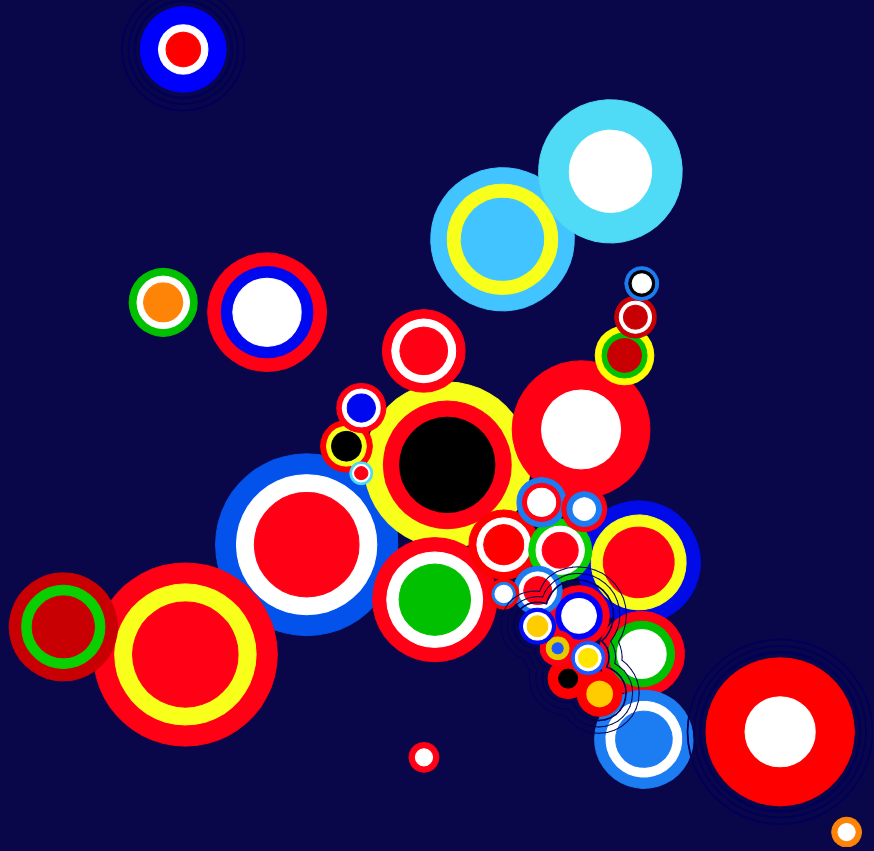




# INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II)



## INDICATIVE STRATEGY PAPER FOR **TURKEY** (2014-2020)

ADOPTED ON 26/08/2014

*Enlargement*

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## **PART I: INTRODUCTION**

### **1. Purpose**

This Indicative Strategy Paper for Turkey (the Strategy Paper) sets out the priorities for EU financial assistance for the period 2014-20 to support Turkey on its path to accession. It uses the political priorities set out in the enlargement policy framework to identify key areas where financial assistance is most needed and most useful in helping Turkey meet the accession criteria.

The Instrument for Pre-accession Assistance (IPA II)<sup>1</sup> is the main financial instrument for providing EU support in implementing reforms to move towards EU membership. Financial assistance under IPA II is given for the following four specific objectives: (a) support for political reforms, (b) support for economic, social and territorial development, (c) strengthening the ability of the beneficiary country to fulfil the (future) obligations stemming from membership in the EU by supporting progressive alignment with the Union acquis, (d) strengthening regional integration and territorial cooperation. Furthermore, the IPA II Regulation requires financial assistance to focus on five policy areas: a) reforms in preparation for Union membership and related institution-and capacity-building, b) socio-economic and regional development, c) employment, social policies, education, promotion of gender equality, and human resources development, d) agriculture and rural development, and e) regional and territorial cooperation.

In order to increase the impact of the EU's financial assistance, it will be concentrated on the areas where reforms or investments are most needed to meet accession criteria, and will be tailored to take into account Turkey's ability to meet these needs. Assistance will be planned in a coherent and comprehensive way, ensuring that it best meets the four specific IPA II objectives and addresses the relevant thematic priorities for assistance listed in Annex II of the IPA II Regulation as well as the thematic priorities for assistance for territorial cooperation listed in Annex III of the same Regulation.

Moreover, EU assistance is only one of the tools to achieve the necessary progress. When deciding on priorities for action, due account needs to be taken of the beneficiary country's own capacities and the support provided through other EU instruments and by other stakeholders, in particular the international community, bilateral donors or international financial institutions. Preference will therefore be given to providing financial assistance under a sector approach, which will ensure a more long-term, coherent and sustainable approach, allow for increased ownership, facilitate cooperation among donors, eliminate duplication of efforts and bring greater efficiency and effectiveness.

To ensure that the priorities for EU financial assistance for Turkey over the coming seven years are delivered, this Strategy Paper sets meaningful and realistic objectives, identifies the key actions and actors, describes the expected results, indicates how progress will be measured and monitored, and sets out indicative financial allocations (Annex 1). The priorities defined for financial assistance will serve as a basis for the (multi-) annual programming of IPA II funds between 2014 and 2020. Indicative financial allocations allow

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<sup>1</sup> OJ L 77, 15.03.2014, p. 11.

for an appropriate amount of assistance to be used to reward Turkey for performance and progress over a period of several years but this should be assessed by 2017 and 2020 respectively, as stipulated in the IPA II Regulation.

The Strategy Paper will be reviewed at mid-term and revised as appropriate. It may also be revised at any time by the European Commission.

## **2. Consultation on this Strategy Paper**

This Strategy Paper was drawn up in partnership with the relevant Turkish authorities, including the Ministry of EU Affairs (the National IPA Coordinator), the Ministry of Development and the line ministries that will be lead institutions for different sectors. Turkey's input was discussed during several meetings between 2012 and 2014, resulting in priorities being set for IPA II financial assistance within the different sectors. The Commission has considered Turkey's comments on draft versions of the Strategy Paper and taken these into account as far as possible. A strategic dialogue was held with the European parliament, and Member States' embassies in Ankara were consulted on an earlier draft of the Strategy Paper.

The Commission and the EU Delegation to Turkey organised consultation meetings with other donors, international financial institutions (IFIs) and international organisations (IOs) to gather additional comments and recommendations. A draft version of the Strategy Paper was shared online for consultation with civil society and meetings were held in Adana, Izmir and Ankara, where civil society representatives provided comments which have been considered in the drafting process.

## **PART II: ANALYSIS OF NEEDS AND CAPACITIES**

### **1. Political and economic context**

Turkey is the biggest of the candidate countries for EU accession, with a population of some 75 million on a territory of 783 562 square kilometres. Half of Turkey's population is younger than 30 years old and 77.3% of the total population live in urban areas. It plays an important regional role, as a result of its strategic location between Europe and Asia. It has borders with eight other countries, including EU Member States, and borders the Black Sea, the Mediterranean and the Aegean Sea.

Turkey is a parliamentary republic and a unitary centralised state. Since 2002, Turkey has been ruled by a single-party government from the Justice and Development Party (the AK Party), led by Prime Minister Erdoğan since 2003. Turkey became a candidate country in 1999 and accession negotiations started in 2005. The Turkish government has engaged in reform efforts to address long-standing political and societal issues, notably through judicial reform packages and a number of constitutional reforms. There is consensus over the need for a new civilian constitution to provide better guarantees for fundamental rights for all of Turkey's citizens.

In 2012, the Turkish government started a process to solve the Kurdish issue, with the intention of ending the terrorism and violence from which the Southeast of the country, in

particular, has suffered since the late 1980s. Reforms over the last decade have also contributed to more democratic debate and the emergence of a vibrant and diverse civil society. However, the political climate is still marked by polarisation and there is an ongoing need to promote a culture of fundamental rights and dialogue, among other through a more inclusive approach towards civil society in decision-making processes. Turkey ranks 69 out of 153 countries on gender equality, with a score of 0.360 in the 2013 United Nations Development Programme (UNDP) Gender Inequality Index. The inclusion and participation of women at all levels of society remains a key challenge, and gender-based violence and child marriage remain issues of concern.

Turkey continues to be an important transit and destination country for irregular migration. In 2012, 47 510 irregular migrants were apprehended in Turkey, which represents an increase of 7% compared to 2011. In 2012, EU Member States still detected 37 531 third-country nationals illegally entering or attempting to enter the EU, coming directly from the Turkish territory, despite a decrease of 33% compared to the previous year. Turkey has invested enormous effort and shown ability in dealing with the significant inflow of Syrian nationals into Turkey since the outbreak of the crisis in Syria. Despite this, the situation will remain a serious challenge for years to come, in particular because of the high number of urban refugees. In December 2013, Turkey signed a readmission agreement<sup>2</sup> with the EU, which led to the launch of a visa liberalisation dialogue.

Turkey is a functioning market economy. In 2012, it had a GDP of EUR 613 billion and a GDP per capita of EUR 8 208, in current prices. However, regional variations are extremely high and further socio-economic development is needed, particularly in east and south-east Anatolia.

Economic growth has been highly dependent on (mainly imported) energy and the consumption of natural resources, leading to growing greenhouse gas emissions and environmental degradation. Greenhouse gas emissions almost doubled between 1990 and 2009 (from 3.39 tonnes CO<sub>2</sub> equivalent in 1990, to 5.13 tonnes in 2009), and increased in all sectors except agriculture. The energy sector is the largest contributor to total national greenhouse gas emissions. The economy's energy intensity in 2010 was 0.25 tonnes of oil equivalent per thousand euros of GDP.

Turkey and the EU formed a customs union in 1995. The EU is by far Turkey's biggest economic partner, with 37.7% of its total trade and around 71.3% of foreign direct investments in 2012, while Turkey is the EU's sixth largest trade partner. Turkey's economy was severely affected by the global economic crisis, mainly through the collapse of domestic demand and its trade links with major industrialised economies. However, the impact of the crisis was mitigated by a resilient banking sector and fiscal stimulus measures.

Turkey's overall short term external debt increased from USD 49 billion at the end of 2009 to USD 125 billion at the end of September 2013. The private sector's proportion of this debt was 86% (USD 108 billion) at the end of September 2013. Turkey's net international investment position worsened, from -USD 276 billion at the end of 2009 to -USD 400 billion at the end of September 2013, which represents close to 50% of Turkey's annual GDP.

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<sup>2</sup> *C O J L 134, 07/05/2014, p. 3–27.*

Turkey ranks 69 out of 189 countries in terms of ease of doing business, according to the World Bank's Doing Business 2014 report. The score is particularly low for construction permits and resolving insolvency.

Turkey has a large structural trade deficit, which reached USD 94 billion in August 2013. Energy imports constitute an important part of the trade deficit, though Turkey is also a net importer of various products ranging from machinery and equipment to iron and steel, plastics and chemicals. Despite the need for investment, domestic savings are low in comparison to Turkey's peers. The large current account deficit and Turkey's high degree of dependence on short-term capital inflows remain serious challenges which leave the country vulnerable to a sudden loss of investor confidence.

Public finances are strong. The central government budget deficit was 2% of the GDP in 2012, while the public debt burden decreased to 36.1% of GDP the same year.

The literacy rate for people aged 15 or more in Turkey was 95.2% for men and 88.9% for women in 2012. 31% of adults aged 25-64 have earned the equivalent of a high-school degree, much lower than the Organisation for Economic Cooperation and Development (OECD) average of 74%. Continuing an upward trend, in 2013 Turkey was 90th in results for the UNDP Human Development Indicator, with a score of 0.722.

Turkey has been successful in creating new jobs in recent years. The labour force participation rate stands at 57.4% and the unemployment rate fell to 8.2% in 2012. Youth unemployment was at 15.7% (for people aged below 25). However, at 45.2% (in 2012), Turkey's employment rate was lower than all Member States, as a result of the exceptionally low participation of women in the labour force. High levels of informal employment, segmented labour markets and completing reforms to trade union legislation remain challenges.

## **2. Context for the planning of assistance**

### **2.1. EU Enlargement Strategy**

As part of the accession process, Turkey will need to focus on fully meeting the political and economic Copenhagen criteria for EU membership and developing its ability to implement the EU *acquis*. The Commission's Annual Progress Reports and the EU enlargement strategy<sup>3</sup> set out priorities for the negotiations with Turkey.

As regards the political criteria, the democratic transformation of the country needs to continue. The **rule of law** is at the heart of the accession process and is a key pillar of the Copenhagen political criteria. Social and political events in Turkey in 2013 and 2014 demonstrated the need to continue reforms in this crucial field. Turkey needs to encourage the proper functioning of the core institutions needed to ensure the rule of law. It is expected that Turkey will continue with inclusive, transparent and ambitious judicial reforms to ensure independent, impartial, efficient and accountable judicial systems. Legal reforms should continue to focus on addressing the core shortcomings which have led to the European Court

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<sup>3</sup> COM(2013) 700 of 16.10.2013 — Communication from the Commission to the Council and the European Parliament, 'Enlargement Strategy and Main Challenges 2013-2014' and corresponding progress reports.

of Human Rights rulings against Turkey. Respect for human rights and protecting the rights of persons belonging to minorities remain key priorities and reforms are needed throughout these areas, in particular on freedom of expression, including freedom of the media, freedom of association and assembly, freedom of religion and anti-discrimination. The rule of law supports businesses, providing legal certainty and stimulating investment, jobs and growth. The fight against organised crime and corruption is fundamental to countering the criminal infiltration of the political, legal and economic systems.

**Good governance** is also a key priority. This includes public administration reform, and improving economic governance and public financial management. As a candidate country, Turkey needs to provide stability for institutions which guarantee democracy. The proper functioning of these core institutions is vital, whether these are the national parliament, the government or the public administration. The transparency, accountability and effectiveness of institutions and public administrations, including ensuring a greater focus on the needs of citizens and business, needs to be prioritised. Turkey should continue reforms to safeguard citizens' rights. Key bodies such as the ombudsman and state audit institutions must be independent and effective, and their recommendations need to be appropriately followed-up. As an integral part of the new enlargement strategy, Turkey is invited to improve its economic policy and its governance by preparing an annual national economic reform programme, based on the existing pre-accession economic programme. The national economic reform programme will lead to country-specific policy guidance on necessary reforms. Turkey is also invited to prepare a public financial management reform programme (a public financial management strategy and an action plan), covering the public finance reforms required in a sequenced and comprehensive manner.

Turkey also needs to address shortcomings in **justice, freedom and security**. Its capacity to manage irregular migration and its fight against terrorism and organised crime are priority areas which require substantial reform. Reforms to integrated border management are required, including Turkey's adoption of necessary legislation, and Turkey's institutional capacity must be improved. Signing the EU-Turkey readmission agreement and the simultaneous start of the visa dialogue are the first steps towards visa liberalisation, which can give new momentum to EU-Turkey relations and bring concrete benefits for both.

As regards the economic criteria, if Turkey accelerates the implementation of its comprehensive structural reform programme, it should be able to cope with competitive pressure and market forces within the EU in the medium term. Turkey's recent economic performance illustrates both the high potential of and the continuing imbalances in its economy. On the external side, Turkey's reliance on sustained capital inflows to finance a large structural current account deficit makes it vulnerable to changes in global risk sentiment, resulting in large exchange rate fluctuations and boom-bust cycles in economic activity. To reduce this vulnerability measures to increase national saving are needed, and fiscal policy has an important role to play in this. Adopting a fiscal rule would enhance budget transparency, provide an important fiscal anchor and improve credibility. Relatively high inflation continues to be a major challenge. Rebalancing the macroeconomic policy mix would help to ease the burden on monetary policy. In the medium to longer term, it is essential that the functioning of markets for goods, services and labour is improved, through structural reforms to increase international competitiveness.

Economic **competitiveness** needs to be improved, as up to 58% of exports consist of low technology goods, productivity rates and added value rates are still low and Turkey's capacity for innovation remains modest. The development of the private sector needs to be further

supported, by making improvements to the business environment. **Agriculture** is still an important sector for the Turkish economy, accounting for almost 25 % of total employment, but contributing only 8 % of the GDP, which indicates the structural weakness in the sector.

Large economic disparities between Turkey's western provinces and its eastern and south-eastern provinces are also reflected in education, in particular in lower enrolment rates for girls at higher levels of compulsory education. Education and human resource development need to be improved to reduce the mismatch between supply and demand in the labour market. The quality of jobs and decent work also need to be improved. Around 40% of the labour force does not enjoy full legal protection, due to high levels of informal employment and insufficient enforcement of legal requirements and standards. Health and safety conditions at workplaces need to be improved. Key legislative gaps and institutional deficiencies currently jeopardise the good functioning of social dialogue, and trade union membership levels are low, as is coverage by collective agreements. Relative poverty and material deprivation rates are well above the EU average, but an overall policy framework for improving social inclusion has not yet been developed.

Given Turkey's potential to become an energy hub and the common challenges it shares with the EU, the **energy** sector remains a priority for the EU. Continued efforts would allow Turkey to improve inter-connectivity and integration of gas and electricity. The same is true for **transport** where there is potential to bring Turkey and the EU closer together by connecting to the Trans-European Networks for Transport (TEN-T).

As regards the ability to assume the obligations of EU membership, Turkey will need to continue an intensive process of aligning its national legislation with that of the EU. While all of the 33 negotiation chapters need to be addressed, particular efforts will be needed in areas relating to **environment and climate change** (chapter 27) and **food safety, veterinary and phytosanitary policy** (chapter 12), as alignment in these areas will require substantial investment and technical assistance. Other areas where progress is required include social policy and employment, transport and various elements of regulatory reform related to the economic *aquis*.

In addition to aligning its legislation, Turkey needs to build up the necessary administrative capacity to allow it to ensure EU legislation is properly implemented. To do this, the process of public administration reform should continue, focusing on reorganising the public sector and ensuring the development of professional administration, at national and local level. Statistics capacities, including at regional level, also need to be upgraded to provide a sound basis for evidence-based decision making in all priority areas.

## **2.2. Relevant national/regional strategies**

At national level Turkey has a well-developed multi-annual planning process. The 10<sup>th</sup> National Development Plan (NDP), covering 2014-18 and prepared under the Ministry of Development's lead, was adopted by the Turkish Grand National Assembly in July 2013. The NDP sets out the country's development objectives and defines strategic priorities in all the areas relevant for IPA II support.

In line with the 10<sup>th</sup> NDP, Turkey's Supreme Regional Development Council also developed a new National Strategy for Regional Development (NSRD). This is intended to serve as the backdrop for regional development, help ensure coordination on regional development and regional competitiveness, increase harmonisation between spatial development and socio-



economic development policies, and establish a general framework for regional and local level plans and strategies.

In particular, the NSRD serves as guidance for the next generation of regional development plans, coordinated by 26 NUTS II development agencies at regional level in line with the Nomenclature of Units for Territorial Statistics (NUTS II). These focus on regional administrations' action plans, other national and regional development strategies, public investment and budgeting processes, and specific territorial development programmes. Turkey has also developed an action plan relating to chapter 22 on regional policy and coordination of structural instruments.

Turkey's Public Financial Management and Control Law (PFMC Law) requires a Medium-Term Programme (MTP) to be prepared each year, covering the following three years. This must be linked to a Medium-Term Fiscal Plan (MTFP). The MTP is based on macroeconomic policies and principles, and economic targets and indicators. The MTFP includes total revenue and expenditure plans for the next three years. In line with the PFMC Law, public administration institutions are required to prepare multi-annual strategic plans to determine strategic goals and measurable objectives. These must take into account development plans and programmes, relevant legislation and basic principles. Performance budgeting has been introduced, but planning needs to be coordinated better with the relevant budgets.

Turkey also has numerous strategies and action plans in different sectors. In several cases, these are specifically designed to bring Turkey into line with EU requirements. Part IV of this Strategy Paper highlights the most relevant strategies and action plans whose implementation EU pre-accession assistance might support in specific sectors.

### **2.3. Conditions for managing pre-accession assistance**

The minimum conditions are in place in most sectors to allow pre-accession assistance to Turkey to be implemented through sector-oriented actions with multi-annual planning, and gradually through sector approaches. The institutional setting and lead institutions for each sector have been agreed with the Turkish authorities, the relevant national strategies and action plans have been mapped, and sector working groups have been set up and have begun consultations for programming preparations.

The current main weaknesses hindering the move to fully-fledged sector approaches include, the lack of well-defined national sector policies/strategies, due to too many overlapping strategies and — in some cases — outdated action plans, a lack of sequencing and timing for activities set out in action plans, the lack of a clear link between national strategies/action plans and the national budgetary process, and a lack of fully structured coordination with IFIs and other donors under the leadership of the Turkish authorities.

In recent years pre-accession assistance to Turkey has been managed with indirect management, i.e. EU budget implementation tasks delegated to the Turkish authorities, in fields such as environment, transport, regional competitiveness, human resource development and rural development, with institutions set up specifically for this purpose. The relevant institutional capacity will be consolidated and further built on during the new IPA II period.

Turkey needs, however, to strengthen its capacity to absorb funds, achieve results and implement EU financial assistance in a timely manner. The focus on more targeted multi-annual sector programmes will require greater ownership by the lead institution for each

sector and stronger cooperation among stakeholders in order to improve efficiency and effectiveness. To this end, direct management mode might be used alongside indirect management. Cooperating with IFIs and IOs, and delegating budget implementation tasks to them, may be an option in some cases, if the relevant requirements are met.

For actions in all sectors, twinning shall be used whenever relevant. This allows Member States to share long-standing, high-level experience and insights on applying the relevant *acquis*. Technical assistance, supplies, works and grant schemes are also available as types of financing, depending on the particular action's needs.

Turkey will be eligible for sector budget support, provided that the following four pre-conditions are met: a stable macro-economic framework; a credible programme to improve public financial management; transparency and oversight of budget; and credible and relevant sector strategies that are consistent with the EU enlargement strategy.

#### **2.4. Donor coordination and complementarity with other EU assistance**

Relatively few international donors provide grant support to Turkey. However, IFIs<sup>4</sup> are very active with loan programmes, particularly in sectors such as energy, private sector development, transport and environment. The Council of Europe, several UN agencies<sup>5</sup> and other specialised IOs (e.g. the International Organisation for Migration) are also active in Turkey, working on judicial reform, migration management, employment and social policies. Some of these also receive EU grants to implement pre-accession assistance in their fields of expertise. To avoid overlapping assistance, the Commission systematically consults and meets Member States embassies, IFIs and IOs, especially at country level.

On the Turkish side, the Ministry for EU Affairs made initial coordination efforts, when it was preparing the grounds for a sector approach in the 2012-13 IPA programming period. Sector working groups were established and are expected to be revived to prepare multi-annual sector programmes. In parallel, for investment-related loans, the Turkish Treasury has played a key role. For the future pre-accession assistance stronger coordination should be supported by respective Turkish lead institutions on a sector basis.

To make best use of IPA II funds and to achieve a stronger overall impact, cooperation with IFIs should be increased and further systematised during the programming stages, in close partnership with the Turkish authorities, with a view to blending IPA II grants with IFI loans. Discussions on the possibility of setting up a Turkey-specific Investment Programme (TIP) gained momentum while this Strategy Paper was being drawn up.

#### **2.5. Consistency with EU policies**

Financial assistance in the priority areas identified in this Strategy Paper will be granted in line with and in support of the enlargement strategy for Turkey. This assistance will be consistent with EU policy, in particular with the Europe 2020 strategy and relevant macro-regional strategies, the EU flagship initiatives to boost growth and jobs as well as the EU climate policy objectives. In drafting its National Development Plan, Turkey has taken many

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<sup>4</sup> Including the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), the World Bank (WB), the Council of Europe Development Bank (CEB), Germany's KfW, and the Agence Française de Développement (AFD).

<sup>5</sup> UNDP, United Nations of International Children's Emergency Fund (UNICEF), UN High Commissioner for Refugees (UNHCR), the International Labour Organisation (ILO).

aspects of the Europe 2020 strategy into account. Turkey's objectives between now and 2020 reflect its level of economic development and its stage in the accession process.

### **PART III: THE OVERALL DESIGN OF PRE-ACCESSION ASSISTANCE TO THE COUNTRY**

The European Commission's 2013/14 Enlargement Strategy emphasises the need to address fundamental reforms first. For Turkey, this means an even stronger focus on democracy and governance, the rule of law and fundamental rights and measures to encourage socio-economic development in line with the country's specific needs.

Turkey's investment needs in order to carry out reforms are far greater than the IPA II resources available. Prioritising areas of assistance is therefore essential. Support will primarily be given to Turkey to carry out national reforms that match the EU's priorities. It will be increasingly important to increase synergies with the assistance provided by international financial institutions, international organisations and other donors.

For 2014-20, pre-accession assistance will fall under two pillars: democracy and the rule of law, and competitiveness and growth.

#### **Democracy and Rule of Law**

Turkey needs to further build on its previous track record for reform in the **judiciary** to strengthen relevant institutions as part of an independent, impartial and efficient third power, separate from well-functioning legislative and executive powers.

As regards **fundamental rights**, reform efforts need to result in improved protection for human rights and fundamental freedoms, the rights of persons belonging to minorities and in vulnerable groups, including lesbian, gay, bisexual, transgender and intersex (LGBTI) people, and other groups affected by discrimination and violence. There is a need to promote dialogue across the political spectrum and in society more broadly, and to encourage respect for fundamental rights in practice. In Turkey this particularly concerns women rights and gender equality, children's rights, and labour and trade union rights. These topics are crucial for meeting the political Copenhagen criteria and for *acquis* chapter 23 on judiciary and fundamental rights.

**Home affairs** is another key area for financial assistance, in particular developing a fully functioning integrated border management system, with appropriate migration management and asylum practices, given the migratory pressures experienced by Turkey and the EU. The fight against organised crime, including against trafficking in human beings, and the improvement of law enforcement also need to be further addressed, in line with negotiation chapter 24 on justice, freedom and security. Pre-accession assistance will be available to support a broader dialogue and cooperation framework between EU and Turkey. This will allow the EU and Turkey to address the full range of justice and home affairs policy fields and put in place steps towards visa liberalisation, in line with the visa liberalisation roadmap that was launched in December 2013.

An active **civil society** demonstrates effective pluralism which implies respect for fundamental rights and freedoms, the rule of law and the possibility of social and political

change. Civil society activities can stimulate and expand the space for dialogue and cooperation on matters of public interest, including on the EU accession process. Turkey's participation in Union programmes, allowing for exchanges between Turkish and EU citizens, is an important complementary measure in this area. Turkey particularly needs more inclusive approaches to formulating policy and making decisions of public interest. Civil society organisations also play an important role in promoting fundamental rights. In this spirit, the Commission will continue to support civil society development and civil society dialogue with a specific sub-sector programme, but will also make additional funding available in other sectors where needs exist.

Turkey needs to step up its **anti-corruption** efforts and measures, strengthening both preventive and repressive standards as part of improving its anti-corruption policy development and implementation. While Turkey has a relatively strong **public administration** in general, further reform is required to bring it into line with the principles of the European administrative space, i.e. to have an effective, efficient, responsive, service-oriented, competent and responsible public administration. For a more stable business and trade environment that will help to increase both domestic and foreign investments, Turkey needs to reform the public financial management system, improve its focus on the rule of law and anti-corruption measures, and carry out targeted public administration reform, as highlighted in the Commission's fundamental first enlargement strategy for 2013-14.

### **Competitiveness and Growth**

The EU approach to financial assistance for Turkey takes into account its status as a fast developing middle-income country with large economic and social disparities between different population groups and geographical regions. It aims to provide support for economic, social and territorial development and encourage smart, sustainable and inclusive growth. The EU will therefore focus on support to improve social development and social inclusion, through funding in the **education, employment and social policies** sector, addressing areas where Turkey still faces significant challenges. In addition to being necessary to align Turkey with the *acquis* on social policy and employment (negotiation chapter 19), progress on reforms is also directly relevant to Europe 2020 strategy targets on employment rates, educational attainment social inclusion and the fight against poverty. Particular attention will be paid to support for implementing elements of Turkey's national action plan on gender equality and for meeting the needs of vulnerable groups.

The EU will take the different levels of socio-economic development across Turkey into account when planning support that involves physical capital, including improving infrastructure. Promoting environmental protection, resource efficiency and climate action are also key factors when drawing up priorities for financial assistance. Another key consideration will be the relevance of specific actions for improving exchange and inter-connectivity with EU Member States and other enlargement countries. Based on these, focused multi-annual programmes will be supported in the **environment and climate action, energy, transport and competitiveness and innovation** sectors.

In line with Turkey's new more decentralised and differentiated approach to regional development, priority areas related to economic, social and territorial development will be partly based on geographical concentration. A pre-defined proportion of allocations will be earmarked for actions focused on selected NUTS II regions in the south-east and east of the country. Details of this approach will be decided when the sector operational programmes are prepared. Assistance will be also available to support implementing Turkey's action plan of

chapter 22 regional policy and coordination of structural funds that has been opened in November 2013.

Turkey will also continue to receive support for strengthening its capacity to meet the obligations of EU membership, in particular those relating to alignment with and adoption, implementation and enforcement of the EU *acquis*. *Acquis* alignment, capacity building and investment needs will be addressed under integrated sector programmes when conditions are ready. This particularly affects the environment and climate action sector and, to a lesser extent, the transport sector, as alignment in these areas will require substantial investment and technical assistance. Other areas where support for *acquis* alignment and institutional capacity building will be provided include **food safety, veterinary and phytosanitary policy**, health and various elements of **regulatory reform related to the economic *acquis***. In the area of **agriculture and rural development**, additional support will be granted to improve the competitiveness of the agri-food sector, to help its gradual adjustment to EU standards and to support diversification of economic activities in rural areas.

In addition, IPA II support may also be provided in response to unforeseen priority needs that are relevant to accession negotiations but that do not fall under the priorities set out in this Strategy Paper. In particular, this may include *ad hoc* and short-term technical assistance provided under the Technical Assistance and Information Exchange (TAIEX) programme and through twinning projects.

Finally, when programming IPA II assistance, particular attention will be paid to a number of cross-cutting issues that impact more than one sector and thus require action across a number of sectors. These include the prevention of and fight against corruption, environmental sustainability and climate action, gender equality strengthening democracy, human rights and civil society participation as well as protection of cultural heritage as appropriate.

Expenditure relating to climate will be tracked across the range of IPA II interventions, in line with the statistical markers on climate change mitigation and adaptation developed by the OECD's Development Assistance Committee.

Indicative financial allocations per policy area and per sector, resulting from the priorities set out in this Strategy Paper, are set out in Annex 1.

## **PART IV: EU ASSISTANCE DURING THE PERIOD 2014-2020**

### **1. Democracy and governance**

#### **a. Needs and capacities in the sector**

Compared with other accession countries, Turkey has a relatively strong public administration. Over the last decade the Turkish government has launched reforms to further increase the **public administration's** efficiency and has begun to bring Turkey into line with the relevant *acquis* and has set up regulatory frameworks. Nevertheless, civil service reform to improve human resources management in the public sector and ensure merit-based advancement has not yet been carried out. Further efforts are needed, as an effective, efficient, responsive and service-oriented public administration is a necessary condition for good governance, stable economic conditions and ensuring the institutional capacity to implement the EU *acquis*. Further issues that Turkey will need to address include local administration

reform, including better investment planning and systematic consultation of civil society, and further capacity building for the national parliament, as the centre of the democratic institutions system.

**Public financial management** is an integral part of the public administration reform efforts and the basis for economic governance and sustainable socio-economic and structural reforms. A public financial management system covers a number of sub-systems, including revenue administration (customs/tax), budget preparation, budget execution with cash management, public debt, public procurement, accounting and reporting, public internal financial control and external audit. Comprehensive public financial management reform covering reforms in the different sub-systems is particularly relevant to the EU enlargement strategy and to make use of the sector budget support modality available under IPA II. Turkey does not so far have a comprehensive public financial management reform programme in place, although reforms are ongoing in various sub-systems. Turkey must address issues including public internal financial control, independent and effective external audit, improving its public procurement legislation and implementation, improving its strategic management and planning (which also link policy better to budgeting), and improving its accounting and reporting.

A number of negotiation chapters cover public financial management reform sub-systems, including public procurement (chapter 5), taxation (chapter 16), economic and monetary policy (chapter 17), customs (chapter 29) and public internal financial control and external audit (chapter 32). There is therefore also a need to address the accession-specific aspects of public financial management. Public financial management is also a key component of the institutional arrangements needed to implement EU cohesion policy.

An important cross-cutting area in this sector is statistics. Turkey is already well-aligned with the *acquis* in this area, but still needs to further improve its data quality for statistics, including improving cooperation between the Turkish Statistical Institute and the main data providers.

Turkey is considered a functioning market economy, but it nevertheless needs to improve its economic policy and economic governance. Existing multilateral surveillance mechanisms will address Turkey's challenges relating to macroeconomic stability and the functioning market economy, leading to country-specific policy guidance. Implementation of this policy guidance will be subject to an annual cycle of stock-taking.

Sustained reform is also needed on aspects of the **economic *acquis***, such as requirements relating to the right of establishment and freedom to provide services (chapter 3), free movement of capital (chapter 4), financial services (chapter 9), and more effective market surveillance in the context of free movement of goods (chapter 1), for which Turkish legislation also needs to be further aligned with the *acquis*, and improving SME access to quality conformity assessment services. Other important areas concern antitrust and state aid in light of competition policy (chapter 8), and outstanding requirements in company law (chapter 6). Turkey's consumer protection and product safety (part of chapter 28) are not yet fully aligned with EU requirements in this area, and the institutional capacity of bodies such as consumer courts and arbitration committees needs to be strengthened. Legislation on intellectual property rights (chapter 7) is largely in place, but procedures need to be set up, in line with the *acquis*, to effectively enforce intellectual property rights. Coordination between different stakeholders in this area needs to be improved. On customs (chapter 29), there is a need for greater alignment with the EU customs code, and gaps remain in Turkey's alignment

with EU rules on free zones and duty relief. Shortcomings on surveillance, managing tariff quotas, and practices not in line with the customs union need to be addressed. Efforts to facilitate legitimate trade and non-fiscal roles of the customs authorities need further support. Turkey also needs support to meet the requirements for the technical opening and closing benchmarks in other negotiation chapters. Regulatory reform and well-functioning, independent regulatory agencies and authorities are required to effectively implement and enforce the *acquis* in areas such as antitrust, state aid, telecommunications and postal services.

Turkey has ratified major **anti-corruption** conventions over the last years and has worked to implement its 2010-14 national strategy and action plan in this area. However, Turkey needs to continue its efforts, including increasing its capacity to implement and enforce anti-corruption measures and extending the code of conduct to cover the legislature and the military. Turkey should also follow up recommendations issued by the working groups set up as part of the national anti-corruption strategy, such as conducting annual country-wide corruption perception surveys and establishing comprehensive tracking of data on corruption. Civil society can play an important role as a watchdog, helping to promote transparency in this area.

Another element covered under this sector concerns **Turkey's participation in Union Programmes and Agencies**, an area where Turkey has been active and developed its capacity. In recent years, Turkey has participated in the following programmes and agencies: Lifelong Learning, Youth in Action, Culture 2007-13, Customs 2007-13, Fiscalis 2007-13, the Competitiveness and Innovation Framework Programme, the 7<sup>th</sup> EU Research Framework Programme and in the European Environment Agency. Turkey has also ratified the agreement on participation in the European Monitoring Centre for Drugs and Drug Addiction. It is important for both Turkey and the EU that Turkey continues its participation in Union Programmes and Agencies.

Various institutions are involved in the democracy and governance sector and there is neither one specific sector lead institution nor a comprehensive strategy covering public administration reform, *acquis* alignment and regulatory reforms. The main institutions in the anti-corruption field are the Prime Ministry Inspection Board and the Council of Ethics. Once adopted, the updated national anti-corruption strategy and action plan will be the key strategic documents.

## **1.2. Objectives, results, actions and indicators**

The objectives of assistance in this sector are to support improvement leading to an efficient, responsible and accountable public administration, which provides services to citizens and businesses, to enhance ethical standards and anti-corruption tools both for prevention and repression, to improve public financial management, to enhance economic governance to facilitate regulatory reform leading to better alignment with EU standards, in particular with the EU *acquis* relating to economic criteria and to support progress on meeting the relevant negotiation chapter benchmarks.

Expected **results** are:

- public administration reform (PAR) coordination, policy-making, civil service and public administration organisation and governance and service delivery to citizens and businesses, including at local level are improved;

- an integrated approach to prevention and the fight against corruption is implemented, in line with an updated national anti-corruption strategy;
- integrity systems and ethical standards are in place in public administration and a convincing track record of continued investigations of corruption exists;
- economic governance is enhanced and Turkey's EU accession process is supported in relevant areas by regulatory reform, *acquis* alignment, institution building and capacity building;
- public financial management is improved, after implementing sequenced reforms in different sub-systems, allowing Turkey to meet EU accession requirements in the relevant negotiation chapters;
- improvements are made to the capacity for efficient oversight of Turkish democratic institutions, especially the parliament;
- participation by Turkey in Union Programmes and Agencies increased.

**Actions** to achieve these results include:

Establishing structures in line with the new model of metropolitan municipalities; providing support to the Union of Municipalities and the Citizens' Assemblies in strengthening participatory decision making at local level; extending e-government and e-inclusion to increase citizens' democratic participation; promoting town-twinning with EU counterparts; providing support to the Turkish Grand National Assembly to better fulfil its oversight functions based on needs assessment.

Assessing the specific reform requirements in different public financial management sub-systems, e.g. revenue administration (tax/customs), budget preparation, budget execution with cash management, public procurement, accounting and reporting, public internal financial control and external audit; taking measures to align Turkish law and build capacity to meet *acquis* requirements in public procurement, EU budgetary frameworks, public internal financial control and external audit and support to implementation of the specific reform plans these include implementing the priorities in the Public Internal Financial Control (PIFC) policy paper and supporting the Turkish Court of Accounts to fully implement the law enacted in December 2010.

Supporting the new national economic reform programme, which will replace the existing pre-accession economic programme and provide the strategic framework for EU assistance (in addition to fiscal issues, the new programme will increasingly also manage external sustainability and structural obstacles to growth).

Implementing Turkey's national anti-corruption strategy; improving specific accession-related requirements on statistics, taxation and customs, including IT interconnectivity and interoperability; supporting *acquis* alignment, regulatory reform and institution building, and the operational and administrative capacity building required for the process of accession negotiations and in particular to meet the technical requirements set by negotiation chapter benchmarks.

**Main indicators of achievement:**

- Progress made towards meeting accession criteria (EC);



- Composite indicator Government Effectiveness (WB), Burden of Government Regulation (WEF) and Regulatory Quality (WB);
- Composite indicators Global Corruption (TI) and Control of Corruption (WB);
- Statistical compliance (Eurostat).

Annex 2 contains additional information on the indicators' sources and baseline and target data.

#### **a. Types of financing**

Actions covered under this sector will mainly be addressed through stand-alone actions in the context of annual programming, although a longer-term programming approach will be encouraged in the medium term.

A limited financial envelope for project preparation and institution building activities (twinning, technical assistance and direct grants only) will be programmed through Regulatory Reform and Acquis Alignment Actions in a needs-driven manner and on a rolling basis. This will facilitate Turkey's regulatory reform in fields that are not covered by priority sectors, in particular relating to alignment with economic *acquis*, and will support progress on negotiation chapter benchmarks.

Allocations indicatively earmarked in this sector will also be used to co-finance Turkey's participation in Union Programmes and Agencies, in line with the principle of increasing contributions from the candidate country. Between 2014 and 2020, EU support will ensure Turkey continues to participate in Union Programmes and Agencies as much as possible.

#### **b. Risks**

Political will from the Turkish government is crucial to making progress on key reforms in fields such as public financial management or anti-corruption. Political dialogue on these matters will need to accompany the preparation of actions receiving IPA II financial assistance.

### **Sub-sector: Civil society**

#### **a. Needs and capacities in the sub-sector**

There are more than 98 000 associations, with a total of approximately nine million members, in Turkey. Only some 18% of these members are women. Membership in political parties, chambers and sports clubs is most common, but religious organisations are also popular. In addition, there are over 5 000 foundations. Their operations are mainly financed by their own resources and/or they raise funds and use them for charitable purposes. Few of these foundations provide grants to civil society organisations. Thus, civil society organisations working on advocacy have so far benefitted only to a limited extent from the strong tradition of giving in Turkey.<sup>6</sup>

Civil society organisations (CSOs) still face a legal environment with bureaucratic obstacles, in particular relating to their operation, their funding and, in some cases — such as for

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<sup>6</sup> Guiding Principles for EU Support to Civil Society in Turkey:  
[http://www.avrupa.info.tr/fileadmin/Content/Files/File/CSD/Guiding\\_Principles\\_for\\_EC.pdf](http://www.avrupa.info.tr/fileadmin/Content/Files/File/CSD/Guiding_Principles_for_EC.pdf).

federations — their legal creation. Complex rules create difficulties for small or medium-sized associations. CSOs need to be more involved in policy development at local, regional and national levels, and dialogue and cooperation between institutions and civil society needs to be improved, particularly in the area of fundamental rights. However, significant weaknesses in CSO capacities — particularly for smaller organisations and some rights-focused CSOs — have been noted with regard to internal management, fund-raising and advocacy skills and the membership base. Where networks have been created, their sustainability is at risk. Broader dialogue between civil societies in the EU and Turkey continues to be a priority, as set out in the 2005 Commission Communication on civil society dialogue.

Various proposals for reform made by the Turkish government affect civil society. Civil society development and civil society dialogue were supported under the previous IPA programming cycle. Financial assistance for civil society will build on this experience, with the Ministry of EU Affairs acting as the lead institution in this sub-sector. Some actions in the field of civil society development have been directly managed by the EU Delegation in Ankara.

#### **b. Objectives, results, actions and indicators**

Objectives under this sub-sector are to support the development of civil society through more active democratic participation in policy and decision making processes; promote a culture of fundamental rights and dialogue; enhance civil society dialogue and inter-cultural exchange between civil societies in Turkey and Europe.

#### **Expected results:**

- enabling environment improved, allowing for regular civil society consultation and active participation in policy processes;
- increased capacity, outreach, representativeness and networking of civil society, especially of rights-based organisations;
- people-to-people exchange between Turkey and the EU sustained at a higher level.

#### **Actions to achieve these results include:**

Improving the legislative environment to support active citizenship, through initiatives to facilitate founding, operating, funding and auditing CSOs, in line with the principles of freedom of association, freedom of speech and proportionality. Actions will include supporting a more transparent and accountable environment for civil society, improving funding mechanisms for CSOs (including facilitating fund-raising), and enhancing CSOs' financial viability and sustainability.

Strengthening cooperation between the public sector (at local, regional and national level) and CSOs, including by effective CSO consultation in policy-making and governance, by establishing transparent mechanisms.

Strengthening the capacity of and networking between organised active citizens / CSOs, to improve outreach, governance, and institutional capacities, such as advocacy, administrative skills, and fundraising skills. This will allow individuals and CSOs to address individual and institutional donors, participate more effectively in public debate and contribute to shaping,

implementing and monitoring public policies and the private sector. Actions will focus on areas that do not typically benefit from traditional philanthropy and other private funding. Areas for assistance include protecting and promoting fundamental rights and fighting against all forms of discrimination in society (e.g. protecting the rights of women, children, LGBTI, people with disabilities and vulnerable groups in the country), as well as key areas of EU integration and other areas of particular relevance for the inclusive development of Turkish democracy.

Connecting people to improve mutual understanding between citizens in Turkey and the EU, including encouraging exchanges at local level. The focus in this area will be on generating long-term partnerships and cooperation between EU and Turkish CSOs, to exchange experiences in contributing to social activities at local, regional and national levels; and creating mechanisms to improve CSO ownership of civil society dialogue programmes and CSOs' ability to influence the way the programmes are run, e.g. by creating appropriate participatory governance mechanisms. Activities in this area will also cover culture and the preservation of cultural heritage.

Main **indicators** of achievement:

- Progress in the enabling environment for freedoms, the operation of CSOs and participation in policy-making (EC);
- Number of associations and membership, including networks, platforms and civic initiatives (Turkish Ministry of Interior).

Annex 2 contains additional information on the indicators' sources and baseline and target data.

### **c. Types of financing**

Assistance in this sub-sector will be provided on the basis of a comprehensive programme, following a multi-annual planning approach. CSOs and public sector institutions can benefit from financial assistance. EU support for legislative reforms to improve the enabling environment for civil society and to encourage more inclusive governance will be provided mainly through institution-building measures (technical assistance and twinning) or the TAIEX instrument. Indirect management by the Turkish authorities will apply, particularly for the civil society dialogue component and most actions to support civil society development. These include grant schemes and other funding modalities that aim to improve the representativeness, credibility and institutional capacities of CSOs. Activities targeting specific goals, such as training or networking activities, may also be supported through direct management via the Civil Society Facility. The European Instrument for Democracy and Human Rights (EIDHR) will remain available to complement the IPA II support covered under this Strategy Paper.

As support to civil society constitutes a strategic priority for pre-accession assistance to Turkey, allocations for this sub-sector will substantially increase as compared to the IPA 2007-13 framework.

### **d. Risks**

A multi-annual planning approach to programming for civil society support is new to Turkey and therefore poses a challenge for the lead institution coordinating the sector. Strong and

inclusive coordination of all the relevant institutions and stakeholders will be crucial to ensure effective strategic multi-annual planning and programme implementation. This will also be essential to ensure indicators are effectively monitored.

Civil society can also receive support under other sectors covered in this Strategy Paper. The risk of overlap and duplication needs to be minimised by coordinating with the lead institutions for those sectors in the strategic planning phases, to ensure complementarity and synergies.

CSO dependency on institutional donor funds, competition for project funding and donor-driven agenda setting have been identified as risks to the representativeness, credibility and sustainability of organised civil society in Turkey. Support will need to be planned so as to allow civil society structures to be developed and to allow these to build their capacity in a sustainable manner. This will allow EU support to eventually be reduced.

## **2. Rule of law and fundamental rights**

### **Sub-sector: Judiciary and fundamental rights**

#### **a. Needs and capacities in the sub-sector**

Turkey has made significant reforms in the fields of the judiciary and fundamental rights over the past decade, a development that has its roots in the country's EU accession process. The 2001 Accession Partnership document identified achieving stability in the rule of law, and by extension in the justice sector itself, as one of the main priority areas to meet the Copenhagen criteria. A similar finding applies with regard to human rights.

IPA assistance for judiciary and fundamental rights amounted to EUR 191 million between 2007 and 2013. The IPA - alongside, and sometimes jointly with, additional support provided by international organisations (such as the Council of Europe and UN agencies), several Member States and their development agencies - helped strengthen judicial independence, impartiality and efficiency and improve the administration of justice. It also contributed to greater respect for fundamental rights. However, despite Turkey's efforts and support from the international community, the objectives and activities relating to judiciary and fundamental rights have not yet been sufficiently translated into improvements in practice.

Turkey's 10<sup>th</sup> National Development Plan acknowledges that improvements are still needed on the rule of law and the full enjoyment of fundamental rights and freedoms by all individuals, without discrimination. This has been supported by a series of judicial reform packages which are examples of Turkey's efforts to significantly reform the judiciary, but which also highlight the fact that further steps will be needed.

Social and political developments in Turkey in 2013 and 2014 also demonstrate the need to continue with reforms in line with the principles of an independent, impartial and efficient judiciary and the need to translate these reforms into practice. Deepening cooperation on fundamental rights with civil society organisations is a key requirement.

#### **b. Objectives, results, actions and indicators**

Objectives under this sector are to further strengthen and make more concrete and visible the independence, impartiality, efficiency and administration of the judiciary as well as to

enhance respect for fundamental rights and freedoms in the key areas of freedoms of expression (including freedom of the media), conscience and religion, assembly and freedom of association; prevention of torture and ill-treatment; women's rights and gender equality; protection of vulnerable groups including children, LGBTI people; rights of persons belonging to minorities, including social inclusion and Roma integration.

As the judiciary and fundamental rights are complementary areas, IPA II assistance will be programmed in a holistic and strategic way, against a multi-annual framework. It will be fully consistent with the main objectives set out in the 10<sup>th</sup> National Development Plan, the Judicial Reform Strategy and Action Plan (once updated), various judicial bodies' institutional strategic plans, and other relevant national strategies and action plans.

IPA II support relating to the **judiciary** will be programmed in partnership with the Ministry of Justice, the lead institution in this field, with close involvement by other key institutions.

Expected **results** are:

- increased independence of the judiciary;
- improved impartiality of the judiciary;
- increased awareness on human rights among members of the judiciary;
- enhanced efficiency and effectiveness of the judiciary (including the criminal justice system; juvenile courts; the military justice system and the penitentiary system).

**Actions** to achieve these results include:

Raising the level of independence of the judiciary by guaranteeing the achievements of the 2010 constitutional reform, mostly by strengthening the capacity and role of the High Council of Judges and Prosecutors;

Increasing judicial impartiality by strengthening the role of the Constitutional Court in guaranteeing fundamental rights in judicial proceedings;

Training and raising awareness for all members of the judiciary on human rights and, in particular, of European Court of Human Rights case-law; supporting the establishment of a judicial police that meets EU standards;

Increasing judicial efficiency and improving administration, by addressing the issues of court workload and fair trials, within the meaning of Article 6 of the European Convention for Human Rights; improving the criminal justice system; developing capacity in juvenile courts; continuing with reforms to the military justice system and the penitentiary system;

Improving access to justice and alternative dispute resolution in both criminal and civil cases and increasing equality of arms between the prosecution and the defence in court.

Main **indicators** of achievement:

- Progress made towards meeting accession criteria (EC);
- Composite indicator Access to Justice (WJP) and Judicial independence (WEF);
- Backlog in courts: improvement of clearance rate through reduction in number of pending cases and duration of proceedings (CEPEJ).

Annex 2 contains additional information on the indicators' sources and baseline and target data.

IPA II support relating to **fundamental rights** will be planned in partnership with the Ministry of EU Affairs, as the lead institution, in close cooperation with the Ministry of Justice and involvement by other key stakeholders. Programme preparations will take into account the priorities identified in the national action plans on the prevention of violations of the European Convention on human rights, on gender equality and on combatting domestic violence against women and priorities set out in other relevant strategy documents.

Expected **results** are:

- fundamental rights and freedoms guaranteed, with relevant institutions functioning properly;
- protection of rights of persons belonging to minorities improved, and anti-discrimination policies and measures effectively implemented.

**Actions** to achieve these results include:

Strengthening the institutional capacity on fundamental rights in the Ombudsman institution, the National Human Rights institution and the Ministry of Justice; helping to set up an equality and anti-discrimination body and ensuring civil society involvement and consultation in that process;

Bringing the Turkish legal framework into line with European standards in all areas, notably freedom of expression and freedom of assembly; ensuring that courts and authorities fully implement legislation and rules so that rights are respected in full and in practice, with proper accountability and verification systems;

Developing the capacity to conduct independent, impartial and effective investigations into allegations of misconduct by security forces;

In the area of women's rights and gender equality, focusing on political representation and combatting violence against women in practice, including early and forced marriages; upgrading the legal framework in order to address violence and discrimination based on sexual orientation and gender identity. Other gender equality aspects will be addressed in the sector Education, Employment and Social Policies and in the sub-sector Civil Society.

Strengthening the cooperation between institutions and stakeholders engaged in the area of human rights.

Main **indicators** of achievement:

- Progress made towards meeting accession criteria (EC);
- Composite indicator Freedom of Press (FH) and Press Freedom (RWB).

Annex 2 contains additional information on the indicators' sources and baseline and target data.

### c. Types of financing

The areas of judiciary and fundamental rights meet most of the necessary criteria for a sector approach. Programming will pursue a multi-annual strategic planning perspective and further support could be provided to build capacity for a full-fledged sector approach. The programme could be rolled out in two tranches (2014/15-17 and 2018-20). Some issues relating to the judiciary could also be a test case for sector budget support. Activities will be supported through twinning, services, supply and work contracts, direct agreements with international organisations, grant schemes, and investments. As the judiciary and fundamental rights are key strategic priorities for pre-accession assistance to Turkey, IPA II support in this sector will substantially increase, compared to IPA 2007-13.

### d. Risks

Political risks relating to the insufficient independence of institutions and separation of powers, and respect for the rule of law and human rights will need to be addressed through political dialogue as part of the EU's accession negotiations with Turkey. The rule of law, protection of human rights and good governance must remain high on the political agenda. Effective capacity to undertake reforms and make use of financial assistance will have to be confirmed.

Work on fundamental rights will need to be closely coordinated with work in the civil society sub-sector, to build synergy and avoid duplication and overlap.

## Sub-sector Home affairs

### a. Needs and capacities in the sub-sector

The sub-sector includes three priority areas: (1) migration and asylum, (2) integrated border management and (3) fight against organised crime. The EU – Turkey readmission agreement and the roadmap towards visa liberalisation between Turkey and EU set out specific requirements that need to be addressed.

Turkey has carried out important reforms in the field of **migration and asylum**, including the 2013 adoption of the Law on Foreigners and International Protection. This law and related secondary legislation created the General Directorate of Migration Management. The Directorate's capacity to implement this law will be crucial for Turkey's future migration management system. In parallel, efforts to improve legal and administrative infrastructure need to continue to bring these in line with European standards and international best practices, and effectively tackle irregular migration and human trafficking across Turkish borders. The Syrian crisis and subsequent influx of refugees pose additional challenges. Turkey's 2005 Action Plan for Asylum and Migration needs to be reviewed and updated, as it is the main strategic reference document in this area. Turkey's reception capacity to accommodate and integrate refugees and to remove irregular migrants need to be improved, both in terms of infrastructure and institutional competence.

Turkey's efforts on **integrated border management** need to continue, to establish open and secure borders by developing and strengthening Turkey's legal, institutional and technical capacity and bringing this into line with EU IBM policy, taking into account the current and expected migration flows. Turkey needs to provide support for institutional reform and capacity building when the long-expected law on border management is adopted, allowing

Turkey to move to a civilian-led border agency under the Ministry of Interior. Cooperation with FRONTEX<sup>7</sup> and regional cooperation on border management with EU neighbours Greece and Bulgaria are also key priorities. Border management reform is led by the Border Management Bureau of the Ministry of Interior.

Turkey needs to strengthen all law enforcement institutions involved in the **fight against organised crime** and align their status and responsibilities with European standards, including through developing inter-agency and international cooperation. These include combating money laundering, terrorism, drugs, and cyber-security threats. Key strategies are the National Strategy on Organised Crime (2010-15) and its updated Action Plan (adopted in September 2013), the National Strategy against Drugs (2013-18) and its related Action Plan (2013-15) as well as the Strategy and Action Plan on Cyber Security (2013-14). Key institutions are Ministry of Interior's Department for Smuggling, Intelligence and Operations and Information Gathering, Ministry of Finance's Financial Crimes Investigation board (MASAK), the Turkish National Monitoring Centre for Drugs and Drug Addiction (TUBIM) and the Cyber Security Board.

Law enforcement institutions need further training and equipment, and police cooperation at international and domestic levels needs to be strengthened. Data protection is a key element that needs to be improved so that an operational agreement with Europol can be signed.

The lead institution in this sub-sector is the Turkish Ministry of Interior, responsible for the relevant General Directorates, Bureaus and Departments of the priority areas set out above. Other relevant stakeholders need to be involved during programming and for sector coordination.

## **b. Objectives, results, actions and indicators**

This sub-sector's main objective is to make progress on implementing the visa liberalisation roadmap by improving Turkey's legal and administrative framework in home affairs and bringing it in line with the EU *acquis* and EU standards.

Expected **results** are:

- irregular migration and human trafficking across Turkish borders is addressed effectively, with improved legal and administrative infrastructures in the field of migration and asylum in line with European standards;
- substantial progress is made in implementing institutional reforms for integrated border management, with an increased technical capacity for border management and a high degree of alignment with relevant EU policy;
- law enforcement institutions involved in fighting organised crime, including money laundering, terrorism, drugs and cyber-security threats are aligned with European standards with regard to status and responsibilities through increased inter-agency and international cooperation.

**Actions** to achieve these results include:

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<sup>7</sup> European Agency for the management of operational cooperation at the external borders of the Member States of the European Union.



Facilitating Turkey's compliance with the requirements set out in the EU-Turkey readmission agreement; activities on document security, migration management, public order and security in line with the requirements set out in the visa liberalisation roadmap; institution building to improve the Turkish administration's capacity to manage migration and asylum, including activities to address trafficking in human beings; helping improve Turkey's capacity to accommodate the growing numbers of asylum seekers and conditional refugees, including activities to improve the living conditions of the urban "caseload" and arising from the Syrian refugee crisis, as well as improving institutional capacities to facilitate refugee and asylum seeker integration in Turkey.

Capacity building to combat cross-border crimes and manage borders in an effective and sustainable manner, focusing on efficient use of equipment, risk analysis, information exchange and integrated border management practices, complemented by upgraded software and hardware; improving coordination among border authorities with a focus on common situation awareness, joint threat analyses and definition of counter measures; supporting customs measures related to integrated border management and, in particular, risk-based border controls focused on safety and security measures, including strengthening the capacity of local risk management units and developing feedback mechanisms between the central and local offices.

Improving police and inter-agency cooperation in the fight against organised crime, both at national and international level (with implementing data protection legislation as a prerequisite). Supporting capacity building in specialised methods such as controlled delivery, lawful interception, computer and mobile phone forensic inspection; providing special operational equipment (technical, electronic and optical devices, vehicles, etc.) and training on the use of technical devices in operations. Supporting better data collection and improved analytical capacity; improving the quality of reporting to the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA), increasing Turkey's capacity for treating and rehabilitating drug addicts; preventing drug trafficking, by building capacity in the relevant Turkish law enforcement bodies and raising awareness in non-governmental organisations and the media. Increasing law enforcement bodies' ability to investigate cybercrime, in particular by providing training to law enforcement bodies and the judiciary on cybercrime and increasing the capacity of the 24/7 contact point, which will be set up once Turkey has ratified the Council of Europe Convention on Cybercrime.

Main **indicators** of achievement:

- Progress made towards meeting accession criteria (EC);

Annex 2 contains additional information on the indicators' sources and baseline and target data.

### **c. Types of financing**

Complementarity with projects under previous IPA programmes needs to be ensured, together with clearer sequencing for activities under IPA II.

This sub-sector will follow a programming approach based on a gradual shift towards multi-annual strategic planning. Different levels of readiness exist in the different priority areas and lessons learned from actions that have already been programmed need to be taken into account.

If the relevant conditions are met, sector budget support could be considered, to help Turkey implement the requirements set out the visa liberalisation roadmap. As home affairs issues are key strategic priorities for pre-accession assistance to Turkey, IPA II assistance in this sector will substantially increase, compared to IPA 2007-13.

#### **d. Risks**

Given the significant amounts of funding that has previously been programmed, especially for migration and asylum and integrated border management, there might be limitations in terms of capacity to absorb additional funds. Project management capacity of the beneficiary institutions needs to be further assessed and additional staff may need to be assigned.

Civil society will play an important role in all stages of the programme. Close coordination will be needed with work done in the civil society sector to avoid overlaps and duplication.

### **3. Environment and climate action**

#### **a. Needs and capacities in the sector**

Environmental policy represents one of the most complex and costly challenges for the EU accession process, with over 300 different pieces of legislation, and rapidly changing requirements. It will require around EUR 60 billion<sup>8</sup> to fully implement this. Turkey needs to align its climate change policies with relevant EU policies. At international level, Turkey's special circumstances have been recognised under the United Nations Framework Convention on Climate Change. Turkey is one of the largest of the greenhouse gas emitters who have not yet put forward a greenhouse gas emissions reduction target. According to the Intergovernmental Panel on Climate Change estimations, Turkey is located in one of the areas most vulnerable to climate change impacts, with risks to agricultural production, water supply, natural resources, ecosystems, public health, and consequent damage to livelihoods. Turkey is also affected by natural disasters; with frequent occurrence of earthquakes, floods, landslides, avalanches and fire. In addition, there has been a sizeable increase in hydro-meteorological disaster events. Population settlement patterns are also affected, exacerbating unsustainable urban development. Adaptation to these conditions requires Turkey to build resilience, strengthen its disaster risk management and emergency response capacities, and develop sustainable urbanisation practices.

The negotiations in this sector relate to *acquis* chapter 27 and there are also linkages to chapter 22, regional policy. Turkey has not yet met the closing benchmarks for chapter 27, which require it to align its legislation with the EU *acquis*. Turkey needs to set up administrative structures and build their capacity to ensure EU requirements have been implemented and enforced at the date of accession. Linked to this, and in order to meet the closing benchmarks, i.e. to implement the *acquis*, investments are particularly needed in delivering drinking water, wastewater treatment and solid waste management.

The lead institution in this sector is the Ministry of Environment and Urbanisation. However, the Ministry of Forestry and Water Affairs leads on water, biodiversity and nature

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<sup>8</sup> According to the medium cost plan established in the Turkish National Environmental Approximation Strategy (2006).

conservation. The Prime Ministry's Disaster and Emergency Management Presidency is responsible for disaster risk reduction and management, and is the focal point for the national platform for disaster risk reduction.

The 2006 Turkish National Environmental Approximation Strategy sets out the work plan and costs related to transposing and implementing the relevant EU directives, and includes a financing plan for meeting requirements for significant investment. The same priorities are covered by the 10<sup>th</sup> National Development Plan. Turkey's other main environment strategies are: the Strategic Plan (2013-17) for the Strategic Environmental Assessment study and implementation in all sectors; the National Biodiversity Strategy and Action Plan (2007-17) for nature conservation; the National Climate Change Strategy (2010-20) and National Climate Change Action Plan (2011-23) for climate change mitigation and adaptation.

### **b. Objectives, results, actions and indicators**

This sector's general objective is to improve environmental protection, address the challenge of climate change and improve citizens' quality of life by making progress on aligning Turkey's legislation with the EU's environment and climate change *acquis*.

Expected **results** are:

- population has benefited from improved infrastructure for delivering drinking water, waste water treatment and solid waste management, in line with EU standards;
- legislative reform and capacity building has progressed in the areas of climate action, air quality, civil protection, marine environment, cross-cutting legislation and protection of nature;
- improved capacity to design, implement and monitor mitigation policies, and improved resilience to climate change in vulnerable economic sectors and infrastructures.

**Actions** to achieve these results include:

Under the *acquis* alignment action, all fields of environmental (horizontal legislation, air quality, water, waste, nature and soil protection, chemical, industrial pollution and risk management and civil protection) and climate *acquis* (emission trading, monitoring and reporting, ozone layer protection fluorinated gases, fuel quality and others including EU Adaptation Strategy) should be covered through Technical Assistance (TA), twinning and, if necessary, grants, supplies and works for pilot implementation.

Capacity building measures relating to **horizontal legislation** at national, regional and local levels and approximation of relevant EU legislation, in particular the Environmental Impact Assessment (EIA) and the Strategic Environmental Assessment (SEA) Directives (including on transboundary issues) will be the focus of planned actions.

In the field of **water**, activities foreseen aim at harmonising Turkey's legislation with the relevant EU legislation. Preparing river basin management plans and flood risk management plans, in line with the Water Framework Directive (WFD) and Floods Directive, and investing in adapting to climate change is foreseen. For international basins, collaboration and coordination with neighbouring Member States is needed, resulting in joint plans as required by the directives. As regards EU water policies entailing investments in infrastructure, activities will mainly support enhancing the provision of services for supplying drinking

water and for waste water treatment. Any infrastructure that may result in modification of water bodies (rivers, lakes), and status degradation (e.g. large structural projects such as dams in relation to hydropower, floods, water storage) will ultimately need to be assessed against the WFD framework and requirements. This applies also to existing infrastructure whose impact on river and lakes should be mitigated with a view to improve the water standards as required under the WFD.

In the field of **waste**, activities to comply with the Waste Framework Directive are foreseen, including infrastructure investments, to increase the quantity of recycled waste, reduce biodegradable waste going into landfills and improving final disposal. In principle, landfill investments will be agreed where there is a waste management plan and the landfill is planned in accordance with it.

On **industrial pollution** and risk management, support is planned to increase the capacity of the Turkish authorities to enhance the implementation of the relevant Directives (Industrial Emissions Directive and Seveso III), resource efficiency and market based instruments (Eco-Label, EMAS, etc.).

Moreover, ad-hoc activities directly related to chapter 27 will be supported. These will include interventions on: 1) **civil protection**, to strengthen the institutional capacity for disaster risk management and emergency response, and support Turkey's cooperation with the EU; 2) **air quality**, with technical assistance to support setting up regional monitoring stations and investments, in line with the National Emission Ceiling (NEC) Directive<sup>9</sup>; and 3) **nature protection**, with technical assistance in the fields of ecosystem health and biodiversity, and infrastructure investments for protected areas and Natura 2000 sites. Work will also be done in this area to increase the resilience of vulnerable natural sites, reduce land degradation and support sustainable urbanisation.

In the field of **chemical pollution**, activities are foreseen to increase the capacity of Turkish authorities, and to implement the relevant EU Regulations on aspects such as Chemical Safety Assessments and assessment of the effects of chemical substances, monitoring and remediation of POPs-contaminated sites.

Turkey's geographical location, bordering both the Mediterranean and the Black Sea, means the country has an important role to play in protecting the **marine environment** and in implementing related EU *acquis*.

In the field of mitigating **climate change**, activities will focus on strengthening the institutional capacity to design, implement and monitor mitigation policies, and improving capacity for transition to low carbon economy in Turkey in line with the expected EU 2030 climate and energy framework. Particular attention will be given to greenhouse gas (GHG) emission reduction activities identified in the National Climate Change Action Plan, including those at the urban/local level. In the field of adaptation to climate change, activities will focus on building the institutional capacities at the local and national level and by engaging the private sector as appropriate on increasing resilience to climate change in vulnerable economic sectors and infrastructures.

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<sup>9</sup> The Improving Emissions Control Twinning and Technical Assistance projects were completed in 2013 where the by-law on National Emission Ceilings Directive was prepared and emissions projections until 2025 and associated strategies were developed.

Main **indicators** of achievement:

- Progress made towards meeting accession criteria (EC);
- Population connected to waste water collection systems (national statistics);
- Municipal Waste collected (Eurostat).

Annex 2 contains additional information on the indicators' sources and baseline and target data.

### **c. Types of financing**

Implementation modalities should build on the experience from 2007-13, the environment operational programme and technical assistance for transposing the EU *acquis*. In 2007-13, the EU provided help to align Turkish legislation with the EU *acquis* and contributed to necessary investments in this sector. Priority areas for investment were water supply, sewerage and wastewater treatment services and integrated solid waste management. Capacity-building activities supported the relevant institutions in developing a project pipeline for infrastructures, also to be financed under IPA II.

The environment and climate action sector meets the relevant criteria under IPA II for a sector (multi-annual) support programme. Grants will be used to finance priority investments in areas where setting up infrastructure is necessary to implement the EU *acquis*. This is especially the case for water and solid waste areas. Investments in these fields are considered to be 'cost generating', meaning that they are carried out for the public benefit, but need grants to ensure financial viability. Technical assistance support to IFIs' loan programmes may also be used, depending on the needs and nature of the intervention. Since high levels of investment are needed in the environment and climate action sector, and different IFIs are active in this field, flexible options for cooperation with key partners will be explored for blending EU grants with IFI loan schemes and leveraging private funds. The Commission has explored with Turkey the ways in which a Turkey Investment Programme (TIP) might work, to increase the financing capacity for investments in this sector.

To ensure that activities are properly sequenced, an existing project pipeline relating to the priority areas for investments (i.e. delivery of drinking water, integrated wastewater services, solid waste management) will be evaluated based on the maturity of the proposals and regional development needs. Turkey's development agencies will be involved in this process. As in 2007-13, investments in this sector will be focused on municipal infrastructures.

### **d. Risks**

The timetable for investments allows for a phasing-in approach, with no significant cost investments being financed in 2014, and increasing investments in subsequent years. This is due to the volume of funds still to be absorbed under the first IPA programme, and is intended to enable a smooth transition to the IPA II period without overloading the operating structures by implementing projects and activities under two different programmes in parallel.

## **4. Transport**

### **a. Needs and capacities in the sector**

The transport sector is complex, with one of the highest volumes of EU policy and legislation, and a significant volume of *acquis* that Turkey has to align with. Turkey's transport sector is strongly based on road transport (90 % of the domestic freight and passenger transport), while rail plays a negligible role. The sector has been growing in size and quality in terms of services and infrastructure, driving economic growth in the whole country. This trend is expected to continue in the future, alongside Turkey's increasing trade levels, as a result of the ambitious growth targets set in Turkey's 'Vision 2023' goals. Unless proper mitigation measures are taken, the sector will continue to emit significant amounts of greenhouse gases, and its proportion of oil consumption will increase to levels that are unsustainable for a country which imports almost all of its oil. The sector's **resource efficiency** and the **optimisation of the transport network** will therefore be crucial for the Turkish economy's competitiveness. Considerable efforts will be needed to address the **climate change** challenge and to move towards a **low-carbon** and **climate-resilient economy**. Increasing levels of urbanisation and car ownership are likely to reduce the quality of life in city centres, and will mean careful planning is required to anticipate and accommodate the increasing demand. Designing and implementing a sustainable growth strategy is a priority for the country, and Turkey needs to promote integrated planning, **accessibility**, resource efficiency and smart infrastructure at national and urban level.

The lead institution in this sector is the Ministry of Transport, Maritime Affairs and Communication (MoTMC). The transport sector programme will take into account the objectives, programmes and targets included in the 10<sup>th</sup> National Development Plan, Turkey's Transport and Communication Strategy, the National Action Plan on Climate Change, the Railway Reform Strategy and Action Plan, and other relevant sector/sub-sector strategy documents such as the conclusions of the Transport Forum. The opening of chapter 22 on regional policy represents a significant step towards implementing the Action Plan for meeting EU Cohesion Policy requirements.

### **b. Objectives, results, actions and indicators**

The main objective of IPA II assistance between 2014 and 2020 for Turkey's transport sector is to facilitate Turkey's connection with the TEN-T rail network and develop sustainable, low-carbon, intelligent and safe transport in line with EU standards.

Expected **results** are:

- Turkish freight railway network connected to TEN-T network;
- improved inter-connections among different modes of transport and developed intermodal nodes;
- sustainable urban mobility planning advanced;
- Turkey's road safety strategy implemented;
- progress achieved on alignment with the *acquis* for different modes of transport.

**Actions** to achieve these results include:

In terms of **sustainable and safe transport**, a gradual decarbonisation of the system will be supported. Activities are foreseen to increase the market share of rail transport; support will be provided for improving and modernizing railway infrastructure, with a particular focus on freight, for connecting Turkey to the TEN-T network, in line with the Transport infrastructure needs assessment (TINA) study. IPA II assistance will also be oriented to the identification

and implementation of climate change adaptation and mitigation measures (through intelligent transport systems and by promoting and supporting modal shift at national and urban network level). Technical assistance support will be used for studies on maritime fleet emissions and for investigating the introduction of financing schemes for fleet renewal in the maritime sector and smart pricing for ‘user pays’ and ‘polluter pays’. IPA II assistance will be promoting road safety education at all levels, to increase awareness of the issue nation-wide, supporting Turkey’s ‘road safety action decade’ and its road traffic strategy and action plan. Activities will be implemented through grants and pilot projects, with the involvement of the Traffic Safety Platform, which is made up by public institutions, universities and NGOs.

The intermodal transport (i.e. freight and city logistics, rail and port connections and network optimization, urban transport) will be supported by technical assistance and small scale infrastructure activities. Pilot projects in selected cities will have to be based on integrating urban transport policies with inclusive (helping disable and elderly population and other vulnerable groups) mobility plans and sharing of information and experience among administrations and educational institutions. IPA II assistance will be also used for preparing project pipelines that promote sustainable public transport and mass transit schemes.

In the area of **efficient transport**, technical assistance activities will be needed to further develop and implement a national strategy on intelligent transport systems. EU support will facilitate Turkey’s gradual integration in the EU Global Navigation Satellite System *Galileo*. Moreover, collaboration between European and Turkish cities and between transport research institutes will be supported, to create a network of transport professionals and academics, and to collect and generate data to support informed policy-making.

Concerning **accessible transport**, medium-scale urban transport pilot projects will be implemented to promote alternative modes (pedestrian areas, stations, cycling, car-pooling, public transport) and accessible transport information services for all. An inclusive transport policy-making process will be supported by facilitating policy dialogue between transport stakeholders and the government.

In order to facilitate the process of creating a **single transport area with the EU**, IPA II assistance will support the progressive **acquis alignment** of Turkey in all transport areas. EU transport policy aims to ensure a competitive and resource efficient transport system for Europe, supporting the Europe 2020 strategy<sup>10</sup> and the low carbon economy roadmap for 2050<sup>11</sup>. Harmonising Turkish transport legislation to the EU *acquis* would need technical assistance activities, particularly to newly established Directorate Generals after the November 2011 reorganisation of the Ministry of Transport, Maritime Affairs and Communication (MoTMC), to strengthen their research, planning, institutional and implementation capacity. Assistance is also foreseen for facilitating a high level political dialogue in transport and civil aviation and an interoperable and seamless single railway area between EU and Turkey.

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<sup>10</sup> Commission Communication – Europe 2020 – A strategy for smart, sustainable and inclusive growth; COM(2010) 2020 final; 3.3.2010.

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:2020:FIN:EN:PDF>

<sup>11</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions; COM(2011) 112 final/2; 25.5.2011.

[http://eur-lex.europa.eu/resource.html?uri=cellar:5db26ecc-ba4e-4de2-ae08-dba649109d18.0002.03/DOC\\_2&format=PDF](http://eur-lex.europa.eu/resource.html?uri=cellar:5db26ecc-ba4e-4de2-ae08-dba649109d18.0002.03/DOC_2&format=PDF)

Main **indicators** of achievement:

- Progress made towards meeting accession criteria (EC);
- Logistics performance indicator – score (WB).

Annex 2 contains additional information on the indicators' sources and baseline and target data.

### **c. Types of financing**

Implementation modalities will build on experience gained between 2007 and 2013 and from the transport operational programme. Technical assistance will help to support the transposition of the EU *acquis*. Compared to the previous IPA period, IPA II will finance fewer infrastructures, adopting a 'phasing-out' approach: in the early years of the programme, it will focus on the freight railway activities that are most relevant to connecting with the TEN-T network; after that, assistance will focus more on soft interventions.

IPA II assistance will be provided through a multi-annual sector operational programme. This will be implemented through works, services, supply, twinning and grants. Given the technical expertise of some of the organisations operating in this sector (such as the Embarq, World Bank, UNDP) different forms of cooperation with IOs will be explored. JASPERS experts have already been asked for the appraisal of the biggest infrastructure proposals, to help developing a project pipeline, and to prepare mature projects especially at municipality level. For railway infrastructure interventions, cooperation with IFIs and ways of blending funding will be considered. The Commission has explored with Turkey the ways in which a Turkey Investment Programme (TIP) might work, to increase the financing capacity for investments in this sector.

### **d. Risks**

There will be a significant increase in stakeholders and a considerable number of priorities and actions in the transport sector operational programme, compared to the previous financial period. Also, the operating structure managing the assistance in the sector will have to face a new approach in programming actions. Thus, probably technical assistance support will be needed. An effective and efficient programming will be the key to success in implementing the programme.

## **5. Energy**

### **a. Needs and capacities in the sector**

Turkey has one of the fastest growing demands for energy in Europe. It has a young and increasingly urban population whose energy consumption is still comparatively low. Therefore, the government's main energy policy concern continues to be to develop domestic energy supplies so that Turkey can decrease its reliance on energy imports and meet the needs of its growing economy.

Turkey's energy objectives and policies are consistent with the EU 2020 strategy's targets for resource efficiency and climate action. Turkey is also a key partner in increasing the EU's energy supply security through developing the 'Southern Gas Corridor' where Turkey has potential to become a reliable transit country. Both EU and Turkey can benefit from deeper cooperation on energy issues.



IPA II will be programmed in partnership with the Ministry of Energy and Natural Resources, the lead institution in this sector, with close involvement by other key institutions (the Ministry of Environment and Urbanisation, the Turkish Atomic Energy Authority, the Turkish Electricity Transmission Corporation, the Petroleum Pipeline Corporation and the Energy Market Regulatory Authority).

Turkey's energy strategies are outlined in six different strategies/plans: Electricity Market and Security of Supply Strategy Paper, Ministry of Energy and Natural Resources Strategic Plan (to be updated), Energy Efficiency Strategy, 10<sup>th</sup> National Development Plan 2013-2018, National Climate Change Strategy 2010–2020, and National Climate Change Action Plan 2011-2023. These strategic documents describe Turkey's main objectives, allowing it to meet its energy needs for economic growth and social development.

### **b. Objectives, results, actions and indicators**

The objectives of IPA II assistance in the energy sector are to improve Turkey's interconnectivity and integration with European electricity and gas markets, to promote energy efficiency and renewable energies in line with the EU resource efficiency and climate action targets and to improve the nuclear safety regulatory and operational framework in line with EU standards<sup>12</sup>.

Expected **results** are:

- increased security of supply and more integration with EU internal electricity and gas markets;
- more efficient energy use and better promotion of renewables, following EU 2020 strategy targets;
- nuclear energy legislation harmonised with EU *acquis*;
- strengthened institutional and regulatory capacity in relevant authorities;
- increased cooperation with neighbouring countries on market integration and infrastructure development.

**Actions** to achieve these results include:

**Market integration and development of infrastructures:** IPA II assistance will support the modernising and upgrading of the Turkish electricity network in line with the European Network of Transmission System Operators for Electricity (ENTSO-E), and of the Turkish Gas Transmission System in line with the European Network of Transmission System Operators for Gas (ENTSO-G), including soft supply equipment for Supervisory Control and Data Acquisition (SCADA). Technical assistance will be needed for harmonising Turkish gas and electricity codes with relevant EU network codes and for *acquis* alignment in the areas of electricity and gas.

**Promotion of the renewable energy and energy efficiency:** harmonising renewable energy and energy efficiency legislation with the EU *acquis*; building capacity to implement energy

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<sup>12</sup> However, the implementation of the action in the area of nuclear safety will be under the responsibility of DG DEVCO, in the context of the Instrument for Nuclear Safety Cooperation (INSC).

efficiency programmes and renewable energy programmes; increasing the technical capacity of energy service companies (ESCOs); supporting SMEs and micro enterprises to improve competitiveness; developing infrastructures to measure, monitor and report on energy savings and greenhouse gas emissions; and raising awareness and disseminating information on energy efficiency targeted to industry, commerce and households.

Improving the **nuclear safety** regulatory and operational framework, in line with EU standards.

Main **indicators** of achievement:

- Progress made towards meeting accession criteria (EC);
- Quality of electricity supply (WEF).

Annex 2 contains additional information on the indicators' sources and baseline and target data.

### **c. Types of financing**

Given the technical expertise of some of the international organisations and international financial organisations operating in this sector in Turkey (e.g. the World Bank, the European Investment Bank group, the European Bank for Reconstruction and Development), the EU will explore the potential for direct agreements and options for flexible cooperation, to blend EU grants with IFI loan schemes and leverage private funds.

Building on the experience with regional or national facilities in the EU, the Commission has explored with Turkey the ways in which a Turkey Investment Programme (TIP) might work, to increase the financing capacity for investments in Turkey in line with Europe 2020 strategy targets and Turkey's path towards EU membership.

IPA II programming in the energy sector will take a multi-annual planning approach. As energy is one of the key strategic priorities for pre-accession assistance to Turkey, IPA II assistance under this sector will increase, compared to 2007-13.

### **d. Risks**

Risks in this sector relate to lack of inter-institutional coordination, and insufficient human and financial resources to ensure ownership and sustainability of results. These will be mitigated by providing adequate IPA II funding to build stakeholders' administrative capacity, including the Ministry of Energy and Natural Resources as lead organisation for this sector.

## **6. Competitiveness and innovation**

### **a. Needs and capacities in the sector**

Given Turkey's high structural current account deficit, improved competitiveness is key to rebalancing Turkey's economic growth, which is currently highly dependent on domestic demand, towards a model of increased exports. Turkey's size and existing socio-economic disparities across regions highlight the need for a differentiated approach to competitiveness and innovation.

The Turkish economy is largely dominated by SMEs, which make up about 99% of companies and provide 78% of employment. However, SMEs create only about 55% of total value added. Improvements to productivity are therefore needed. Turkey's resource productivity (volume of GDP over Domestic Material Consumption), a lead indicator for one of the Europe 2020 strategy's flagship initiatives, is also low. Almost 58% of Turkish exports consist of low-technology goods.

Turkey is categorised as a 'modest innovator' in the European Commission's 'Innovation Union Scoreboard'. R&D expenditure, as a percentage of GDP, has stagnated since 2010 and would more effectively support the necessary reforms if it were higher. Significant weaknesses and challenges for Turkey's private sector development include poor conditions supporting innovation and competitiveness (e.g. business environment, regulatory reform, policy measures in support of innovation and smart growth); the need to improve industrial and intellectual property rights; very low rate of commercialisation of R&D results and patents; insufficient integration of concepts such as green growth, sustainable growth and corporate social responsibility into policy-making and business culture; limited access to finance, particularly for SMEs; the need to increase the competitiveness of the services sectors, which produces high value added products, creates employment and generates foreign exchange revenues; and the need for a stronger role for creative industries and sectors.

Turkey's banking sector is well developed and accessible. However, it needs to develop better and more targeted financial instruments, other than the conventionally used interest-rate subsidy schemes. Venture capital, credit guarantees and business angels are not widespread and well-developed tools.

The sector relates to chapter 20 on Enterprise and Industrial Policy, which has limited requirements for *aquis* alignment. Turkey largely meets these. The sector also links to chapter 25 (on Science and Research), which has been provisionally closed, and to chapter 22 (on regional policy and coordination of structural instruments), which has been opened in 2013. As a candidate country, Turkey has to develop measures that are consistent with the Europe 2020 agenda; this requires increased efforts to contribute to key Europe 2020 targets, increase smart and inclusive growth and improve competitiveness.

Improving private sector competitiveness and supporting innovation through regional development supports Turkey's official development objectives, as set out in the 10<sup>th</sup> National Development Plan. The key element in other relevant national strategies is a focus on moving from low value added production to high value added production by increasing productivity, R&D and innovation capacity. The relevant national strategies are complemented by several sectoral strategies (e.g. tourism, textile, machinery, electrical equipment, automotive), that give the same cross-cutting message. Combined with Turkey's regional development priorities, these strategies provide a basis for programming future assistance.

Turkey has started to make R&D and innovation reforms. There are several public-sector support initiatives in Turkey, such as R&D support programmes, technological development zones and entrepreneurship programmes. In 2013, the Ministry of Science, Industry and Technology introduced performance indexes for technology development zones. It is conducting impact assessments on public-sector support provided in this field, and the relevant systems are expected to change. The Ministry has also started a nation-wide initiative on university-industry collaboration and has started supporting clusters through calls for proposals.

Turkey will participate in the EU's 'Horizon 2020' programme for research and innovation, as an associated country. Turkey's administrative capacity will need to be well developed to allow it to take full advantage of the cooperation opportunities the programme offers. The Scientific and Technological Research Council of Turkey (TÜBİTAK), which has already a good track record on research projects, is also moving towards more collaboration with businesses. There are also other well-established and institutionalized partners in the system like the SME Development Agency (KOSGEB), which leads on implementing the Small Business Act and functions as a partner institution in the EU's COSME programme. Institutions such as KOSGEB and the Turkish Patent Institute carry out private-sector outreach activities.

The *lead institution* in this sector is the Ministry of Science, Industry and Technology, which acted as the operating structure for the regional competitiveness operational programme in the first phase of IPA.

### **b. Objectives, results, actions and indicators**

The overall objective of assistance in this sector is to improve the business environment and strengthen Turkey's research, technologic development and innovation capacity.

Expected **results** are:

- improved functioning of the business sector, especially for SMEs and entrepreneurs;
- improved access to finance for SMEs;
- increased clustering, networking and SME internationalisation;
- creation of scientific excellence and increased cooperation amongst public and private research and innovation bodies to increase economic development.

Support in this sector will be focused around (1) Private Sector Development, (2) Innovation and (3) Capacity-building and support programmes, including for increased participation in Union Programmes. Compared to the previous IPA programme, more importance will be given to innovation and funding to support infrastructure will be reduced.

**Actions** to achieve these results include:

**Private sector development:** capacity building and consulting support to SMEs/ entrepreneurs; developing industrial and business support infrastructure (e.g. constructing common use production facilities, business incubators, business centres or common use storage facilities); capacity building support for clustering, networking and SME internationalisation; providing consultancy support for selected services sectors (including tourism sector and logistics) and their infrastructure; strengthening creative industries (including advertising, architecture, design, new media and software, film industries, visual arts, performing arts, music industry) and their infrastructure; supporting regulatory simplification; and supporting SMEs' / entrepreneurs' access to finance.

**Innovation:** strengthening research capacities (e.g. establishing research centres and integrating centres of excellence / accredited laboratories / upgrading universities research capacities); commercialising R&D and innovation (e.g. supporting entrepreneurs, SMEs and academia); developing R&D and innovation infrastructure (e.g. establishment of physical infrastructure for technoparks and R&D centres); promoting technology transfer (e.g.

establishment of physical infrastructure for technology transfer offices and capacity building activities); supporting social innovation (e.g. innovative public / social services); supporting university-industry cooperation (e.g. supporting common projects); R&D activities on energy efficiency, clean technologies, industrial symbiosis, and the green economy (e.g. establishing specialised R&D centres, supporting activities on these themes).

**Capacity-building and support:** capacity-building activities for system operators, including development agencies at NUTS II regional level; capacity-building for national institutions that run SME support programmes and programmes to create supportive environments for innovation, including the Scientific and Technological Research Council of Turkey (TÜBİTAK), the SME Development Agency (KOSGEB), and the Ministry of Science, Industry and Technology; support for improving SME participation in Union Programmes.

For some actions, a geographical concentration approach will be necessary, granting support particularly to regions in the south-east and east of Turkey, where levels of economic development are lower. On the contrary, innovation actions can be supported nation-wide.

Main **indicators** of achievement:

- Progress made towards meeting accession criteria (EC);
- Doing Business - Distance to frontier - score (WB).

Annex 2 contains additional information on the indicators' sources and baseline and target data.

### **c. Types of financing**

In light of experience gained in the first IPA period, the programme structure for IPA II in this sector will continue to follow a multi-annual programming approach. Under the Regional competitiveness operational programme (2007-13 IPA), assistance was provided to central public-sector bodies and eligible local authorities. SMEs were able to benefit from EU funding through projects implemented in cooperation with IFIs. In principle, this system should be continued, using financial instruments funded through contribution agreements with international organisations.

Moreover, a future sector operational programme should reserve a limited part of its allocation to support programmes directly managed by public institutions, in line with the sector's objectives. Grant awards made directly to the competent national authorities could be used for this purpose. Monitoring systems in this area would need to be made more effective. The following areas would be suitable for this kind of support: cluster development and territorial cooperation support programme; entrepreneurship support programmes focusing on women; and R&D and innovation.

Models that support regional investment programmes involving development agencies at NUTS II level should also be further explored.

### **d. Risks**

Given performance in this area under IPA 2007-13, the institutional capacity to absorb funds and properly implement projects and activities is a concern that needs to be addressed by improving the staffing situation and capacity building. To minimise the risk of

decommitment, the initial phase of the programme should focus on preparing and consolidating a solid pipeline of proposals.

## **7. Education, employment and social policies**

### **a. Needs and capacities in the sector**

Turkey still faces substantial challenges in the fields of employment, education, health and social inclusion, as acknowledged in its 10<sup>th</sup> National Development Plan.

In field of **employment**, despite the fact that Turkey has a dynamic labour market, key challenges remain regarding: the gender gap, with a female employment rate of 27.1 % in 2013, compared to 65.2% for men; the high number of young people who are not in employment, education or training (NEET), a large informal sector; and long-term unemployment, where Turkey has one of the highest rates among the OECD countries.

In the field of **education**, Turkey ranks 44<sup>th</sup> out of the 65 OECD countries, and is the lowest-ranked of the candidate countries, except for Montenegro. Despite Turkey's participation in the Lifelong Learning Programme and the open method of coordination, improvements in the quality of education have been slower than expected. Low labour market rates are also explained by the current low levels of educational attainment in Turkey. Access to education is also limited, and matching labour force skills with labour market demand remains an issue. Lifelong learning needs to be better promoted, and early school leaving is a major problem.

The main **social cohesion** challenges are: reducing the high risk of poverty; ensuring social inclusion and protection by providing social and health services; increasing the employability of vulnerable people; and ensuring nation-wide services are consistent.

As a candidate country, Turkey voluntarily applies EU standards in education and training. The five key indicators in the Education and Training 2020 strategy (PISA results, early school leavers, participation in lifelong learning, participation in pre-school education and tertiary attainment) should be tracked closely. This will allow Turkey's progress to be compared from year to year and with the EU Member States. Turkey's participation in the Erasmus+ programme should be conducted transparently and in line with EU standards.

Turkey's Employment and Social Reform Programme, which is part of the EU Enlargement Strategy, will identify policy reforms and measures in the areas of labour market, education and human resources development policies, social protection and social inclusion.

IPA II will aim to further assist Turkey in the areas of: employment and labour market; education and human resources development; social policies and inclusion. As these areas are complementary, IPA II assistance will be programmed in this sector in a holistic, strategic way, based on a multi-annual framework and in line with the main objectives of the 10<sup>th</sup> National Development Plan and relevant national strategies and action plans where the sector is covered. These include: the 2014-23 National Employment Strategy; the Gender Equality Action Plan (currently being updated); the Ministry of National Education's 2014-18 strategy document and action plan to improve the quality of Vocational Education and Training (VET) in Turkey. IPA II will support the implementation of these strategies.

IPA II assistance will be programmed in partnership with the Ministry of Labour and Social Security. Increased involvement from the Ministry of National Education, the Ministry of Family and Social Policies and the Ministry of Health will be sought in their respective areas of responsibility.

The sector programme will involve various stakeholders, including IOs, who will be closely involved in programming and implementation. This will help increase capacity in both national public bodies and other bodies, including development agencies at regional level, local authorities, social partners, professional organisations and NGOs.

### **b. Objectives, results, actions and indicators**

The sector's overall objective is to develop a more inclusive society by addressing employment and labour market needs and improving the effectiveness of social protection and social inclusion policies, including promoting decent jobs, improving social dialogue, and increasing the quality of and access to education and training systems.

Expected **results** are:

- an inclusive and more effective labour market with reduced regional disparities;
- an increase in labour market participation and employment rates, especially of women, young people, and disadvantaged groups;
- increased adaptability of employees, employers and enterprises to meet labour market needs;
- an increase in decent jobs, including more formal employment;
- improved educational attainment and skill levels, and better matching of skills supply and demand;
- modernisation of VET profiles and VET curricula;
- improved coverage and adequacy of social protection systems, with effective and efficient delivery of social policies and improved social protection mechanisms that focus on disadvantaged or vulnerable groups;
- stronger relationship between employment and social protection policies.

**Actions** to achieve these results include:

Support measures to promote employment, particularly active labour market measures for female, young, and disadvantaged people; improving registered/formal employment, including via voluntary compliance; strengthening the system of industrial relations and social dialogue; continuing to improve the functioning of the labour market, including for example, support for public employment services; increasing the number of 'green' jobs, paying particular attention to the most socially excluded groups.

Investing in people and institutions in order to promote an inclusive education at all levels. Particular attention will be given to measures affecting social groups at a higher risk of poverty and exclusion, such as the Roma; improving the quality of schools, in line with the European quality assurance in vocational education and training (EQAVET) principles and further modernising VET and lifelong learning systems for the working age population. Areas

for assistance also include early childhood education; Turkey's participation in Union youth programmes shall continue (notably, Erasmus+).

In the area of social policies, activities improving access to employment, education, health (including moving towards a community-based approach), and other social services. Particular focus will be put on preventing any form of discrimination in access to health care and social services, paying specific attention, where relevant, to social inclusion and integration of Roma; promoting social innovation and social entrepreneurship. Support for improving services caring for children, sick people and elderly people will be considered, to promote labour force participation by women.

Main **indicators** of achievement:

- Progress made towards meeting accession criteria (EC);
- Employment rate 15-64 years, total % (Eurostat).

Annex 2 contains additional information on the indicators' sources and baseline and target data.

Cross-cutting issues: In implementing the measures outlined above, the principles of equal opportunities and non-discrimination must be applied and actively promoted. Measures to build capacity and carry out institutional reforms across the board will be supported, as will measures supporting alignment to and implementation of the *acquis* under chapter 19 (Social Policies and Employment) and the public health elements of chapter 28 (Consumer and Health protection). Attention will be paid particularly to actions required to meet the benchmarks set in negotiation chapters, like those in chapter 22 (Regional policy and coordination of structural instruments) where actions should have a socio-economic impact on the country's poorest regions. Turkey has prepared a draft national action plan on adopting the social *acquis* to meet one of the opening benchmarks in chapter 19. This constitutes a good basis for programming related assistance.

### **c. Types of financing**

The areas of employment, education and social policies meet the relevant criteria under IPA II for a sector support programme. Activities will be supported through service, supply and work contracts, grant schemes, twinning, in cooperation with international organisations, where appropriate. Investment support however will receive a limited proportion of the allocation for this sector. The programme could be rolled out into two tranches (2014-17 and 2018-20).

As was the case under IPA 2007-13 (component IV), IPA II assistance will continue to support final beneficiaries and target groups with a view to achieving maximum outreach. This may be in the form of grants, budget support, or financial assistance through financial engineering instruments.

### **d. Risks**

Risks in this sector relate to insufficient inter-institutional coordination and overloading the operating structure with parallel implementation of projects and activities under IPA I and II. These will be mitigated by providing adequate resources, appropriate sequencing of activities under IPA II and building the administrative capacity of the many stakeholders in this sector.



## 8. Agriculture and rural development

### a. Needs and capacities in the sector

Agriculture and rural development is a key sector in both social and economic terms. In 2013, it represented 8.9% of Turkey's GDP and employed 23.6% of the country's labour force. About half of Turkey's total land area is devoted to agriculture. Turkey is a major world producer and exporter in some sectors (e.g. fruits and vegetables, and nuts). However, major investment is needed to bring the sector up to EU environmental and hygiene standards. On the other hand, the income of the labour employed remains at low levels and productivity is lower than in other sectors, contributing to migration from rural areas to urban centres. Social and economic development of rural areas will continue to pose a major challenge.

Under the agricultural and rural development sector, IPA II will cover *acquis* chapters 11 (Agriculture), 12 (Food Safety, Veterinary and Phytosanitary Policy) and 13 (Fisheries). Alignment with the EU *acquis* in these chapters involves a large number of rules, regulations, and directives. Applying all of these correctly is essential to the proper functioning of the Common Agricultural Policy and the Common Fisheries Policy. Although some progress has been made in aligning and implementing legislation in these areas, further efforts are required.

Related reforms in Turkey are guided by a number of national strategies. The 10<sup>th</sup> National Development Plan is the over-arching strategy for reforms aiming at a well-organised, highly productive and competitive sector. The 2007-13 National Rural Development Strategy and the 2007-13 Instrument for Pre-Accession Assistance in Rural Development Programme (IPARD) focused on developing rural areas and meeting EU food safety standards. The Ministry of Food, Agriculture and Livestock's 2013-17 Strategic Plan prioritises EU *acquis* alignment. The upcoming National Rural Development Strategy for 2014-20 (currently being drafted) will also be important.

The Ministry of Food, Agriculture and Livestock (MoFAL) is the lead institution in the sector.

### b. Objectives, results, actions and indicators

The overall objective in this sector is to sustain Turkey's efforts in the areas previously covered by IPA, relating to Turkey's preparations to implement the Common Agricultural Policy (CAP) and align its legislation with the *acquis* in the areas of food safety, veterinary and phytosanitary policy and fisheries policy.

#### Sub-sector 1: Rural development programme

Interventions will be implemented through a rural development programme, modelled on EU rural development policies. Implementation of the current IPARD I programme (covering 2007-13 budget allocations) will continue in Turkey's 42 accredited provinces. The new IPARD II programme will be prepared by the managing authority, which is based in the Ministry of Food, Agriculture and Livestock.

Expected **results** are:

- a group of modernised farms and agri-food enterprises that gradually meet EU standards;

- increased investments in agriculture holdings;
- increased investment in processing and marketing agricultural and fishery products;
- improved diversification and development of rural economic activities;
- capacity of the IPARD structures reinforced.

**Actions** to achieve these results include:

Increasing the capacity in the IPARD programme and supporting investments in physical assets in agricultural holdings, establishments processing and marketing agricultural and fishery products, farm diversification and business development.

Complementary activities may also include the preparation and implementation of local development strategies in line with the LEADER approach, agri-environment measures and organic farming, technical assistance and advisory services.

An appropriate balance must be struck between activities targeting alignment with the *acquis* and a broader socio-economic development of the sector. Complementarity between the IPARD programme and the national rural development policies will be ensured.

### **Sub-sector 2: Institution and Capacity Building**

Assistance in this subsector aims to ensure Turkey's gradual alignment with the *acquis*, on food safety, veterinary and phytosanitary standards and agricultural and fisheries policy.

**Actions** to be supported will focus on:

In the area of **agriculture and rural development**, the activities will mainly aim at supporting Turkey's alignment with and implementation of the Common Agricultural Policy; building capacity in the IPARD managing authority, the IPARD agency and supporting institutions such as advisory services, as far as is necessary for IPARD II. Other activities will include setting-up of EU-aligned agricultural support schemes and mechanisms, improving statistics, improving the climate resilience of agricultural sector, organic farming control and certification systems. Activities will be planned to prepare introducing the Single Common Market Organisation (CMO) rules and standards. The assistance will also address increasing harmonisation with EU food quality policy, including an inspection system and aiming at increased stakeholder awareness and participation in the process of aligning with the EU *acquis* to ensure a smoother transition period towards full alignment.

In the area of **food safety, veterinary and phytosanitary policy**, the activities will aim at improving official checks on food and feed in terms of technical capacity (including risk assessment and risk communication) and infrastructure (including laboratories) as well as improving import control systems in terms of administrative capacity. Moreover, multi-country cooperation will be important for the development of technical and administrative capacity for satisfying the requirements of the EU Food Law in the area of risk assessment (e.g. EFSA Pre-accession programme 2007-13), as well as the monitoring of zoonoses. The assistance will also address institutional and capacity building to prepare and implement a national programme to upgrade agri-food establishments, including developing a strategy for using non-compliant raw milk, and the monitoring of the strategy's implementation. IPA II will support capacity building on animal health, animal welfare, animal by-products and zoonotic diseases; improving the diagnostic and surveillance capacity with regards to animal

diseases, in particular for transmissible spongiform encephalopathy (TSEs); and assisting further implementation of animal identification and registration systems. The phytosanitary area will also need institutional and capacity building, particularly for authorising and controlling plant protection products. Improving knowledge of EU standards of relevant business and farming sectors will also be addressed.

In the area of **fisheries**, assistance will help preparing a strategy to increase alignment with the Common Fisheries Policy (CFP) and strengthening institutional capacity and legal alignment for fisheries management to meet the requirements in the reformed CFP. Activities will contribute to improved capacity for the conservation and the sustainability of fisheries resources, including resource and fleet management; eco-system based fisheries management and stronger enforcement. Support will be also granted to the preparation of the implementation of the fisheries common market organization. IPA II will also aim at increasing the stakeholder awareness and participation to ensure a smoother transition period in the EU alignment process. These activities will be complementary to assistance already programmed under IPA 2007-13, particularly on strengthening monitoring, surveillance and control, combating of IUU (Illegal, Unregulated and Unreported) fishing and data collection.

Expected **results** are:

- a more economically diverse rural economy developed;
- improved food safety, in line with EU standards;
- veterinary and phytosanitary services and controls in line with the EU requirements implemented;
- restructuring and *acquis* alignment of agriculture and fisheries sub-sectors supported.

Main **indicators** of achievement:

- Progress made towards meeting accession criteria (EC);
- Total investment generated via IPA II in agri-food sector and rural development (DG AGRI).

Annex 2 contains additional information on the indicators' sources and baseline and target data.

### **c. Types of financing**

For the rural development subsector a multi-annual support programme will continue to be the main method for funding, given the recently accredited IPARD institutions. Instead, the capacity and institution building subsector will follow a sector-oriented programming approach with annual actions, focusing particularly on the areas of food safety, veterinary and phytosanitary policy.

### **d. Risks**

Actions will rely on key stakeholders agreeing to provide their support to implement measures and activities in the sector. Adequate provision of human resources by the Ministry of Food, Agriculture and Livestock, at both central and provincial level, will be essential to sustain results.

## **9. Territorial and regional cooperation**

### **a. Needs and capacities in the sector**

The IPA II budget allows for funds to be allocated for territorial cooperation (under the multi-country envelope) at borders between Turkey and EU Member States. Current cooperation should be continued, as part of work towards the objective of fostering good relations and promoting social and economic integration in remote areas.

### **b. Objectives, results, actions and indicators**

The objective of pre-accession assistance is to promote territorial cooperation, strengthening cross-border and transnational cooperation, supporting socio-economic development in the border regions and developing appropriate administrative capacity at local and regional levels by encouraging beneficiary countries to participate in cross-border activities. The expected results and indicators will be set out in dedicated seven-year multi-annual programmes, which will be prepared on the basis of consultation with stakeholders.

These objectives will be reached through three different families of programmes:

- IPA II Cross-Border Cooperation programmes (CBC) with EU Member States

Cross-border cooperation programmes with EU Member States are implemented in shared management with the EU Member States. This is carried out through the creation of a single managing authority, which is located in the EU Member State participating in the programme and which is responsible for implementing the whole programme, on both sides of the border.

Turkey will continue its bilateral cross-border cooperation with Bulgaria, to support economic, social and territorial development in the Turkey-Bulgaria border areas. During the first phase of the programme problems were encountered, largely as a result of the newly established collaboration between the relevant authorities, leading to sub-optimal procedures being put in place and a lack of risk analysis. These obstacles caused decommitments while the programme was being implemented. Solutions have been found and, for the new period, the programme will benefit from structures with experience in collaborating, which should facilitate a smooth implementation.

Despite the EU's efforts, Turkey did not submit a cross-border programme for the 2007–13 period. However, Turkey has recently signalled that it may be open to the possibility, and this would be taken into account for the 2014-20 period.

The conditions are not yet suitable for cross-border cooperation between Cyprus and Turkey, and it seems unlikely that a programme will be presented in the near future. Nevertheless, a budget allocation has been earmarked to implement a programme, in case the situation changes.

- ERDF Trans-national cooperation programmes

IPA II funding may be available to enable eligible regions in candidate countries/potential candidate countries to participate in transnational cooperation programmes under the European territorial cooperation objective of the structural funds (with the European Regional Development Fund (ERDF) Regulation as the legal basis). In the 2007-13 period, Turkey did not participate in the 'South East Europe' programme (SEE) or the 'Mediterranean' programme (MED). For 2014-20, new ERDF transnational programmes will be launched,

involving some Member States and IPA II countries. Discussions between Member States and Turkish authorities will be held to consider Turkey's participation in those programmes.

- European Neighbourhood Instrument Programmes (ENI)

Turkey is the only IPA II country which is territorially eligible for the 2014–20 Black Sea Basin European Neighbourhood Instrument programme. The country currently participates in the Black Sea programme, and this will continue, with the intention of supporting stronger, sustainable economic and social development in the region, based on stronger regional partnerships and cooperation. Funds will be managed by the programme's managing authority, which is expected to continue to be hosted by Romania.

The Turkish authorities also expressed their interest in launching discussions to set up a new cross-border cooperation programme with Georgia, to support economic, social and territorial development in the Turkey–Georgia border area. The programme could begin during the 2014-20 period.

### **c. Types of financing**

Assistance will be provided primarily through grant contracts. Investments may also be financed, depending of each programme's objectives. Technical assistance will be provided to improve the capacity of the institutions involved in implementing the programmes.

### **d. Risks**

Risks are highly specific to each individual cross-border cooperation programme and region. Experience has shown that political commitment and support can also vary by programme. During the 2007-13 programming period, programmes were subject to delays which caused decommitments and implementation issues, largely as a result of a lack of clarity in managing the programme. In the Black Sea Basin programme in particular, problems were caused by the fact that IPA and European Neighbourhood and Partnership Instrument funds were spent under different conditions/regulations. In the 2014-20 period, IPA II funding will be managed under the same conditions as the European Neighbourhood Instrument funds. This will enable programmes to more easily avoid double contracting and will allow for real joint activities.

Other risks to be taken into account are:

- limited capacity of beneficiaries to develop projects;
- insufficient commitment and lack of capacity for control responsibilities;
- lack of political support.

## ANNEX 1: INDICATIVE ALLOCATIONS (million EUR)<sup>13</sup> - per policy areas and sectors

Turkey	2014	2015	2016	2017	Total 2018-2020	Total 2014-2020	Of which climate change relevant (%)
<b>a. Reforms in preparation for Union membership</b>	<b>355.1</b>	<b>196.6</b>	<b>240.3</b>	<b>137.2</b>	<b>652.2</b>	<b>1,581.4</b>	
Democracy and governance	540.2				416.3	956.5	
Rule of law and fundamental rights	388.9				236.0	624.9	
<b>b. Socio-economic and Regional development</b>	<b>155.8</b>	<b>265.8</b>	<b>247.0</b>	<b>261.4</b>	<b>595.3</b>	<b>1,525.3</b>	
Environment and climate action	297.1				347.5	644.6	70%
Transport	386.0				56.8	442.8	60%
Energy	59.0				34.4	93.5	70%
Competitiveness and innovation	187.8				156.6	344.4	10%
<b>c. Employment, social policies, education, promotion of gender equality, and human resources development</b>	<b>37.4</b>	<b>62.9</b>	<b>65.9</b>	<b>68.9</b>	<b>199.9</b>	<b>435.0</b>	
Education, employment and social policies	235.1				199.9	435.0	
<b>d. Agriculture and rural development</b>	<b>72.0</b>	<b>100.9</b>	<b>77.0</b>	<b>158.1</b>	<b>504.2</b>	<b>912.2</b>	
Agriculture and rural development	408.0				504.2	912.2	10%
<b>TOTAL</b>	<b>620.4</b>	<b>626.4</b>	<b>630.8</b>	<b>636.4</b>	<b>1,940.0</b>	<b>4,453.9</b>	

<sup>13</sup> Any possible differences in figures displayed in policy areas and sectors compared to the annual totals are the effect of rounding to one decimal.

## ANNEX 2: INDICATORS AND TARGETS

**Table 1a: Context indicators**

Indicator	Source	Baseline	Last value	
		2010	year	value
Public debt (% of GDP)	<a href="#">Eurostat</a>	42,34		
Real GDP growth rate (average last three years - %)	<a href="#">Eurostat</a>	9,16		
Unemployment Rate (%)	<a href="#">Eurostat</a>	10,8		
GDP per capita at current prices (PPS €)	<a href="#">Eurostat</a>	7571,52		
FDI per capita €	<a href="#">Eurostat</a>	93,9		

**Table 1 b: Outcome and impact indicators \***

Sector	Indicator	Baseline	Last value		Milestone	Target
		2010	year	value	2017	2020
Composite indicator (average ranking provided by eight external sources)	Corruption Barometer, Control of Corruption, Freedom of Press, Press Freedom, Rule of Law, Government Effectiveness, Regulatory Quality, Voice and Accountability	52,1				
Progress made in reaching the political criteria provided	ELARG – Progress report					
Progress made on implementation of acquis	ELARG – Progress report					
Progress made in meeting economic criteria	ELARG – Progress report					
Employment rate (15 to 64 years) total %	Eurostat:					

\* Targets will be provided at a later stage



**Table 2: Sector Indicators \***

Sector	Sub sector	Indicator	Source	Baseline	Last value		Milestone	Target
				2010	year	value	2017	2020
Governance and Democracy	Governance and PAR	Progress made towards meeting accession criteria	DG ELARG – Progress report					
		Composite indicator (average of Government Effectiveness, Burden of Government Regulation and Regulatory Quality) – <b>1 (Worst) - 100 (Best)</b>	World Bank – World Economic Forum	56,53				
	Public Financial Management	Progress made towards meeting accession criteria	DG ELARG – Progress report					
	Statistics	Progress made towards meeting accession criteria	DG ELARG – Progress report					
		Statistical compliance - % <b>0 (Worst) - 100 (Best)</b>	<a href="#">Eurostat</a>	19%-25% (2013)				
	Civil Society	Progress in enabling environment for freedoms, operation of CSOs and participation in policy-making	DG ELARG – Progress report					
		Number of associations and membership, including networks, platforms and civic initiatives	Turkish Ministry of Interior – Department of Associations					
Rule of law and fundamental rights	Judicial reform	Progress made towards meeting accession criteria	DG ELARG – Progress report					
		Composite indicator (average of Access to Justice and Judicial independence)	World Justice Project, World Economic Forum	51,29				
		Backlog in courts: improvement of clearance rate through reduction in number of pending cases and duration of proceedings	Council of Europe - CEPEJ					
	Fight against corruption and organised crime	Progress made towards meeting accession criteria	DG ELARG – Progress report					
		Composite indicator (average of Global Corruption and Control of Corruption) <b>1 (Worst) - 100 (Best)</b>	Transparency International – World Bank	50,52				
	Fundamental	Progress made towards meeting accession	DG ELARG – Progress report					

Sector	Sub sector	Indicator	Source	Baseline	Last value		Milestone	Target
				2010	year	value	2017	2020
	Rights	criteria						
		Composite indicator (average of Freedom of Press and Press Freedom) <b>1 (Best) - 100 (Worst)</b>	Freedom of Press – Press Freedom	51,63				
	Refugees and Border management	Progress made towards meeting accession criteria	DG ELARG – Progress report					
Environment		Progress made towards meeting accession criteria	DG ELARG – Progress report					
		Population connected to waste water collection systems	National statistics					
		Municipal Waste collected (kg/person/year)	Eurostat					
Transport		Progress made towards meeting accession criteria	DG ELARG – Progress report					
		Logistics performance indicator (score) <b>1 (Worst) - 5 (Best)</b>	<a href="#">World Bank</a>	3,51 (2012)				
Energy		Progress made towards meeting accession criteria	DG ELARG – Progress report					
		Quality of electricity supply <b>1 (Worst) - 7 (Best)</b>	<a href="#">World Economic Forum</a>	4.7 (2011)				
Competitiveness and Innovation		Progress made towards meeting accession criteria	DG ELARG – Progress report					
		Doing Business - Distance to frontier (score) <b>1 (Best) - 100 (Worst)</b>	<a href="#">World Bank - Doing Business</a>	63,13				
Education, employment and social policies		Progress made towards meeting accession criteria	DG ELARG – Progress report					
		Employment rate (15-64 years), total - %	<a href="#">Eurostat</a>	46,29				
Agriculture		Progress made towards meeting accession criteria	DG ELARG – Progress report					
		Total investment generated via IPA II in agri-food sector and rural development (EUR)	DG AGRI					

\*: targets will be provided at a later stage