each of the funds to be managed locally\(^*\) will be made. The second transfer will be triggered when 5% of the budget\(^*\) has been disbursed by the IAs and the CFCU. The third transfer may be requested when 35% of the total budget\(^*\) in force has been disbursed. A fourth transfer will be made when 70% of the total budget\(^*\) in force is disbursed and when all expenditure has been incurred (i.e. fully contracted). No later than 2 months after all payments have been made the National Fund will submit a final declaration of expenditure, which will trigger a balancing operation of all transfers against final certified expenditure incurred, which at that point will be equal to payments made (closure of expenditure)\(^5\).

Exceptionally the NAO may request an advance payment of more than the percentages mentioned above in accordance with the procedures laid down in the aforesaid Memorandum of Understanding. Save for express prior authorisation from the Commission HQ, no interim payments may be made if the trigger points mentioned above have not been respected.

4.5.2. bb) Transfer of funds to the implementing agencies

The National Fund will transfer funds to IAs, including the Central Financing and Contracting Unit (CFCU), in accordance with Financing Agreements (FAs) signed between the NFs and the IAs/CFCU where applicable. Bank accounts for sub-programmes shall be opened in the name of the relevant Implementing Agency/CFCU in charge of the financial administration of the sub-programme in line with Article 12 of the MoU on the establishment of the National Fund.

Under DIS, each individual FA will be endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the CFCU/IA there will be no transfer of funds from the NF to the CFCU/IA. The CFCU and the IAs must each be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all the operations carried out by the relevant CFCU/IA.

For those contracts with funds retained for a warranty period, the overall total of funds related to those contracts, as calculated by the PAO and established by the Commission, will be paid to the Implementing Agency before the official closure of the programme. The Implementing Agency assumes full responsibility of depositing the funds until final payment is due and for ensuring that said funds will only be used to make payments related to the retention clauses.

\(^*\) excluding the amount foreseen for the Community programmes
\(^4\) as defined in Article 81.1.b.i of the Financial Regulation
\(^5\) as defined in Article 105 of the Implementing Rules
The Implementing Agency further assumes full responsibility towards the contractors for fulfilling the obligations related to the retention clauses. Funds not paid out to the contractors after final payments have been settled shall be reimbursed to the Commission. An overview of the use of funds deposited on warranty accounts - and notably of the payments made out of them - and of interests accrued will annually be provided by the NAO to the Commission.

4.5.3. cc) Transfer of funds to the National Fund for participation in Community programmes and agencies

A single advance will be made to the National Fund to cover the full amount of the pre-accession financial assistance part of the financial contribution for participation in Community programmes and agencies. This advance will be made following signature of the Financing Memorandum and upon request from the National Fund.

This advance is separate from the advances made for the rest of the programme. However, it should be noted that the pre-accession financial assistance contribution for each programme will only be transferred when the Association Council Decision or Memorandum of Understanding establishing the terms and conditions for participation in that programme is in force.

If there is a delay in the entry into force of some of the Memoranda of Understanding, the payment to the National Fund may be divided into two or more tranches, so that 100% of the funds necessary for the programmes in force can be transferred immediately.

The National Fund will be responsible for transferring the funds back to the Commission, following the call for funds of the Commission’s Directorate General responsible for the programmes concerned and within the deadlines requested.

4.5.4. dd) Interest

In principle, all bank accounts\(^6\) will be interest bearing. Interest will be reported to the European Commission. If the Commission so decides, on the basis of a proposal from the NAO, interest may be reinvested in the programme.

4.6. f) Implementing Agencies will be responsible for sub-programmes as follows:

The Central Finance and Contracting Unit (CFCU) of the Prime Ministry will be the Implementing Agency for all programmes and sub-programmes.

In addition, for Turkey, payments in respect of participation in EC programmes and agencies will be made by the National Fund directly.

4.7. g) Environmental Impact Assessment and nature conservation

The procedures for environmental impact assessment as set down in the EIA-directive\(^7\) are fully applicable for all investment projects under the pre-accession financial assistance programme. If the EIA Directive has not yet been fully transposed, the procedures should be similar to the ones established in the above-mentioned directive. If a project would fall within

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\(^6\) in particular, but not exclusively, accounts run by the NF, the CFCU and IAs

\(^7\) DIR 85/337/EEC; OJ L 175/40; 5.7.1985; as amended by DIR 97/11/EEC; OJ L 73/5; 14.3.1997
the scope of annex I or annex II of the EIA Directive, the carrying out of the EIA procedure must be documented.\textsuperscript{8}

If a project is likely to affect sites of nature conservation importance, an appropriate assessment according to Article 6 of the Habitats Directive\textsuperscript{9} must be documented\textsuperscript{10}.

All investment projects shall be carried out in compliance with the relevant Community environmental legislation. The project fiches will contain specific clauses on compliance with the relevant EU legislation in the field of the environment according to the type of activity carried out under each investment project.

4.8. **h) Special rules for certain components for the programme**

**Twinning**

The amounts earmarked for twinning projects will cover the eligible costs (as set down in the DIS instructions) for implementing the work plan agreed between the Member State and the applicant country. The eligible costs may include costs incurred by the selected Member State during the preparation of the twinning covenant in the period between signature of the Financing Memorandum and the final notification of the financing approval of the covenant.

The first consolidated draft of twinning covenants must be submitted to the EC Representation within three months of the Representation’s notification to the Member States of their selection as twinning partner. Failure to meet this deadline may result in a decision by the Commission to re-circulate the relevant project fiche.

**Grant Schemes**

For grant schemes in the field of economic and social cohesion the precise implementation arrangements will be specified in the relevant project fiches in line with the following principles:

- the procedures and formats to be used in the implementation of the schemes and award of the grants will follow the provisions of the Practical Guide. In particular, due care will be given to the selection process of the beneficiary projects, which has to be done at technical level through selection committees composed of experts appointed by the authorities which are co-financing the schemes as well as by the relevant administrations and interest groups involved in the schemes,

- The competent PAO for the programme under which the grant scheme is financed has to retain his/her contractual and financial responsibility for the implementation of the schemes. In particular, the PAO has to formally approve the call for proposals, application forms, evaluation criteria, as well as the selection process and results. The PAO has also to sign the grant contracts with the beneficiaries and to ensure adequate monitoring and financial control under his/her authority and responsibility. With this reservation, the management of the schemes can be decentralised from the PAO to the appropriate bodies at sectoral or regional level,

\textsuperscript{8} in Annex EIA to the corresponding investment project fiche
\textsuperscript{9} DIR 92/43/EEC; OJ 206/7; 22.7.1992
\textsuperscript{10} in Annex Nature Conservation to the corresponding investment project fiche
The ex ante approval of the Commission Representation in Ankara will be required for the call for proposals, application forms, evaluation criteria, the selection procedures (including the composition of the committees) and results (list of projects to be funded). The grant contracts signed by the PAO will be subject to the ex-ante control of the EC Representation.

The implementation of selected projects through the provision of works, supplies, services and grant sub-contracted by the final beneficiaries of the individual grants shall be subject to the procurement regulations in the Practical Guide.

Following a positive assessment of the Implementing Agency’s capacity to operationally and financially manage the schemes in a sound and efficient manner (cf. Section 11 and Annex 4 of the 2003 PHARE Programming Guide), the Commission Representation may decide to waive its ex ante approval of sub-contracting procedures above €300,000 carried out by final beneficiaries of individual grants. The detailed provisions governing the role of the Representation in the above mentioned sub-contracting phase will be specified, as appropriate, in the exchange of letters between the Representation and the National Authorities following the above mentioned assessment exercise.

Grant schemes will not involve projects for which the EC contribution is more than €2 million and less than €50,000. This lower limit may be waived as a result of the above-mentioned assessment of the Implementing Agency’s capacity of giving assurance of sound financial management. This lower limit is not applicable in the case of NGOs, projects TR 0301.02, TR 0305.02 or TR 0305.03 (CBC, see below).

The financial commitments in pre-accession financial assistance terms will be effected at the date of signature of the grant contracts by the competent PAO. The projects should be fully implemented before the expiry date for contract execution of the present Financing Memorandum.

The Small Project Fund of the CBC project in this national programme will finance projects below €50,000 (EC contribution). It will not include physical investments other than small infrastructure not generating substantial revenue. For the CBC Small Project Fund, up to 7% of the EC contribution may be used for expenditure related to the preparation, selection, appraisal and monitoring of the assistance.

**Direct agreements**

Under TR 0301.02 (Development of human rights, democracy and citizenship education), a direct grant contract to be signed between the Contracting Authority and the Ministry of National Education will be used to implement the individual interschool activities element of the project (total EC budget €200,000).

Under TR 0303.01 (Customs modernisation project) the e-plate scanning system, vehicle tracking system and crypto-devices have been specially designed and developed by TUBITAK for the Undersecretariat of Customs under a World bank funded project and have been integrated into other programmes. The new equipment and machinery to be supplied within the scope of this project therefore complements existing infrastructure must be compatible. The unique design and development of the existing equipment necessitates the provision of new equipment and software also by TUBITAK within the scope of the three sub-components (e-Plate Scanning System, Vehicle Tracking System and Crypto Devices).
Under TR 0303.03 (Synchronisation of the Turkish power system with the UCTE) the conduct of static and stability studies to assess the impacts of Turkey’s interconnection on the regional and UCTE systems shall be directly contracted to UCTE. Prior to taking a decision concerning the extension of the UCTE system to cover new regions, UCTE asks for the conduct of static and stability studies in order to assess the possible impacts of new extension on the regional and UCTE systems. This is essential to ensure the continuity of the smooth functioning of the entire UCTE system. In order to achieve consistent and reliable results from these studies, UCTE requires such studies to be conducted by itself.

5. MONITORING AND ASSESSMENT

Project implementation will be monitored through the Joint Monitoring Committee (JMC). It includes the NAO, the NAC and the Commission services. The JMC will meet at least once a year to review all pre-accession financial assistance funded programmes in order to assess their progress towards meeting the objectives set out in Financing Memoranda and the Accession Partnership. The JMC may recommend a change of priorities and/or the reallocation of pre-accession financial assistance funds.

The JMC will be assisted by Sectoral Monitoring Sub-Committees (SMSC) which will include the NAC, the PAO of each IA (and of the CFCU where applicable) and the Commission services. The SMSC will review in detail the progress of each programme, including its components and contracts, assembled by the JMC into suitable monitoring sectors. Each sector will be supervised by one SMSC on the basis of regular monitoring reports produced by the Implementing Agency, and interim evaluations undertaken by independent evaluators. The SMSC will put forward recommendations on aspects of management and design, ensuring these are effected. The SMSC will report to the JMC, to which it will submit overall detailed opinions on all pre-accession financial assistance funded programmes in its sector.

The Commission services shall ensure that an ex-post evaluation is carried out after completion of the national programme.

6. AUDIT AND ANTI-FRAUD MEASURES

6.1. a) By the candidate countries

Each year an audit plan and a summary of the findings of the audits carried out shall be sent to the Commission. Audit reports shall be at the disposal of the Commission.

Appropriate financial control shall be carried out by the competent national financial control authority with respect to the implementation of the programme.

Beneficiary countries shall ensure investigation and satisfactory treatment of suspected and actual cases of fraud and irregularity following national or Community controls.

Irregularity shall mean any infringement of a provision of Community law, this Financing Memorandum or ensuing contracts or resulting from an act or omission by an economic

11 in accordance with the rules set down in Article 54 of the Financial Regulation
operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by an unjustified item of expenditure.

Fraud shall mean any intentional act or omission relating to:

(i) the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of, the European Communities,

(ii) non-disclosure of information in violation of a specific obligation, with the same effect,

(iii) the misapplication of such funds for purposes other than those for which they are originally granted.

The national authorities shall ensure the functioning of a control and reporting mechanism equivalent to the one foreseen in Commission Regulation 1681/94\textsuperscript{13}.

In particular, all suspected and actual cases of fraud and irregularity as well as all measures related thereto taken by the national authority must be reported to the Commission services without delay. Should there be no suspected or actual cases of fraud and irregularity to report, the beneficiary country shall inform the Commission of this fact within two months following the end of each quarter.

6.2. b) By the Commission

All financing memoranda as well as the resulting contracts are subject to supervision and financial control by the Commission (including the European Anti-fraud Office) and audits by the Court of Auditors. This includes on-the-spot checks and measures such as ex-ante verification of tendering and contracting carried out by the Representation in the candidate country concerned.

In order to ensure efficient protection of the financial interests of the Community, the Commission may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (Euratom, EC) No. 2185/96\textsuperscript{14}.

The accounts and operations of the National Fund, and, where applicable, the CFCU and all relevant Implementing Agencies may be checked at the Commission’s discretion by an outside auditor contracted by the Commission without prejudice to the responsibilities of the Commission and the European Union’s Court of Auditors as referred to in the “General Conditions relating to the Financing Memorandum” attached to the Framework Agreement.

\textsuperscript{13} defined as the entirety of Community rules applicable between the Parties of the Financing Memorandum (for example the EC-Turkey Association Agreement, the framework Agreement, the Memorandum of Understanding on the establishment of the National Fund, etc).

\textsuperscript{14} OJ L 178, 12.7.94; p. 43-46

OJ L 292, 15.11.1996; p. 2-5
7. **VISIBILITY AND PUBLICITY**

The appropriate Programme Authorising Officer will be responsible for ensuring that the necessary measures are taken to ensure appropriate publicity for all activities financed from the programme. This will be done in close liaison with the Commission Representation. Further details are set down in the Annex “Visibility/Publicity” (enclosed).

8. **SPECIAL CONDITIONS**

In the event that agreed commitments are not met for reasons which are within the control of the Government of Turkey, the Commission may review the programme with a view, at the Commission’s discretion, to cancelling all or part of it and/or to reallocate unused funds for other purposes consistent with the objectives of the pre-accession financial assistance programme.
ANNEX 1

SUMMARY PROJECT FICHES

TR 0301.01  Strengthening the accountability of the police
TR 0301.02  Development of human rights, democracy and citizenship education
TR 0301.03  Improving cooperation between NGOs and the public sector
TR 0302.01  Conformity assessment (new approach directives)
TR 0302.02  Market surveillance (telecommunications sector)
TR 0302.03  Air quality, chemicals and waste management
TR 0302.04  Public internal financial control
TR 0302.05  Strengthening the audit capacity of the Turkish Court of Accounts
TR 0302.06  Reinforcing the capacity for insurance regulation
TR 0302.07  Strengthening the public procurement system in Turkey
TR 0303.01  Customs modernisation
TR 0303.02  Fisheries – alignment to the acquis
TR 0303.03  Synchronisation of the Turkish power system with the UCTE
TR 0303.04  EMRA Regulatory Information System
TR 0303.05  Assistance to BOTAS on gas transmission and transit
TR 0303.06  Improvement of energy efficiency in Turkey
TR 0303.07  Turkish rail sector re-structuring and strengthening
TR 0303.08  Investment Promotion Agency
TR 0304.01  Strengthening police forensic capacity
TR 0304.02  Strengthening institutions in the fight against trafficking in human beings
TR 0304.03  Strengthening the fight against money laundering
TR 0304.04  Visa policy and practice
TR 0305.01  Strengthening the institutional capacity of the State Planning Organisation
TR 0305.02  Regional development in Samsun, Kastamonu and Erzurum
TR 0305.03  CBC with Bulgaria – Joint Small Project Fund
TR 0305.04  Fashion and textile cluster
TR 0306.01  Support activities to strengthen the European integration process
TR 0306.02  Participation in Community programmes and agencies
TR 0307.01  Enlargement communication strategy
TR 0307.02  Essential operational expenditure linked to implementation of the assistance programmes in Turkey
## ANNEX 2

**INDICATIVE CUMULATIVE QUARTERLY CONTRACTING SCHEDULE** (million Euro)

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<td>III</td>
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<td>TR 0302: Approximation to the acquis</td>
<td>10.7</td>
<td>18.3</td>
<td>22.4</td>
</tr>
<tr>
<td>TR 0303: Strengthening public administration</td>
<td>23.7</td>
<td>23.7</td>
<td>23.7</td>
</tr>
<tr>
<td>TR 0304: Justice and home affairs</td>
<td>5.4</td>
<td>5.4</td>
<td>10.3</td>
</tr>
<tr>
<td>TR 0305: Economic and social cohesion</td>
<td>3.0</td>
<td>14.9</td>
<td>23.0</td>
</tr>
<tr>
<td>TR 0306: Project preparation and Community programmes</td>
<td>27.8</td>
<td>28.1</td>
<td>28.3</td>
</tr>
<tr>
<td>TR 0307: Communication</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>TOTAL CUMULATIVE</td>
<td>66.3</td>
<td>100.3</td>
<td>112.7</td>
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</table>
## Indicative Cumulative Quarterly Disbursement Schedule (million Euro)

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>I</td>
<td>II</td>
<td>III</td>
</tr>
<tr>
<td>TR 0301: Addressing the Copenhagen political criteria</td>
<td>1.1</td>
<td>3.1</td>
<td>4.2</td>
</tr>
<tr>
<td>TR 0302: Approximation to the acquis</td>
<td>0.6</td>
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<td>11.3</td>
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<tr>
<td>TR 0303: Strengthening public administration</td>
<td>0.1</td>
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<td>12.3</td>
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<tr>
<td>TR 0304: Justice and home affairs</td>
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<td>2.1</td>
</tr>
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<td>TR 0305: Economic and social cohesion</td>
<td>1.5</td>
<td>3.8</td>
<td>16.1</td>
</tr>
<tr>
<td>TR 0306: Project preparation and Community programmes</td>
<td>6.7</td>
<td>21.4</td>
<td>21.6</td>
</tr>
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<td>TR 0307: Communication</td>
<td>0.1</td>
<td>0.5</td>
<td>0.7</td>
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<tr>
<td><strong>Total Cumulative</strong></td>
<td>9.0</td>
<td>42.8</td>
<td>67.2</td>
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</table>

In the schedules, totals may not correspond exactly due to rounding errors.
## ANNEX 3

### BUDGET BREAKDOWN BY PROJECT (million Euro)

<table>
<thead>
<tr>
<th>Project code</th>
<th>Objective and projects</th>
<th>Total EC</th>
<th>Institution</th>
<th>Investment</th>
<th>Co-financing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OBJECTIVE 1</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>TR 0301.01</td>
<td>Strengthening the accountability of the police</td>
<td>2.521</td>
<td>2.344</td>
<td>0.177</td>
<td>0.059</td>
</tr>
<tr>
<td>TR 0301.02</td>
<td>Development of human rights, democracy and citizenship education</td>
<td>5.000</td>
<td>4.850</td>
<td>0.150</td>
<td>0.050</td>
</tr>
<tr>
<td>TR 0301.03</td>
<td>Improving cooperation between NGOs and the public sector</td>
<td>2.000</td>
<td>2.000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>OBJECTIVE 2</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TR 0302.01</td>
<td>Conformity assessment (new approach directives)</td>
<td>4.970</td>
<td>1.200</td>
<td>3.770</td>
<td>2.030</td>
</tr>
<tr>
<td>TR 0302.02</td>
<td>Market surveillance (telecommunications sector)</td>
<td>3.580</td>
<td>-</td>
<td>3.580</td>
<td>1.190</td>
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<tr>
<td>TR 0302.03</td>
<td>Air quality, chemicals and waste management</td>
<td>5.450</td>
<td>4.400</td>
<td>1.050</td>
<td>0.350</td>
</tr>
<tr>
<td>TR 0302.04</td>
<td>Public internal financial control</td>
<td>2.700</td>
<td>1.800</td>
<td>0.900</td>
<td>0.300</td>
</tr>
<tr>
<td>TR 0302.05</td>
<td>Strengthening the audit capacity of the Turkish Court of Accounts</td>
<td>1.350</td>
<td>1.200</td>
<td>0.150</td>
<td>0.050</td>
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<tr>
<td>TR 0302.06</td>
<td>Reinforcing the capacity for insurance regulation</td>
<td>2.825</td>
<td>2.000</td>
<td>0.825</td>
<td>0.275</td>
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<td>TR 0302.07</td>
<td>Strengthening the public procurement system in Turkey</td>
<td>1.690</td>
<td>1.300</td>
<td>0.390</td>
<td>0.130</td>
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<tr>
<td><strong>OBJECTIVE 3</strong></td>
<td></td>
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<tr>
<td>TR 0303.01</td>
<td>Customs modernisation</td>
<td>5.406</td>
<td>1.000</td>
<td>4.406</td>
<td>1.469</td>
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<td>TR 0303.02</td>
<td>Fisheries – alignment to the acquis</td>
<td>6.169</td>
<td>4.866</td>
<td>1.303</td>
<td>0.434</td>
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<tr>
<td>TR 0303.03</td>
<td>Synchronisation of the Turkish power system with the UCTE</td>
<td>1.337</td>
<td>1.300</td>
<td>0.037</td>
<td>0.013</td>
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<tr>
<td>TR 0303.04</td>
<td>EMRA Regulatory Information System</td>
<td>1.050</td>
<td>0.945</td>
<td>0.105</td>
<td>0.035</td>
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<tr>
<td>TR 0303.05</td>
<td>Assistance to BOTAS on gas transmission and transit</td>
<td>1.800</td>
<td>1.800</td>
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<tr>
<td>TR 0303.06</td>
<td>Improvement of energy efficiency in Turkey</td>
<td>1.250</td>
<td>1.250</td>
<td>-</td>
<td>-</td>
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<tr>
<td>TR 0303.07</td>
<td>Turkish rail sector re-structuring and strengthening</td>
<td>4.264</td>
<td>2.832</td>
<td>1.432</td>
<td>0.477</td>
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<tr>
<td>TR 0303.08</td>
<td>Investment Promotion Agency</td>
<td>3.751</td>
<td>3.400</td>
<td>0.351</td>
<td>0.150</td>
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<td><strong>OBJECTIVE 4</strong></td>
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<tr>
<td>TR 0304.01</td>
<td>Strengthening police forensic capacity</td>
<td>5.236</td>
<td>1.634</td>
<td>3.602</td>
<td>1.200</td>
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<tr>
<td>TR 0304.02</td>
<td>Strengthening institutions in the fight against trafficking in human beings</td>
<td>1.200</td>
<td>1.200</td>
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<tr>
<td>TR 0304.03</td>
<td>Strengthening the fight against money laundering</td>
<td>2.057</td>
<td>1.225</td>
<td>0.832</td>
<td>0.277</td>
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<tr>
<td>TR 0304.04</td>
<td>Visa policy and practice</td>
<td>1.775</td>
<td>1.344</td>
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<td>0.144</td>
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<td><strong>OBJECTIVE 5</strong></td>
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<tr>
<td>TR 0305.01</td>
<td>Strengthening the institutional capacity of the State Planning Organisation</td>
<td>45.300</td>
<td>8.300</td>
<td>37.000</td>
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<tr>
<td>TR 0305.02</td>
<td>Regional development in Samsun, Kastamonu and Erzurum</td>
<td>40.000</td>
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<td>37.000</td>
<td>12.330</td>
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<tr>
<td>Objective</td>
<td>Description</td>
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<td>------</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>TR 0305.03</td>
<td>CBC with Bulgaria – Joint Small Project Fund</td>
<td>4.000</td>
<td>4.000</td>
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<td>-</td>
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<tr>
<td>TR 0305.04</td>
<td>Fashion and textile cluster</td>
<td>27.319</td>
<td>14.400</td>
<td>12.919</td>
<td>57.381</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>31.319</td>
<td>18.400</td>
<td>12.919</td>
<td>57.381</td>
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<td>Objective</td>
<td>Description</td>
<td>1.100</td>
<td>1.100</td>
<td>-</td>
<td>-</td>
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<tr>
<td>TR 0306.01</td>
<td>Support activities to strengthen the integration process</td>
<td>1.000</td>
<td>1.000</td>
<td>-</td>
<td>-</td>
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<tr>
<td>TR 0307.01</td>
<td>Enlargement communication strategy</td>
<td>0.100</td>
<td>0.100</td>
<td>-</td>
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<tr>
<td>TOTAL</td>
<td></td>
<td>145.1</td>
<td>71.690</td>
<td>73.410</td>
<td>78.344</td>
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</tbody>
</table>
ANNEX 4

LIST OF PROJECTS INVOLVING TWINNING

Table 1: Projects to be delivered wholly or partly by Conventional Twinning

<table>
<thead>
<tr>
<th>Project code</th>
<th>Twinning code</th>
<th>Project title</th>
</tr>
</thead>
<tbody>
<tr>
<td>TR 0301.01</td>
<td>TR03-JH-01</td>
<td>Strengthening the accountability of the police</td>
</tr>
<tr>
<td>TR 0302.01</td>
<td>TR03-EC-01</td>
<td>Conformity assessment (new approach directives)</td>
</tr>
<tr>
<td>TR 0302.03</td>
<td>TR03-EN-01</td>
<td>Air quality, chemicals and waste management</td>
</tr>
<tr>
<td>TR 0302.04</td>
<td>TR03-FI-01</td>
<td>Public internal financial control</td>
</tr>
<tr>
<td>TR 0302.05</td>
<td>TR03-FI-02</td>
<td>Strengthening the audit capacity of the Turkish Court of Accounts</td>
</tr>
<tr>
<td>TR 0302.06</td>
<td>TR03-FI-03</td>
<td>Reinforcing the capacity for insurance regulation</td>
</tr>
<tr>
<td>TR 0302.07</td>
<td>TR03-FI-04</td>
<td>Strengthening the public procurement system in Turkey</td>
</tr>
<tr>
<td>TR 0303.01</td>
<td>TR03-FI-05</td>
<td>Customs modernisation</td>
</tr>
<tr>
<td>TR 0303.02</td>
<td>TR03-AG-01</td>
<td>Fisheries – alignment to the acquis</td>
</tr>
<tr>
<td>TR 0303.06</td>
<td>TR03-EY-01</td>
<td>Improvement of energy efficiency in Turkey</td>
</tr>
<tr>
<td>TR 0303.07</td>
<td>TR03-TR-01</td>
<td>Turkish rail sector re-structuring and strengthening</td>
</tr>
<tr>
<td>TR 0303.08</td>
<td>TR03-FI-06</td>
<td>Investment Promotion Agency</td>
</tr>
<tr>
<td>TR 0304.01</td>
<td>TR03-JH-02</td>
<td>Strengthening police forensic capacity</td>
</tr>
<tr>
<td>TR 0304.02</td>
<td>TR03-JH-03</td>
<td>Fight against trafficking in human beings</td>
</tr>
<tr>
<td>TR 0304.03</td>
<td>TR03-JH-04</td>
<td>Strengthening the fight against money laundering</td>
</tr>
<tr>
<td>TR 0304.04</td>
<td>TR03-JH-05</td>
<td>Visa policy and practice</td>
</tr>
<tr>
<td>TR 0305.01</td>
<td>TR03-SPP-01</td>
<td>Strengthening capacity of State Planning Organisation</td>
</tr>
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Table 2: Projects to be delivered wholly or partly by Twinning Light

<table>
<thead>
<tr>
<th>Project code</th>
<th>Twinning code</th>
<th>Project title</th>
</tr>
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<tr>
<td>Not applicable</td>
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