

**ANNUAL REPORT**  
**ON THE IMPLEMENTATION**  
**OF THE ASSISTANCE UNDER IPA**

**REPUBLIC OF TURKEY**

**Prepared by**

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**Date**

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# MAIN REPORT

## OBJECTIVE

The main objective of the Annual Report on the implementation of the IPA assistance is to record:

- The progress made in implementing Community assistance, in relation to the priorities set up in the multi-annual indicative planning document and the different programmes
- The financial implementation of Community assistance under IPA.

The report synthesizes the Sectoral Annual Reports issued under all IPA components for the year 2010 and is subject to examination by the IPA Monitoring Committee prior to its transmission to the European Commission and to the National Authorising Officer.

## EXECUTIVE SUMMARY

This part of the report presents briefly the key findings, conclusions and recommendations of the report without being a collection of abstracts from the report. It includes, *inter alia*, the following information:

- **Overview of the IPA Components and the management, monitoring, control and financing arrangements**

Being a candidate country for EU membership, Turkey has been one of the beneficiary countries of EU Funds under the Instrument for Pre Accession Assistance since 2007 with its all five components. From 2007 to 2013, yearly funds allocated for Turkey have been increasing steadily (i.e. from 497 MEUR for 2007 to 936 MEUR for 2013). Annual financial allocations for Turkey per component during the IPA period have been given in the MIFF as follows:

**Table 1: Multi-Annual Indicative Financial Framework (MIFF) for Turkey**

COMPONENT	2007	2008	2009	2010	2011	2012	2013	TOTAL
I- Transition Assistance and Institution Building	257	256	240	211	229	234	238	1665
II-Cross-border Cooperation	2,1	2,9	3	9,6	9,8	10	10	48
III-Regional Development	168	174	183	238	293	368	378	1802
IV-Human Resources Development	50	53	56	63	78	90	96	486
V-Rural Development	21	53	86	131	173	198	213	874
<b>TOTAL</b>	<b>497</b>	<b>539</b>	<b>566</b>	<b>654</b>	<b>782</b>	<b>900</b>	<b>936</b>	<b>4873</b>

(Figures are in current prices, million €)

### **IPA-I Transition Assistance and Institution Building Component**

Transition Assistance and Institution Building Component's 2007 and 2008 National Programmes are under implementation namely contracting and procurement procedures were/are being applied to the projects under those programming years. These procedures are ongoing for 11 out of 37 projects from 2007 Programme and 23 out of 32 projects for 2008 Programme. As for the year 2009 which is consisting of 34 projects, the whole package was endorsed with the Financing Agreement which entered into force on at 29 December 2010. The 2010 programming package will be in the list of enforced Programme once the FA is signed which is envisaged to be realised soon.

The programming process for IPA-I 2011 Programme was launched on 12 March 2010. The said programming exercise has coincided with the introduction of the Sectoral Approach and the new MIPD preparations for the period of 2011-2013. Besides all these, the Programming Process Document has been restructured with a new understanding through an intensive process of consultation with the Commission and Turkish DIS institutions. This brought in the requirement of simultaneous programming for 2012 and beyond. Referring to the financing agreements in force for this component, 2007 FA was signed on 24 December 2008, 2008 part 1 FA was signed on 31 March 2009, part 2 FA was signed on 30 April 2009 and Addendum to the part 1 FA was conducted on 17 June 2009. In addition to these, 2009 part 1 FA (Union Program and Agencies) was signed on 14 December 2009; however, 2009 part 2 (National Programme) FA was signed on 13 December 2010.

### **IPA-II Cross-Border Cooperation**

Regarding Component II, there are two separate Programmes in which Turkey takes part. These are "Bulgaria-Turkey IPA CBC Programme" and "Black Sea Basin ENPI CBC Programme". In this report information regarding "Black Sea Basin ENPI CBC Programme" has only been

included since the report is not supposed to provide information on CBC Programmes with Member States with shared management under which the CBC BG-TR is implemented.

Black Sea Basin ENPI CBC Programme was established under European Neighbourhood Policy Instrument together with other two maritime basin Programmes. Having a multi-partied form, the Programme covers the following eight countries at the basin; Armenia, Bulgaria, Georgia, Greece, Moldova, Romania, Ukraine and Turkey.

The objectives of the Programme could be summarized in a more general manner as promoting economic and social development by involving local people to work together in the border areas. For projects partly implemented with IPA funds, a collaboration protocol has been established among “Ministry of Regional Development and Tourism” of Romania and “Turkish International Cooperation and Development Agency (TİKA)” and Central Financing and Contracts Unit (CFCU) of Turkey. Secretariat General for EU Affairs of Turkey (EUSG) has replaced TİKA as the National Authority in 2010. The Programme is open to all levels of local/regional/central authorities/institutions, NGOs/Civil Society Organisations and other institutions which have non-profit characteristics.

The Eligible area in Turkey is composed of seven NUTS II regions and 25 provinces.

The total amount of the Programme budgeted for the period 2007 – 2013 is allocated as € 31,211,187 consisting of € 23,433,410 from ENPI funds and € 7,777,777 from IPA funds. The first call for proposals was launched on 30 June 2009 and following the evaluation process, a final package of projects was approved by the ENPI Black Sea Basin Programme’s Joint Monitoring Committee Decision dated 3-4 November 2010. A second call is envisaged to be launched in the third quarter of 2011.

### **IPA- III Regional Development and IPA –IV Human Resources Development**

The implementations of the Programmes are being performed by the respective Operating Structures and the CFCU for Environment, Regional Competitiveness, Transport and Human Resources Development Operational Programmes. Conferral of management decision for Ministry of Environment and Forestry IPA procurement and contracts unit has taken place as of 20 January 2011, thus from this date on Ministry’s relevant unit has been responsible for the contracts and procurement of Environment OP. For the contract units of the other Operational Programme-owner Ministries, accreditation arrangements are taking place and expected to be completed by the end of 2011 or mid 2012 at the latest.

Revised Financing Agreements for the modified Operational Programmes (Environment, Regional Competitiveness and Transport) for the years 2007-2011 which were signed in December 2010, were endorsed by the Council of Ministers on 20 December 2011 and entered into force with being published on the Official Gazette on **29 December 2011**. Consultations between the Commission and the Turkish authorities on the revised Financing Agreement for the Human Resources Development OP have been finalised and the agreement is in its signature phase.

## **IPA Component V**

Preparations for activating this Component have been intensified in the course of 2010. The most prominent development of the last year for the Rural Development Component has become signature of the Sectoral Agreement (SA) which was signed on 7 May 2010 and approved by the Council of Ministers on 7 July 2010 eventually entered into force on 27 July 2010.

Following the NAO accreditation on the 21<sup>st</sup> of July 2010, ARDSI issued a conditional call for proposals announcement on 28 July 2010 and finished the collection of project proposals by 31 November 2010. Project applications are currently subject to evaluation.

Among others, legal requirement for getting this component ready to provide finance for the projects is also conclusion of Multi Annual Financing Agreement (MAFA). Upon the entry into force of the SA, the Turkish Side informed the Commission about its readiness for proceeding with the signature of the MAFA. It should also be noted that the text of the MAFA has been negotiated by the Parties and agreed upon by the end of 2010.

### **• Information on the meetings and reports of the Sectoral Monitoring Committees, Joint Monitoring Committees (Component II) and IPA Monitoring Committee**

Component I - JMC&TAIB Monitoring Committee meeting was held on 11 February 2010 and 29 June 2010.

Component II – JMC (ENPI Black Sea Basin Programme) meeting was held on 28<sup>th</sup> June 2010 in Batumi and 3<sup>rd</sup> – 4<sup>th</sup> November 2010 in Bucharest.

#### Component III:

Environment OP: Two SMC meetings were conducted on 22nd April 2010 and 14th October 2010, respectively.

Regional Competitiveness OP: Two SMC meetings were conducted on 22nd of April 2010 and 14th of October 2010

Transport OP: Two SMC meetings were conducted on 21th April 2010 and 15th October 2010.

Component IV – Two SMC meetings were held on 24th June 2010 and 7th SMC on 30 November 2010.

Component V - Two IPARD MC meetings were conducted on 6th May 2010 and 9th December 2010.

### **• Main conclusions and recommendations of the last IPA annual implementation report and follow up**

During the course of 2010, all DIS institutions in Turkey involved in the management of the financial assistance provided by the EU, made huge efforts in strengthening their capacities and addressing the findings raised in the conferral of management decisions for Components 1-4.

As a remedial action for high staff turnover in the IPA units established at the ministries responsible for the Components 3, 4 and 5; a new law to establish the legal basis of IPA Units and to improve the working conditions of the staff was expected to enter into force in 2010 but no concrete progress was realized in this respect. On the contrary, improvements have been made regarding the administrative capacity in general which the details are provided in the course of the report for each IPA unit.

For the IPA units of the other Operational Programme owner Ministries, accreditation arrangements which were ongoing during the reporting period are expected to be completed by the end of 2011 or mid 2012 at the latest.

Weaknesses in the management and control systems that prevent accreditation of the Operating Structures of Components III, IV, V and the audit findings from various audits are to be followed closely and addressed in a timely manner to ensure the sound management of the funds.

In order to avoid the possibility or minimize the risk of losing funds and increase the general absorption rate of IPA Programmes, the tendering and contracting phases should be accelerated. All OSs as well as CFCU are well aware of this fact and working on this to increase their capacities in line with the action plans.

The transition strategy with action plans and realistic target dates should be updated and followed closely.

The rejection rates of procurement files need to be analysed carefully and remedial actions should be taken to achieve the targets in the relevant roadmaps.

## Detailed Observations by Component

### COMPONENT I: Transition Assistance and Institution Building

#### I. Summary of the Component I and the relevant priorities set up in the Multi-annual indicative planning document and the Programme.

Being one of the five components, IPA-I is mainly designed for increasing the institutional capacity through which Turkish institutions align the relevant national legislation with the *acquis communautaire* per chapter. This component having such an important target has the following four priorities set in the Multi-Annual Indicative Planning Document (MIPD) 2009-2011;

- Progress towards fully meeting the Copenhagen political criteria,
- Adoption and implementation of the *acquis communautaire*,
- Promotion of an EU-Turkey Civil Society Dialogue
- Supporting activities

While the total amount of the earmarked budget of the IPA for Turkey is in inclination to increase up until 2013, the ratio of the first component to the total funds is decreasing year by year. For 2010, the allocated amount for the component-I is 211.3 MEUR which constitutes 32% of the 2010 budget which is 653.4 MEUR.

The IPA-I 2010 programming package includes 33 projects selected to be implemented for various areas set as priorities in the 2009-2011 MIPD. First priority axis of the 2009 – 2011 MIPD includes 13 projects and constitutes 14.92% of the total Programme budget; while second package will include 17 projects and cover 46.54% and third with 2 projects covering 35.46% of the budget and one project covering 3.08% of the budget will be implemented under the last axis.

As part of the programming, efforts were made to better focus on projects in the political priorities of the accession process as well as on aligning them with sector priorities. Since second half of the last year, a process for preparing a new MIPD covering the period 2011-2013 has been initiated in close cooperation with the Commission services and related Turkish partners in the form of working groups.

Since the component is mainly for addressing the issues related to alignment with *acquis communautaire* and increasing the institutional capacities of the line ministries and other public agencies, the beneficiaries under this component are to a great extent, the government agencies and bodies; however, some NGOs are also beneficiaries of the component though not many.



**II. Summary of the Sectoral annual report. The points of reflection should include, inter alia, information on the following:**

**1. Synthesis of progress made in implementing Community assistance in relation to the priorities set up in the multi-annual indicative planning document and in the Programme.**

Regarding Component I of the IPA Assistance, this report covers the National Programmes (NP) of the years 2007, 2008, 2009 and 2010. During the year 2010, the projects under 2007 NP were generally in implementation stage, whereas the 2008 NP projects were mostly in tendering stage. (See Tables 2 and 3 below) Financing Agreement for the projects (excluding the Participation in Community Programmes and Agencies Project) in 2009 NP was signed on the 13<sup>th</sup> of December 2010 and no significant progress could be made in the tendering of those projects. Also, Financing Agreement(s) for the projects under 2010 NP (excluding the Financing Agreement regarding the Participation in Community Programmes and Agencies Project which was signed on the 17<sup>th</sup> of December 2010) couldn't be signed before the end of the year. Detailed information on the progress made in the implementation of the 2007 and 2008 NP are provided hereunder:

**Table 2: State of Play of the Contracts of Projects under 2007 NP.**

<b>General Information (2007)</b>			
<b>Stages</b>	<b>Status</b>	<b># of Projects</b>	<b>%</b>
<b>Preparation</b>	Processing at the Beneficiary / FWC	0	0
	Preparation of Dossier by the CFCU	0	0
	Processing at the EUD	4	5,13
<b>Tendering</b>	PN/CFP Published	1	1,28
	Under Shortlisting	0	0
	Shortlist Notice Published	0	0
	Under Evaluation	1	1,28
	Evaluation Report sent to the EUD	4	5,13
<b>Contracting</b>	Under Contract Preparation	1	1,28
	Awarded Contracts	62	79,49
	<i>Failed Projects</i>	5	6,41
<b>TOTAL</b>		<b>78</b>	<b>100</b>

**Table 3 State of Play of the Contracts of Projects under 2008 NP.**

<b>General Information (2008)</b>			
<b>Stages</b>	<b>Status</b>	<b># of Projects</b>	<b>%</b>
<b>Preparation</b>	Processing at the Beneficiary / FWC	4	6,78
	Preparation of Dossier by the CFCU	12	20,34
	Processing at the EUD	4	6,78
<b>Tendering</b>	PN/CFP Published	4	6,78
	Under Shortlisting	2	3,39
	Shortlist Notice Published	1	1,69
	Under Evaluation	6	10,17
	Evaluation Report sent to the EUD	1	1,69
<b>Contracting</b>	Under Contract Preparation	7	11,86
	Awarded Contracts	18	30,51
	<i>Failed Projects</i>	0	0
<b>TOTAL</b>		<b>59</b>	<b>100</b>

2007 Programme consists of 35 projects (excluding TR0702.28 “Support Activities to Strengthen the European Integration Process” and TR0703.04 “Participation in Community Programs and Agencies” projects) with 78 tenders which amounts to € 229.6 MEUR total EU assistance contributing to the areas of political criteria, civil society development, customs union, education, environment, energy, fisheries, financial control, internal market, JFS, public administration, social policy-employment, statistics, taxation and transport as indicated in MIPD 2009-2011.

Out of these 78 tenders, the contracting deadline of 7 projects with 11 tenders was extended to 6 – 12 months.

One project, TR0701.02 – Civic Training for Mehmetçik, has been cancelled and 2 small supply tenders with a total budget of 400.000 EUR were failed. Furthermore, 1 lot in one of the supply tenders with a budget of 112.641 EUR could not be awarded because no offer was received both in the first and re-launched tenders.

As of 20<sup>th</sup> January 2011, 62 out of 67 tenders whose contracting deadline was 17<sup>th</sup> December 2010 were awarded with a total amount of 98.6 MEUR. This commitment accounts to 90% of the budget to be committed within the deadline. Also, under this part of the 2007 NP, 5 tenders were awarded through re-launch of the procedure taking the advantage of early tendering.

The rest of the 2007 NP budget for the remaining seven projects extended, 120 MEUR represents 58% of the whole Programme. Therefore, it will be possible to see the final contracting rate of this Programme by the end of 2011.

As for the SEI, 56 contracts were awarded with a total amount of 8.5 MEUR. Under this Programme, 29 requests for services were cancelled due to several reasons. However, contracting rate reached to the level of 80.5% in this Programme.

Similarly, the IPA 2008 Component I Programme includes 31 projects composing of 59 tenders with total EU assistance of € 224.5 MEUR. The selection stage of the Programme was conducted together with the relevant Turkish authorities and in consultation with the EC in line with the priority areas set out in MIPD 2008-2010 and priorities identified in the Accession Partnership, the screening process and subsequent negotiations in the different chapters of the acquis. A gap analysis study has been made by NIPAC services to determine the gap for which assistance should be delivered. This Programme covers the areas of political criteria, civil society development, agriculture, customs union, education, environment, energy, fisheries, financial control, financial services, internal market, health, JFS, public administration, science and research, food safety and statistics.

As of January 2011, 20 tenders were awarded with a total budget of 81.7 MEUR. This accounts for **36.4%** of the Programme budget.

Furthermore, totally 10.45 MEUR is allocated to the SEI with 2 different components: PPF and UNIBE.

In the 2008 NP also approximately a total amount of 15.2 MEUR remained unspent due to several tender savings. On the other hand, a possible tender saving from the Mehmetçik Project will translate this amount to 28.4 MEUR.

## 2. Progress in financial implementation:

- financial status
- information on co-financing

**Table 4: Financial tables for IPA I**

**Only IPA Community Contribution\***

	<b>Committed allocations with FA**</b>	<b>Committed amount with addendum/updated PFs</b>	<b>Contracted</b>	<b>RAC<sup>1</sup></b>	<b>%Contracted</b>	<b>Paid</b>	<b>RAL<sup>2</sup></b>	<b>%Paid</b>
<b>IPA 2007</b>	197.689.950,00	197.689.950,00	94.503.464,76	103.186.485,24	47,80%	36.253.009,59	161.436.940,41	18,34%
<b>IPA 2008</b>	186.225.190,00	186.095.125,00	58.710.364,14	127.514.825,86	31,53%	17.982.576,31	168.242.613,69	9,66%

\*Cut of date 31/12/2010

\*\* Budget amounts excludes the Community Programme Budget

**Total Budget (IPA Com. Contribution + National Contribution)\***

	<b>Committed allocations with FA**</b>	<b>Committed amount with addendum/updated PFs</b>	<b>Contracted</b>	<b>RAC<sup>1</sup></b>	<b>%Contracted</b>	<b>Paid</b>	<b>RAL<sup>2</sup></b>	<b>%Paid</b>
<b>IPA 2007</b>	227.699.033,00	228.589.134,00	98.637.843,13	129.951.290,87	43,15%	37.223.523,20	191.365.610,80	16,28%
<b>IPA 2008</b>	226.284.719,00	224.474.321,00	66.806.060,12	157.668.260,88	29,76%	21.477.144,52	202.997.176,48	9,57%

\*Cut of date 31/12/2010

\*\* Budget amounts exclude the allocation for participation to Community Programmes

<sup>1</sup> Reste à Contracter

<sup>2</sup> Reste à Liquidier

### **3. Assessment of the management and control system:**

Management and control system existing for the execution of the financial cooperation has based itself on the elements recommended and envisaged in the related provisions of the EU and national legislation. The system is also subject to regular supervisions by the EU and authorized national institutions which take place in the management of DIS.

“Monitoring and Evaluation” function is carried by the “Coordinatorship of Monitoring and Evaluation” under Directorate of Financial Cooperation and these two functions have been separated from each other at sub-unit level so as to ensure the independency of these two different but somehow interrelated functions.

During the course of 2010, monitoring of IPA I has been conducted and efforts have been made to improve the current procedures and practices. In this context, to facilitate the preparation and to prevent delays in submission of PMRs, an electronic facility developed by CFCU has been put into use. Also related activities to finalize the tendering process of ROM Turkey project were completed. Eventually the tender has been completed and the contract has been signed as of December 17<sup>th</sup> 2010. The ROM project is under implementation stage as of January 2011.

One of the important progresses made in terms of improving the effectiveness of the monitoring activities has been adopting the sectoral and more strategic approach to the SMSCs. The structure of the SMSCs have been revised and re-arranged in accordance with the new MIPD 2011-2013.

In connection with the 2011 Annual Audit Work Plan, Audit Authority (AA) carried out audits for the 2007 and 2008 National Programmes under the Instrument for Pre-accession Assistance - Transition Assistance and Institution Building Component (CCI NO: C/2007/6423 and 2008/020-213), for the period between 1 October 2009 and 30 September 2010 and issued its Annual Audit Opinion and Annual Audit Activity Report on 31 December 2010.

With regards to the scope of the audit, the AA conducted system audits with the follow-up of the previous year’s audit findings of the AA and the EC audit services. In addition, audits of operations were carried out. Within this perspective the audit of NSD, NF, CFCU, NIPAC Secretariat and selected SPOs relating to the implementation of Component I were conducted.

Audit Authority categorized the findings by reference to their level of importance. 6 of the 43 findings are Major findings (1 NSD/NF – 2 CFCU – 3 NIPAC), 21 of them are Intermediate findings (10 NSD/NF – 5 CFCU – 4 NIPAC – 2 SPOs) and 16 of them are Minor findings (6 NSD/NF – 7 CFCU – 1 NIPAC – 2 SPOs)

There has been a considerable change in structure of the EUSG. Having served as one of the main institutions in the accessions process for more than ten years as Secretariat General affiliated to a State Minister or Ministry of Foreign Affairs time to time, the institution has become a ministry with a decree Law numbered 634 as of 3 June 2011

#### **4. Assessment of the administrative capacity.**

The main factor that impeded the management and control systems was the lack adequate staff in the DIS institutions. This problem was addressed to a great extent with the recruitment of new experts and junior experts by those institutions including EUSG, NAO and CFCU. EUSG has been the one that has recruited the highest number among those three DIS institutions in Turkey. Currently there is no gap in the EUSG in terms of staffing.

Also during the reporting period, the take-over process<sup>3</sup> has been initiated and once it is finalized the heavy workload of CFCU will significantly decrease, thus considerable increase in the overall performance of CFCU may be expected. The Roadmap for de-centralized management without ex-ante controls of the EC under IPA Components I-II was revised, detailing the progress with regard to the targets foreseen in the document and it was conveyed to the Commission in August 2010.

The (conditional) Conferral of Management decisions for IPA Components I & II which were granted by the European Commission (EC) on 29 October 2008 and 1 December 2008, respectively contains 49 measures/findings addressed to individual functions and bodies as well as general issues related to the system as a whole (management of irregularities, reporting of changes, training, monitoring), that needed to be implemented/addressed by Turkish authorities within the timeframes specified in the said decisions. The NAO was informed by the auditors of the EC (DG ELARG) during their follow-up audit mission of 25-29 January 2010 that according to their initial assessment, significant headway was made by Turkish institutions in designing systems of management and control and preparing manuals of procedures to utilise IPA funds.

The Commission's final report on the follow-up of the IPA I & II Conferral of Management decision conditions was received on 8 December 2010. The findings laid down in the report, which was prepared further to an audit conducted in January 2010, have been addressed to a large extent. In this respect, the NIPAC services have recruited additional staff in line with its workload analysis and delivered the necessary in-service trainings to them. Furthermore, the staff who will perform the evaluation task at the NIPAC services will not assume the monitoring task in order to ensure organizational separation and segregation of duties.

#### **5. Coordination with other instruments and/or donors:**

Apart from the IPA Funds, TAIEX and G2G Programmes are the instruments which are coordinated under the responsibility of the EUSG. These instruments contribute to the delivery of appropriate expertise for addressing problems at short notice, providing technical assistance and advice on the transposition of EU legislation into the national legislation of Turkey and have a considerable impact on the accession process.

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<sup>3</sup> IPA Units of IPA III & IV Line Ministries will take over (until the end of 2011) the tendering and contracting functions which are temporarily delegated to the CFCU.

## **TAIEX:**

Although there has been a decrease in the TAIEX activities due to the new web based application system of EUSG, more than 100 Study visits, workshops or expert mission activities were conducted. Two broad-scale seminars were held in the field of political criteria with a wide range of participation. These are the seminars with focuses respectively on “Juvenile Justice System and the Protection Mechanisms” (13-14 April 2010) and “Roman Citizens in Turkey” (15-16 December 2010). Both seminars took place with the participation of a number of stakeholders, more than 200 attendees participated especially in the "Roman Citizens in Turkey" seminar.

Among all activities; 'Justice, Freedom and Security' and ' Judiciary and Fundamental Rights' were the fields that TAIEX activities mostly have been carried out in 2010. TAIEX activities also focused on the policy areas of energy, social policy and employment, environment, agriculture and food safety.

These activities both made a great contribution to the adoption and implementation of the EU acquis and the development of the Country's democracy by paving the way for people to discuss taboo issues which were not questioned before as in the “Roman Citizens in Turkey” seminar. Besides the financial benefits, the beneficiaries obtain from the Union Programmes that have served as a means of integration in their associated fields.

**G2G Bilateral Cooperation with Netherlands:** Within the year 2010, the project proposals prepared by Turkish institutions for the G2G.NL, which is a joint programme between Turkey and the Netherlands, were evaluated by EUSG. Based on the shortlist prepared, 12 project proposals (6 for economic cooperation, 6 for environment) with a total budget of 1.860.000 EUR were approved by the Netherlands. In addition to this, EUSG coordinated the projects under MATRA and G2G programmes initiated in the previous years and attended their PAC meetings. This bilateral cooperation is very important and beneficial in terms of gaining knowledge and exchanging experiences between the countries, as well as the improvement of economic relations. Furthermore, Turkey benefits from the Netherlands, in adaptation of the *acquis* and also building the institutional capacity required to implement the *acquis* .

**G2G Bilateral Cooperation with the Grand Duchy of Luxembourg:** During the year 2010 three training seminars were organized at the EUSG premises by the Luxembourg Centre of the European Institute of Public Administration (EIPA) for the related institutions and ministries in Turkey in topics “Migration and Asylum”, “Translation Techniques for EU Law” and “Food Law” to which approximately 150 people were participated. . With regards to stakeholder participation in programming period, the beneficiaries have been informed by the NIPAC Services about the stakeholder participation at earliest stage. At the programming level, it has been proposed that the project fiche be discussed in all aspects with potential stakeholders in order to decide which matters should be included in the fiche. This has become a plausible measure to clarify the responsibilities of the parties during the implementation period in terms of identifying which responsibility should be taken by whom. At these stages, the sectoral departments of EUSG played very important role in term of leading the beneficiaries on assessing the project ideas.

**6. Steps taken by the Sectoral Monitoring Committee to ensure the quality and effectiveness of implementation, in particular:**

- **presentation of the corrective actions proposed by the Sectoral Monitoring Committee**
- **results of the implementation of proposed corrective actions**

The first JMC & TAIB Monitoring Committee Meeting in 2010 was organized on 11<sup>th</sup> of February, 2010. In this meeting, following recommendations and conclusions were established:

- By the enactment of the new law of the Secretariat General for EU Affairs, new directorates were established and also the staffing level of the Institution would be improved by increasing the number over 300 gradually.
  - ✓ In accordance with this issue, 91 new assistant EU Affairs experts were recruited to EUSG in July 2010, to be followed by a new group in 2011.
- The issue concerning the implementation of the Framework Agreement regarding the customs charges, it is proposed that this issue should be handled with an additional amendment taking into consideration IPA rules.
  - ✓ The studies on this issue have been initiated to be finalized before the end of the year. The details are given in the conclusions of the second JMC & TAIB Monitoring Committee.

The second JMC & TAIB Monitoring Committee Meeting was held on the 29<sup>th</sup> of June, 2010. The following conclusions were reached and recommendations were made as an outcome of the meeting.

- The progress and monitoring reports for the projects implemented under IPA I are decided to be submitted through the CFCU's system. Necessary measures regarding IT and trainings will be taken.
  - ✓ The system has been put into use by the CFCU. The progress and monitoring reports have been received through the system since the second quarter of 2010.
- It is recommended to review the functioning and role of SMSCs to give a better role to take corrective actions and to look at all various aspects more comprehensively. In this regard, it is necessary that there is active participation at senior level for SPOs and the NIPAC services, that agendas and participants are well prepared. It is also recommended to review the structure of the SMSCs (sectors) and to consider aligning it, also in terms of composition, to the sectoral approach.
  - ✓ The study on revising the structure of the SMSCs has been initiated. The new SMSCs in 2011 were organized according to this new structure.
- The EUD side is expected to draft an informative letter regarding the analysis of the problem encountered both on customs clearance and withholding tax issues in relation to



the implementation of provisions of the Framework Agreement. Meanwhile, the Turkish authorities will undertake steps to prevent any breach of the provisions of the Framework Agreement in this area.

- ✓ After long deliberations between the Turkish and the EU officials, the Undersecretariat of Customs prepared the Customs Communiqué which is now in force with being published on the Official Gazette on the 15<sup>th</sup> October 2010. The EUSG now monitors the implementation process of the said communiqué in close collaboration with the Undersecretariat of Customs.
- The existing procedures of NIPAC services will be revised. All necessary training will be given to junior staff. Written follow up will be provided by the NAO on the EU audit reports.
  - ✓ In this respect, a project was initiated in order to revise the NIPAC Manual. The revised manual is expected to be finalized in 2011.
- An updated action plan for the transition strategy and roadmaps needs to be prepared. For the roadmaps the new methodology on rejection rates which was just adopted by the EC should be taken into account.
  - ✓ The studies on preparation of the action plan and the roadmaps have been initiated during 2010.

## **7. Assessment of the information and communication activities.**

Regarding publicising programmes and operations, NIPAC's office has been delivering training activities to demanding public institutions on EU-Turkey Financial Cooperation and/or specifically monitoring and evaluation, grant scheme programmes, etc. Informative meetings are continuously being held with participation of experts from the NIPAC's office to the relevant stakeholders. The web site of EUSG has been redesigned in 2010, allowing the users to reach information easily. EU Communication Strategy has been made available on the EUSG website, all activities in the framework of this strategy both in the Turkey and EU member states are listed on daily/weekly/monthly basis providing sufficient up-to-date information. Information on Turkey's accession process to the EU is also disseminated through the website..

Under the information activities, one of the main objectives is to increase the level of information on EU issues at provincial level. In this respect, it is important for EUSG to wind up a sound collaboration and run in cooperation with governorships that have been deemed the head of provincial administration. Therefore, a new circular order numbered 2010/6 was published as of 26 January 2010 with the cooperation of Ministry of Interior to set up the general framework of the provincial communication strategy.

The provincial communication strategy set up a three pillar structure at provincial level covering *EU Permanent Contact Points*, the *EU Consultation and Coordination Committee* and *EU Offices* to achieve the anticipated results that ensure a solid collaboration between the central

administration and local administrations as well as mutual contribution regarding EU related operations and interactions between them.

Within this scope, the activities regarding the information raising activities on provincial level during the course of 2010 are summarised as follows:

- Province EU Permanent Contacts have been assigned for all 81 provinces.
- EU Harmonisation, Consultation and Steering Committee Meetings (HCSC) have been organised in all provinces except three. Overall 165 HCSC meetings were hold. Minister for EU Affairs Mr. Egemen Bağış attended to 6 of these meetings personally; EUSG attended to about 30 of these meetings at Deputy Secretary General level. In most of the provinces second, third and fourth HCSC meetings were also organised and this system has properly functioned throughout 2010.
- Around ten thousand people have been educated and trained with fundamental and true knowledge on EU within the framework of training programmes and information sessions organised by EU HCSCs and EU offices within province governorships.
- 76 EU offices established under governorships started working actively in the EU field.
- A senior/junior expert from EUSG has been assigned for each province.
- In 73 of the provinces, governorship EU offices have established the necessary infrastructure to inform the public through web sites on EU relevant issues.
- Email groups including governors, vice governors, HCSC members and personnel of the EU offices have been prepared to provide periodical information.
- 40 vice governors (Province EU Permanent Contact) were trained on Fundamentals of EU via two study visits to Netherlands.
- 1200 people including all of the EU Permanent contact points for provinces, members of EU Offices in the governorships and district governors have been educated on “EU Funds and PCM Trainings.
- Training of Trainers Programme was implemented for 16 junior EU experts of the EUSG. The junior experts started trainings at the provinces and around 100 people have been trained on EU Grant Programmes and Project Preparation in Yalova, Aydın and Bilecik.
- In order to provide information about the EU and project preparation, more than ten publications were prepared, more than five thousand books and documents were distributed to governorships
- A database and EUSG portal on the web page was designed for easy access of information for all governorships.
- 9000 posters and 90.000 brochures were published for the communication activities of the provinces.
- Governorship EU offices have given support for around 1200 EU relevant projects.
- 9<sup>th</sup> May Europe Day was celebrated at all provinces with various activities.

During the course of the year 2010, The Minister for EU Affairs and Chief Negotiator Mr. Egemen Bağış has attended meetings with the representatives of NGOs approximately for 70 times. A presentation on EU financial assistance was made on December 13<sup>th</sup> to a large group of NGO representatives. Also in 2010, 919 “request for information” applications to the EUSG made by the public, 671 of them were replied positively or partly positively and related information or documentation had been provided also, 149 of them were directed to other institutions.

## 8. Follow up:

- schedule of upcoming tenders/call for proposals
- forecast on the implementation trends

**Table 5: Forecast of the Programmes under IPA I**

2007 National Programme	2008	2009 (cumulative)	2010 (cumulative)
	EU	EU	EU
Number of tenders launched* ( <i>service, supply, works</i> )	2	30	44
Number of calls for proposals launched* ( <i>twinning, grants</i> )	10	13	21
Number of direct grants without call for proposals	0	4	6
Contracting Rate (%)	0%	27%	58%

2008 National Programme	2009	2010 (cumulative)	2011 (cumulative)
	EU	EU	EU
Number of tenders launched* ( <i>service, supply, works</i> )	3	16	35
Number of calls for proposals launched* ( <i>twinning, grants</i> )	11	17	17
Number of direct grants without call for proposals	1	5	7
Contracting Rate (%)	1%	33%	66%

2009 National Programme	2010	2011 (cumulative)	2012 (cumulative)
	EU	EU	EU
Number of tenders launched* ( <i>service, supply, works</i> )	0	26	26
Number of calls for proposals launched* ( <i>twinning, grants</i> )	0	14	17
Number of direct grants without call for proposals	0	7	7
Contracting Rate (%)	0%	50%	80%

### **III. Sectoral conclusions**

#### **Management and control systems**

Two different Supervision Authorities conducted regular supervision visits to the NIPAC services and prepared their findings to be addressed by the related actors during the year 2010. Besides these supervisions conducted by the national authorities, the EUSG underwent an audit by the Commission Services in January 2010. . It was pointed out by DG ELARG auditors during their debriefing on the conclusions of their follow up audit mission on 25-29 January 2010 that the conditions have been met to a large extent.

One of the weaknesses pointed out by EC was the understaffing issue of EUSG. During the course of 2010, the EUSG has strengthened its staffing capacity in line with the recommendations and findings put forth in reports prepared after those supervision activities. Also, segregation of duties which had been criticized by the European and national accreditation authorities was already ensured with the amended institutional Law numbered 5916 promulgated in 2009.

Another issue that was raised by the audits was the lack of self assessment exercise and sensitive post analysis of SPOs. CFCU initiated the necessary studies to address this issue and organized several trainings.

Strengthening the SMSC's structures also has become an important step taken towards making them proper platforms to establish link with the projects under sector in question and implementation of the national strategies in the sector and also link with the negotiation in the sector has been sought. This sectoral approach has been adopted in line with the new MIPD for the period 2011 – 2013, first practices for this approach started in 2010.

Evaluation sub-unit was specified under the coordinatorship of “monitoring and evaluation” which was also one of the findings of supervision visit conducted by the NAO. With this action, independency of the evaluation function from the monitoring has been ensured at sub – unit level.

Lastly, a project has been initiated by the EUSG under SEI project to revise the NIPAC Manual which was prepared in 2008 and was far from reflecting the EUSG's structure reshuffled with the amended Law. Roles and responsibilities which were assigned with both the amended Law and Prime Ministry Circular numbered 2009/18 entered into force in December 2009 will be included into the new version of the Manual. Once the manual is revised, some other findings such as;

Need for specifying general coordination unit under FCD,

- Risk analysis of the NIPAC services,
- Training strategy of the FCD,
- Updated Work Load Analysis,
- Updated job descriptions

will be addressed.

### **Impact of the programme**

The sectors focused on this programming period were particularly at the political and dialogue spheres. The projects related to these spheres were being aimed to reach some of the main criteria related to Acquis directly. In terms of content of the projects, the projects under the programming package were aimed to create an action on institutional building perspective rather than providing some practical impacts. Generally this shows that the institutions still need to increase their managerial capacity and/or develop their human resources. Furthermore, the number of projects aiming only investment related activities was decreased gradually. Also, quite a limited number of the institutions like the Undersecretariat of Customs and Ministry of Interior generally follow their own roadmaps consisting sequential projects, which were being structured over the results obtained from the previously implemented projects. On the soft projects side, the topics were handled by considering different segments of the society in each year. This provides the dialogue programmes to be facilitated to and supported by each of the community segments equally. Hence, the dialogue programmes may also be given as an example to the sequential projects.

### **Factors imposing risk of non-implementation or delayed implementation**

The factors affecting the implementation stage by imposing risk of non – implementation or delayed implementation should be handled in an analytical way and can be classified as legal factors, managerial level factors, human resource factors etc. They exist for each DIS actor and need to be handled institutionally. The most important points can be specified as:

- The staff turnover rate of the system at all levels is high.
- The institutional know-how capacity of the DIS bodies could not be structured systematically.
- Even though strategic documents have already described the principals of the DIS system, the bureaucratic levels of some of the DIS institutions have increased gradually.
- Because of the long periods elapsed in tendering stages, the enthusiasm of the community at all levels have decreased gradually.

## **COMPONENT II: Cross-Border Cooperation <sup>(4)</sup>**

### **I. Summary of the Component II and the relevant priorities set up in the Multi-annual indicative planning document and the programme(s).**

By the end of 2009 the EUSG was designated as the National Authority for the Component II with Prime Ministerial Circular dated 04/12/2009; however, when the said circular entered into force, TIKA was performing the National Authority role, therefore a transition period for transferring the duty from TIKA to the EUSG had been foreseen.

After the transition period, the EUSG has taken over the role of the National Authority in 2010 and an official letter informing the EUD about this development was sent on 11<sup>th</sup> June 2010. In this framework, as the first official event after the takeover of the National Authority role, the EUSG held a meeting in the context of Turkey-Bulgaria Cross Border Cooperation (CBC) at the EUSG premises in Ankara on the 15th of June 2010.

There are two programmes financed under the second component of IPA in Turkey. These are:

- 1) Bulgaria-Turkey IPA CBC Programme
- 2) ENPI Blacksea Basin CBC Programme

Only information regarding the Black Sea Basin ENPI CBC Programme has been provided in this report due to the fact that Bulgaria-Turkey IPA CBC Programme is being implemented under shared management.

#### **Black Sea Basin ENPI CBC Programme**

Black Sea Basin CBC Programme is one of the three maritime basin programmes established under the ENPI (European Neighbourhood Policy Instrument) framework. Even though it has a limited budget, it is a multi-partied programme covering eight countries (Turkey, Armenia, Bulgaria, Georgia, Greece, Moldova, Romania and Ukraine) at the Basin. For the 2007 – 2013 period, the total programme budget is 18.863.479 € with 17.305.944 € EC assistance and 1.557.535 € national co-financing.

The programme is open to all level of local/regional/central authorities/institutions, NGOs/Civil Society Organizations and other institutions which have non-profit characteristics.

#### **Strategic Objective**

The programme's three specific objectives, based on those of the ENPI CBC Strategy Paper are as follows;

- Promoting economic and social development in the border areas,

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<sup>4</sup> This section does not apply for CBC programmes with Member States implemented in shared management

- Working together to address common challenges,
- Promoting local, people-to-people cooperation.

### **Priority Axis**

- Cross-border support to partnership for economic development based on combined resources
- Networking resources and competencies for environmental protection and conservation
- Cultural and educational initiatives for the establishment of a common cultural environment in the Basin

### **The Implementing Structure**

- Joint Managing Authority: Romanian Ministry of Regional Development and Tourism
- National Authorities of participating countries
- Operating Structure in Turkey consisting of the National Authority (previously TİKA, EUSG took over this role in June 2010) and the Implementing Agency (CFCU)

### **Eligible Area in Turkey**

The Black Sea Basin eligible area involves 8 countries, some of which include the whole of their national territories (Armenia, R. Moldova and Georgia), while for others (Bulgaria, Greece, Romania, Turkey and Ukraine) the Programme is implemented in certain parts of the individual national territories.

For Turkey, the eligible area comprises of 7 NUTS II regions and 25 provinces which are enlisted hereunder;

TR1 (İstanbul),

TR2 (Edirne, Kırklareli and Tekirdağ),

TR 42 (Bolu, Düzce, Kocaeli, Sakarya and Yalova),

TR 81 (Bartın, Karabük and Zonguldak),

TR 82 (Çankırı, Sinop and Kastamonu),

TR 83 (Amasya, Çorum, Samsun, Tokat),

TR 90 (Artvin, Giresun, Gümüşhane, Ordu, Rize, Trabzon)

**II. Summary of the CBC annual report. The points of reflection should include, inter alia, information on the following:**

**1. Synthesis of progress made in implementing Community assistance in relation to the priorities set up in the multi-annual indicative planning document and in the programme.**

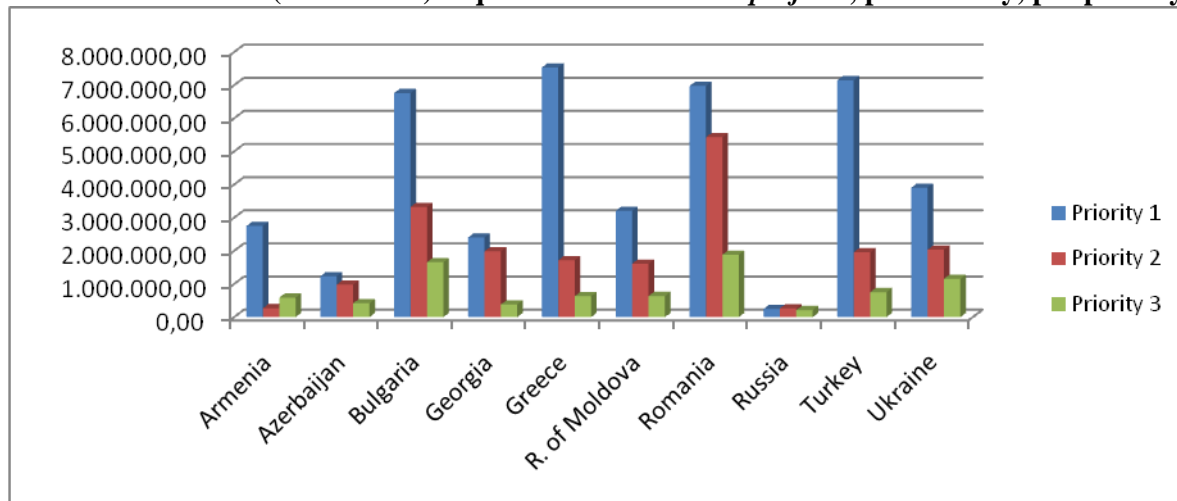
The following can be considered as the main achievements of 2010 that were in line with the goals set:

- Selection for financing by the JMC and approval by the European Commission of 16 projects submitted under the first call for proposals (list was extended to 19 projects in February 2011);
- Signature of the MoU with the NAs from Bulgaria and Greece and of the Protocol of collaboration with Turkish responsible authorities;
- Starting the pre-contracting phase of the projects approved under the first call for proposals;
- Wide dissemination of information regarding the Programme in the whole programme area;
- Uploading data for Programming (OP funding matrix management), project management (Call for proposals, Proposed projects, Project registration form, Project appraisal), and TA expenditure in the monitoring information system MIS-ETC by the JMA.

Following the first call for proposals, 173 applications were submitted, with a total value of 70 million Euro (ENPI + IPA). After the evaluation and selection process, 19 applications were awarded grants, with a total value of over 8 million Euro (ENPI + IPA). Although no projects in which there was the lead beneficiary from Turkey were approved in the first call for proposals, 14 entities (94 entities in total from all participating countries) from Turkey are involved in the approved projects.

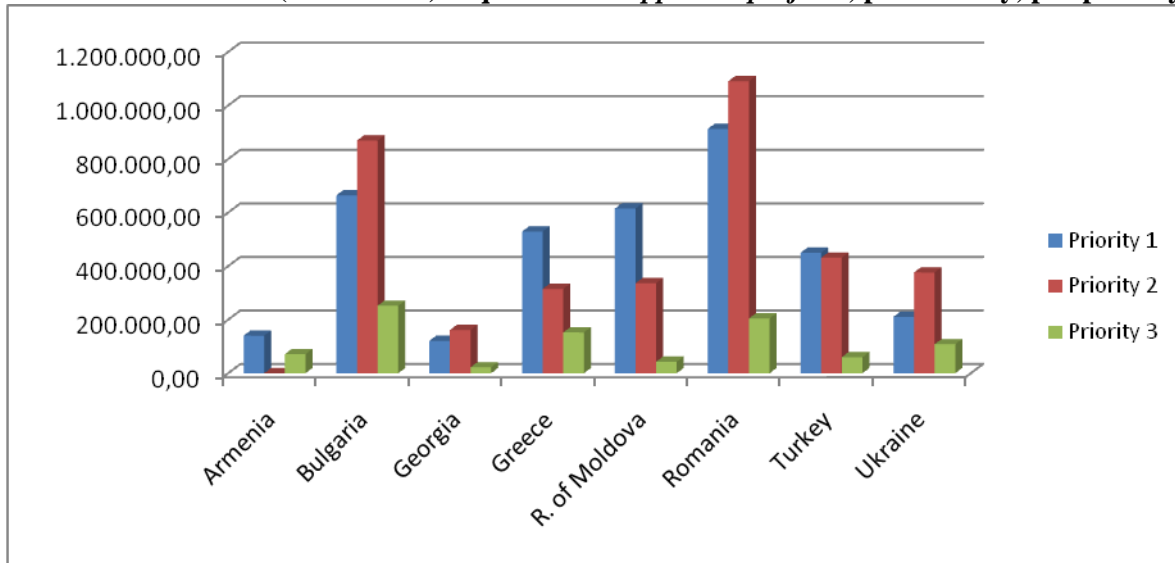
The distribution of the funds requested per country both for submitted projects and also for the selected ones, is presented below.

**Table 6: Total funds (ENPI+IPA) requested for *submitted projects*, per country, per priority**





**Table 7: Total funds (ENPI+IPA) requested for *approved projects*, per country, per priority:**



## 2. Progress in financial implementation:

- financial status
- information on co-financing

There was no expenditure made for projects (pre-financing or reimbursement) within the reporting period.

## 3. Assessment of the management and control system:

- efficiency
- quality
- capacity to ensure integrity and reliability of information for reporting and decision making.

Secretariat General for EU Affairs (EUSG) is designated as National Authority (NA) for the programmes to be implemented under the IPA Component II -Cross-Border Cooperation-, by Prime Ministerial Circular No. 2009/18 dated 4 December 2009. According to the above-mentioned circular, EUSG is designated as the National Authority for IPA Component II, while the Turkish International Cooperation and Development Agency (TİKA) was to carry out this function until a revised Conferral of Management decision for IPA Component II is granted by the European Commission. Since June 2010, EUSG has been carrying out the role of National Authority.

A direct grant agreement between Secretariat General for EU Affairs concerning the use of technical assistance under the IPA CBC Component for the ENPI Black Sea Basin Programme for the year 2007 was signed in 17<sup>th</sup> December 2010.

In the fourth quarter of 2010, the preparations for drafting NIPAC Manual including a separate part for CBC Component have started.

#### **4. Assessment of the administrative capacity.**

Since June 2010, EUSG has been carrying out the National Authority role. In this respect, on July 2010, additional staff has been recruited for the Cross Border Cooperation Unit of the Financial Cooperation Directorate in line with the workload analysis prepared to reflect the new duties and responsibilities. Also, the delivery of necessary trainings has been conducted for new staff in the reporting period. As of end of 2010, there is no gap in the workload analysis of the CBC unit of EUSG.

#### **5. Coordination with other instruments and/or donors:**

- **reference to previous programmes and assistance from pre-IPA programmes**
- **analysis of the linked activities, and arrangements made ensuring demarcation and coordination between other programmes and components of IPA assistance**
- **coordination with other donors providing assistance in the same area to avoid overlap.**

For the period 2007 – 2013, the total amount of the programme budget is allocated as €31,211,187 consisting of € 23,433,410 from ENPI funds and € 7,777,777 from IPA funds. However, the IPA part of the budget is reserved for projects in Turkey; projects from other partner countries will be funded from the ENPI part of the total budget. On the other hand, the overall coordination between the CBC component and other IPA components are closely being monitored by the NIPAC services and IPA Monitoring Committee to avoid overlaps and to ensure complementarity.

#### **6. Steps taken by the Joint Monitoring Committee to ensure the quality and effectiveness of implementation, in particular:**

- **presentation of the corrective actions proposed by the Joint Monitoring Committee**
- **results of the implementation of proposed corrective actions**

The Joint Monitoring Committee (JMC), the main decision making body of the Programme, has been established in December 2008. It includes representatives appointed by each participating country, on a functional basis. Each country designated a maximum number of 3 members from central level and at least one observer from the civil society.

During the reporting period, the Joint Monitoring Committee had two meetings. One took place in Batumi (Georgia) on the 28<sup>th</sup> of June 2010 and one in Bucharest (Romania) on the 3<sup>rd</sup> -4<sup>th</sup> of November 2010.

The Joint Monitoring Committee adopted the following decisions as a result of the Batumi meeting:

- the revised version of the Rules of Procedure of the Joint Monitoring Committee;
- the annual implementation report for 2008-2009;
- the revised version of the annual work plan of the programme;
- the methodology for step 3 of the evaluation procedure applicable to the first call for proposals and agrees to review the methodology for all steps of the evaluation procedure applicable to the next calls for proposals;
- agreed that the JMA, the Operating Structure and the EC explore the options related to implementation concerning Turkish entities' participation as applicants and present the outcome of this study for JMC approval before the second call for proposals.

The Joint Monitoring Committee adopted the following decisions as a result of the Bucharest meeting:

- JMC approved the final evaluation report comprising also the recommendation of the SC, selecting for financing a total of 16 projects. Therefore, the financial allocation of the first call for proposals was increased with 2,562,390 Euro (ENPI funds), to a total of 5,873,759 Euro (ENPI funds). The IPA financial allocation for the Turkish partners amounts to 841,952 Euro (IPA funds);
- JMC approved with amendments the *Main features for the second call for proposals* presented by the JMA;
- JMC approved the increase of the number of SC members from 5 to 8 voting members.
- JMC approved that for the second call for proposals it shall approve the evaluation reports after each step of the evaluation process;
- JMC approved that the two partnership forums included in the 2011 Annual Communication Plan shall be organized in Armenia and Turkey.

In addition to these meetings, for ensuring the proper management of the Programme, the JMA initiated written procedures to approve several documents. Following these written procedures, 7 JMC Decisions were adopted during the reporting period which are listed as follows:

- Decision from 26<sup>th</sup> of February 2010 approving 2010 Annual Communication Plan, Annual work plan of the programme, TA budget for 2010;
- Decision from 31<sup>st</sup> of March 2010 approving the work programme of the call 2010;
- Decision from 12<sup>th</sup> of May 2010 approving the composition of the first Selection Committee and appointing by name the experts as voting members and substitutes of the Selection Committee evaluating the applications received within the first call for proposals;
- Decision from 30<sup>th</sup> of June 2010 appointing substitutes of the Chairperson and Secretary of the Selection Committee for the first call for proposals and appointing a new internal assessor;
- Decision from 29<sup>th</sup> of July 2010 approving Statistical indicators for results of administrative and eligibility checks;

- Decision from 13<sup>th</sup> of September 2010 appointing two new internal assessors and two observers to the Selection Committee;
- Decision from 23<sup>rd</sup> of November 2010 approving the indicative allocation for the second call for proposals.

## **7. Assessment of the information and communication activities.**

Apart from the centralized information activities, such as the establishment of Programme website, newsletters or press releases, the National Info Points, which provide information to potential beneficiaries in their own countries on the planned activities under the Programme, are established in each participating-country, except for Romania. The National Info Points are organised at central level (the institution acting as National Authority is playing the role of National Info Point as well), except from Ukraine and Turkey.

The responsibilities of the NIP are listed as follows:

- Organising the flow of information to potential beneficiaries from their own country (organising small-scale seminars, providing translated material from the programme website in their own national language, informing about the launch of calls for proposals, explaining among others rules and procedures);
- Liaising with NIP from other countries (directly or via the JTS) in order to facilitate partner search;
- Keeping a small-scale database at measure level of (potentially) interested parties.

In July 2010, National Info Points (NIP) in Turkey were determined as of the governorships of Trabzon, Samsun, Karabük, Çorum and Edirne.

Furthermore, an annual conference of the programme was organized in Greece on the 25<sup>th</sup> of November 2010. The event was organized by the Joint Managing Authority (the Ministry of Regional Development and Tourism, Romania) in co-operation with the Greek National Authority (Ministry of Economy, Competitiveness and Shipping) and the National Authorities from Armenia, Bulgaria, Georgia, Republic of Moldova, Ukraine and Turkey, the European Commission and the Regional Capacity Building Initiative (RCBI).

The first part of the conference focused on showing the added value of the programme for the participating countries, the progress achieved by the programme bodies in the implementation of this European programme in the Black Sea Basin region, its relation to other initiatives like the Black Sea Synergy, and perspectives for the future programming period.

The second part of the event, organised in collaboration with RCBI, was dedicated to the creation of partnerships and development of project ideas in the context of the second call for proposals to be launched in 2011.

More than 150 participants from the 8 countries participating in the programme attended the annual conference.

## **8. Follow up: forecast on the implementation trends**

In 2011, the main activities to be carried out in accordance with the Annual Work Plan of the programme approved by the JMC shall focus on:

- Making the Joint Technical Secretariat fully operational through the selection and contracting of the 9 experts for the Joint Technical Secretariat, establishing and equipping the headquarters;
- Contracting the projects selected under the first call for proposals and starting the implementing phase;
- Support of the projects implementation phase by promoting the conclusion of bilateral agreements with the partner countries on implementation aspects of the programme, ensuring proper training of the beneficiaries and their partners, and preparing a manual for project implementation;
- Organizing events to ensure good quality project generation for the second call for proposals;
- Launching the second call for proposals in the first semester of 2011 with a higher financial allocation, based on improved procedures as a result of the experience accumulated during the first call for proposals;
- Starting the evaluation and selection process of the projects submitted under the second call.

## **III. Sectoral conclusions**

In the first call for proposals finalized in 2010 for Black Sea Basin Programme, a huge demand has been encountered for the funds compared to the available resources. The demand for projects under Priority 1 has been higher than the estimations during the programming process, where 40% of the funds were allocated to Priority 2 and 35% to Priority 1<sup>5</sup>.

The majority of the applications were submitted by entities of the member states; however, the number of entities (applicants and partners) involved in the submitted projects was more balanced between the participating countries. Moreover, a high number of applications has been received from the civil society.

Due to reasons as lack of experienced staff, complex bureaucratic procedures, long discussions or high level of demand for projects; some delays were experienced in the evaluation process for the first call for proposals and setting up the implementation bodies such as JTS or Selection Committee.

Also, in the first call for proposals, low participation of entities from partner countries were realized. In order to overcome this issue in the second call for proposals and in order to stimulate cooperation among entities from all the countries participating in the Programme, the JMC approved for the second call for proposals a set of measures meant to ensure a stimulus to increase partnership participation. In this respect, actions concerning the enhancement of the information and communication activities in the partner countries (organised in collaboration with the Regional Capacity Building Initiative - RCBI), as well as incentives for those projects

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<sup>5</sup> Annual Implementation Report of the Black Sea CBC Programme for 2010

involving more partners were foreseen and shall be put in practice for the second call for proposals.

A major problem in the BSB Programme is that the Turkish entities were not permitted to be applicants. This issue considerably reduces the willingness of Turkish entities to apply for the Programme. Meetings were held both between the JMA and Turkey and between the EC-JMA-Turkey, in order to resolve this issue. Further, this issue was disputed in the JMC meetings held in Batumi in June 2010 and in Bucharest in November 2010. As a conclusion, the solution of this problem was left to the next period (i.e. after 2013) in order not to interrupt the process of this period.

## **COMPONENT III: Regional Development**

### **I. Summary of the Component III and the relevant priorities set up in the Multi-annual indicative planning document and the Operational programmes.**

The third component, which is designed to address development and investment needs of Turkey in areas such as environment, transport and regional competitiveness, is also supporting Turkey to prepare itself for benefitting from structural funds of the EU. There are three individual Operational Programmes in this component each one being implemented by the relevant ministry namely Environment and Forestry<sup>6</sup>, Transport, Trade and Industry<sup>7</sup>.

The Environment Operational Programme supports the projects for environmental protection, improving living standards for the population in the context of environment, wastewater treatment, supplying fresh drinking water, construction of integrated solid waste services. The Ministry cooperates in the said fields with the municipalities.

The Transport Operational Programme finances the projects for improving the transportation infrastructure considering safety and inter-modality on future TEN-T Network, while maintaining an efficient and balanced transportation system.

The Regional Competitiveness Operational Programme provides finance to the projects in relatively less developed sub-regions determined in accordance with NUTS-II which is a geo-code standard regulated by the EU for referencing the subdivisions of countries for statistical purposes. The overall objectives of the Programme are increasing competitiveness of the Turkish economy by supporting the SME's, improving the business environment and reducing regional socio-economic disparities.

The funds allocated to this component have progressively increased over the years and projected to increase in the years ahead. As a matter of fact, 167, 5 Million € that makes up 33% of the total annual IPA budget was allocated to the third component in 2007 and it is planned to reach 378 Million € in 2013 representing 40% of the annual IPA budget.

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<sup>6</sup> Ministry of Environment and Urbanism with the decree law No:644 dated 29<sup>th</sup> June 2011.

<sup>7</sup> Ministry of Science, Industry and Technology with the decree law No:635 dated 3<sup>rd</sup> June 2011

## **II.a. Environment Operational Programme: Summary of the Sectoral annual report:**

### **1. Synthesis of progress made in implementing Community assistance in relation to the priorities set up in the multi-annual indicative planning document and in the Environment Operational Programme.**

As the real implementation has not yet started, it is not possible to indicate the quantitative progress as it is required under the IPA Implementing Regulation. Therefore, the section is focused on the progress of the EOP from the point of view of project preparation activities. The table regarding the indicators of the EOP and also revised indicators of the EOP for each priority axes and measure is given in *Table-8:Table of Indicators*. In this regard, considerable progress has been achieved within project preparation activities such as preparation of IPA Application Forms, master plans, feasibility studies including cost benefit analysis, affordability study, design and drawings and full tender dossiers as indicated in the Annual Work Plan that might be considered significant steps in terms of achievement of main indicators related to the implementation of the EOP.



**Table 8 - Table of Indicators**

Output /Result indicator as presented in OP	Unit	Targets in the EOP			Progress	
		Baseline value	Target	Target for 2014	31.12.2010	
<b>Priority 1.</b>						
Municipalities served by DWT facilities	no's	304	306	307	0	
DWTP	no's	140	142	141	0	
Existing WWTP	no's	172	177	177	0	
Municipalities benefiting from DW network services	no's	3159	3163	3163	0	
Municipalities benefiting from improved WW services	no's	319	328	328	0	
<b>Measure 1.1.</b>						
Amount of water treated by DWT capacity	billion m <sup>3</sup> /year	2.08	2.10	2.10	0	
Amount of water supplied	billion m <sup>3</sup> /year	4.96	5.04	4.99	0	
New or rehabilitated DW supply distribution systems	no's	0	4	7	0	
Rehabilitated or new storage capacity	m <sup>3</sup>	0	52.300	48.350	0	
Municipal population served by DWTP increased	%	0	1,81	1,81	0	
Municipal population benefiting from improved water distribution facilities increased	%	0	1,00	3,70	0	
Water supply system leakage ratio decreased	%	0	2,45	2,45	0	
Additional population served by DW projects	capita	0	387.500	1.151.325	0	
<b>Measure 1.2.</b>						
New or rehabilitated WW systems	no's	0	7	10	0	
Amount of WW treated by WWTP	billion m <sup>3</sup> /year	1.90	2.00	2.00	0	
Municipal population benefiting from improved WW services	%	45	47	49	0	
Treated WW of the total WW volume generated	%	65	70	70	0	
Additional municipal population benefiting from improved WW services	capita	0	1.000.000	2.000.000	0	
<b>Priority 2.</b>						
Existing sanitary landfills	no's	16	20	23	0	
Closed or rehabilitated illegal dumpsites	no's	0	38	45	0	
Additional recycling programme implemented	no's	0	4	7	0	
Municipalities benefiting from a sanitary landfill	no's	120	184	192	0	
Additional municipality benefiting from integrated SWM	no's	0	4	7	0	
<b>Measure 2.1.</b>						
Existing compost plants	no's	5	10	12	0	
Recycling facilities (MRF)	no's	10	15	17	0	
Capacity of recycling facilities (MRF)	ton/year	317.500	417.500	537.500	0	
Additional new transfer stations	no's	0	9	21	0	
Waste disposed in sanitary landfills	ton/year	7.002.000	7.900.000	8.500.000	0	
Municipal SW disposed in compost plant	ton/year	351.000	460.000	470.000	0	
Population receiving integrated SWM systems	capita	0	2.900.000	3.900.000	0	
<b>Priority 3.</b>						
Trained persons	no's	0	30	100	0	
Conferences, seminars for promotion and publicity of the OP	no's	0	30	30	0	
Master plans prepared and approved by final beneficiaries	no's	0	20	20	0	
FS package prepared and approved by final beneficiaries	no's	0	20	20	0	

The list of projects foreseen to be financed under the EOP is given below.

**Table 9: The list of projects that are foreseen to be financed under the EOP**

<b>Priority 1</b>	<b>Improved water supply, sewerage and wastewater treatment services</b>
<b>Measure 1.1</b>	<b>Improving the quality of the drinking water supply and receiving water bodies</b>
	<ul style="list-style-type: none"> <li>• Doğubayazıt, Manavgat, Erzincan, Akçaabat, Bulancak, Erciş, Nizip, Silvan</li> <li>• Ordu, Erdemli, Amasya, Ceyhan, Diyarbakır, Erzurum, Lüleburgaz, Akşehir, Merzifon, Polatlı, Seydişehir, Siverek, Soma, Adıyaman, Aksaray, Bartın, Çarşamba, Kars, Sorgun, Suluova</li> <li>• TA for Preparation of Integrated Water Projects</li> </ul>
<b>Priority 2</b>	<b>Improved integrated solid waste management</b>
<b>Measure 2.1</b>	<b>Increasing the quantity of recycled waste and improving final disposal</b>
	<ul style="list-style-type: none"> <li>•Balıkesir, Çorum, Konya, Batman, Van, Ereğli</li> <li>•TA for Preparation of Integrated SWM Projects</li> </ul>
<b>Priority 3</b>	<b>Technical Assistance</b>
<b>Measure 3.1</b>	<b>Enhancing management of the EOP</b>
	<ul style="list-style-type: none"> <li>• TA 1: Capacity Building for IPA CI Center and End Recipients</li> <li>• TA 2: Enhancing the Implementation of EOP</li> <li>• TA 3: Implementation of Communication Action Plan</li> <li>• TA 4: Capacity Building for Internal Audit unit</li> <li>• TA 5: Unforeseen TA Needs for IPA CI Center</li> <li>• TA 6: Expert Assistance</li> </ul>
<b>Measure 3.2</b>	<b>Enhancing beneficiary planning capacity</b>
	<ul style="list-style-type: none"> <li>• TA 1: Development of an Appropriate Methodology for Drinking Water Treatment</li> <li>• TA 2: Urban wastewater implementation plan</li> <li>• TA 3: Preparation of Regional/Local SWM Plans</li> </ul>

By the end of the reporting period, 34 projects (28 Water and Wastewater Treatment Projects and 6 Solid Waste Management Projects) applied for IPA funding with a total indicative investment cost of 743 MEUR. The list of these projects can be seen in *Table 10*.

Within the reporting period:

- Financing Decision for four of these projects (Ordu Wastewater Project (WWTP), Erdemli Water and Wastewater Project, Doğubayazıt Drinking Water Supply Project and Manavgat Water and Wastewater Project) was taken.
- IPA Application Form for 10 projects (Balıkesir Solid Waste Management (SWM), Çorum SWM, Lüleburgaz WWTP, Erzincan WWTP, Ceyhan WWTP, Doğubayazıt Drinking Water Supply, Manavgat WWTP, Erzurum WWTP, Diyarbakır WWTP, Sorgun WWTP Projects) were revised and re-sent to the EC.
- 12 project applications (Seydişehir WWTP, Merzifon WWTP, Soma WWTP, Bartın WWTP, Aksaray Wastewater and Storm Water, Silvan Drinking Water Supply, Akçaabat Drinking Water Supply, Çarşamba WWTP, Batman SWM, Ereğli SWM, Van SWM, Kars WWTP Projects) were found admissible by the EC.
- Tender procedure for 9 projects (Works Contract for Ordu WWTP and service contracts for Ordu WWTP, Konya SWM, Erdemli WWTP, Lüleburgaz WWTP, Erzincan WWTP, Doğubayazıt Drinking Water Supply, Erzurum WWTP, Diyarbakır WWTP and TA for supporting the management and implementation of the Environment Operational Programme (EOP)) were initiated with the publication of procurement notices.

**Table 10: IPA Application Submitted Projects**

No.	Name of Project	Submission Date of IPA Application <sup>8</sup>	Submission Date of Revised IPA Application <sup>9</sup>	Priority	Budget (Total Costs)
1	Balıkesir	7 April 2008	26 February 2010	2	€12,948,661
2	Ordu	17 September 2008	12 November 2008	1	€25,635,000
3	Konya	12 January 2009	23 November 2009	2	€22,242,465
4	Çorum	22 January 2009	11 February 2010	2	€22,360,000
5	Erdemli	27 March 2009	11 September 2009	1	€13,077,577
6	Amasya	16 April 2009	14 October 2009	1	€29,896,382
7	Lüleburgaz	13 April 2009	5 May 2010	1	€14,310,219
8	Erzincan	4 June 2009	22 October 2010	1	€35,389,562
9	Ceyhan	15 June 2009	30 March 2010	1	€22,354,349
10	Doğubayazıt	15 June 2009	27 April 2010	1	€33,029,795
11	Manavgat	18 June 2009	26 May 2010	1	€20,946,213
12	Akşehir	26 May 2009	--	1	€23,750,922
13	Seydişehir	16 July 2009	--	1	€8,599,113
14	Merzifon	1 September 2009	--	1	€8,571,977
15	Erciş	7 July 2009	--	1	€28,254,233
16	Adıyaman	28 August 2009	--	1	€19,936,086
17	Erzurum	27 July 2009	20 July 2010	1	€31,431,494
18	Diyarbakır	27 July 2009	8 October 2010	1	€78,695,282
19	Siverek	1 September 2009	--	1	€39,246,693
20	Polatlı	9 September 2009	--	1	€23,478,593
21	Soma	25 September 2009	--	1	€9,762,055
22	Nizip	25 September 2009	--	1	€30,437,849
23	Bulancak	26 October 2009	--	1	€21,784,623
24	Bartın	18 November 2009	--	1	€14,422,014
25	Aksaray	19 November 2009	--	1	€23,813,984
26	Silvan	24 December 2009	--	1	€12,086,688
27	Akçaabat	28 April 2010	--	1	€23,715,066
28	Sorgun	17 May 2010	July 2010	1	€3,948,000
29	Çarşamba	26 May 2010	--	1	€10,250,209
30	Batman	3 June 2010	--	2	€20,206,027
31	Ereğli	12 August 2010	--	2	€13,077,577
32	Van	18 August 2010	--	2	€26,189,658
33	Kars	18 August 2010	--	1	€19,589,541
34	Suluova	1 December 2010	--	1	€8,790,565
<b>TOTAL:</b>					<b>€753,835,836</b>

<sup>8</sup> These are the submission dates from the IPA CIC to the EC, registered in the OS files and not reflecting the registration dates recorded in the EC files.

<sup>9</sup> The same situation is valid as stated above.

In terms of project preparation and extending the project pipeline, The Terms of References (ToR) for both of the Technical Assistance Projects under Priority 1 and 2 to prepare Solid Waste Management and Integrated Water Projects were being revised within the reporting period. These TA projects, which have budgets of 8,25 MEUR and 6 MEUR respectively, will assist the municipalities in project preparation and will last for 30 months.

## **Technical Assistance**

In 2010, Operation Identification Sheets for operations under **Priority 3.1** which are **TA 1 – “Technical Assistance for strengthening the management capacity of the IPA CIC within MoEF and Capacity Building for the End-Recipients (EOP)”**, **TA 2 – “Enhancing the Implementation of EOP”**, **TA 3 – “Technical Assistance for Implementation of Communication Action Plan”** and **TA 4 – “Technical Assistance for strengthening the management capacity of the Internal Audit Department within the MoEF”** were approved by the EUD. Tendering for the TA 1 was started with the publication of procurement notice on 28<sup>th</sup> of May, 2010.

In the reporting period, three contracts were signed under **TA 5 – “Technical Assistance for unforeseen needs of IPA CIC”**. Within the scope of first contract, the compliance audit, which is an important step in the accreditation process, was realized between July – October 2010. Another project which will last for 5 months was started in October 2010 with the signature of the second contract under TA 5. Within the scope of this project, the revision of Manual of Procedures and its annexes according to the changes in PRAG and IPA Implementing Regulation was realized and 12 training sessions were organized with participation of total 166 people. Preparations for the **TA 6 – “Providing specific expert assistance to support the activities of IPA CIC”** and TA Operations under **Priority 3.2** were been carried out in 2010.

## **2. Progress in financial implementation:**

The indicative allocation for the Regional Development Component in Turkey for the period 2010 – 2011 was envisaged 531.5 million EUR, as specified in the Multi-Annual Indicative Financial Framework (MIFF) (2011-2013). After completing the internal consultation process and with the mutual agreement of the Strategic Coordinator, based on the MIPD (2009-2011), financial allocation for the period 2010-2011 was made for the EOP as 40% of the abovementioned amount which means approximately 212,6 M. Euro. By this modification, the budget of the EOP has increased 95,2 M. EUR for 2010 and 117,3 M. EUR for 2011 respectively.

Also, the financial tables of the EOP under IPA Component III was revised in line with the Commission Regulation No. 80/2010 of 28th January 2010 amending Regulation (EC) No 718/2007 implementing Council Regulation (EC) No. 1085/2006 establishing an Instrument for Pre-accession Assistance (IPA), amendment in Article 149 of the IPA Implementing Regulation regarding the increase in the maximum co-financing rate from 75% to 85%.

Although, it was stated in the EC official letter dated 12<sup>th</sup> May 2010 that modifying decisions for the extension of the Program and revision of financial tables would be finalized and expected to be approved by the end of May 2010, it was declared by the EC in the IPA Monitoring Committee

on 29<sup>th</sup> June 2010 that above mentioned Commission Decision amending Decision C(2007) 5758 adopting the multi-annual "Environment" operational programme for Community assistance from the Instrument of Pre-Accession Assistance for the Regional Development component in Turkey was adopted on 23<sup>rd</sup> June 2010.

In line with the Commission Regulation No. 80/2010 of 28th January 2010 amending Regulation (EC) No 718/2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for Pre-accession assistance (IPA), amendment in Article 149 of the IPA Implementing Regulation regarding the increase in the maximum co-financing rate from 75% to 85%, financial tables of the EOP under IPA Component III have been revised as presented in the tables under this Section. The official approval process of these new financial allocations in the context of EOP extension and modification is expected to be completed by the EC till May 2010.

With regards to the national co-financing, as it was stated in the previous report that, the national co-financing is related with the investment operations provided under the relevant measures as well as the TA dedicated priority activities. As is well-known, the national co-financing will be provided in accordance with the IPA Financing Agreement. Moreover, in accordance with the Ministerial Approval dated on the 2<sup>nd</sup> December 2008, a predetermined ratio from (30% to 45%) of the national contribution for IPA projects will be granted by MoEF's financial resources. The co-financing ratios, given in the previous Annual Implementation Report, is based on the "Survey for Ranking of Districts in respect of Socio-Economic Development" prepared by the Undersecretariat of State Planning Organization in April 2004. The indicative figures in accordance with the EOP (2007-2011) are presented in the following tables.

**Table 11: Summary of indicative allocations for the EOP (2007-2011) in EUR**

2007-2011	Total Expenditure (1) = (2+5)	Total Public Expenditure (2) = (3+4)	Public Expenditure (€)		Private (indicative) (5)	IPA co-financing rate (%) (6) = (3/2) (RD)
			Community Contribution (IPA) (3)	National Public Contribution (IPA) (4)		
<b>Priority 1:</b> Improved delivery of drinking water and wastewater services	329,578,353	329,578,353	280,141,600	49,436,753	-	85%
<b>Measure 1.1:</b> Improving the quality of the drinking water supply and receiving water bodies	329,578,353	329,578,353	280,141,600	49,436,753	-	85%
<b>Priority 2:</b> Improved integrated solid waste management	141,247,531	141,247,531	120,060,400	21,187,131	-	85%
<b>Measure 2:</b> Increasing quantity of recycled waste and improving final disposal	141,247,531	141,247,531	120,060,400	21,187,131	-	85%
<b>Priority 3:</b> Technical assistance	19,409,414	19,409,414	16,498,000	2,911,414	-	85%
<b>Measure 3.1:</b> Enhancing OP management	8,821,178	8,821,178	7,498,000	1,323,178	-	85%
<b>Measure 3.2:</b> Enhancing beneficiary capacity for planning	10,588,236	10,588,236	9,000,000	1,588,236	-	85%
<b>Total 2007-2011</b>	<b>490,235,298</b>	<b>490,235,298</b>	<b>416,700,000</b>	<b>73,535,298</b>	-	<b>85%</b>

**Table 12: Detailed Allocations for the TAs under EOP (in EUR)**

<b>PRIORITY I &amp; II</b>				
<b>OIS_Project Preparation (2007 TR 16I PO 001.1-2.01)</b>				
	<b>Total</b>	<b>Public eligible</b>	<b>IPA (85%)</b>	<b>Nat (15%)</b>
TA 1: Integrated SWM	6.000.000	6.000.000	5.100.000	900.000
TA 2: Integrated water	9.000.000	9.000.000	7.650.000	1.350.000
<b>TOTAL</b>	<b>15.000.000</b>	<b>15.000.000</b>	<b>12.750.000</b>	<b>2.250.000</b>

All projects have an EU contribution of 85 %.

<b>PRIORITY III – Measure 3.1</b>				
<b>OIS_Enhancing Implementation of EOP (2007 TR 16I PO 001.3.01)</b>				
	<b>Total</b>	<b>Public eligible</b>	<b>IPA (85%)</b>	<b>Nat (15%)</b>
TA 1: Capacity Building for IPA CI Center and End Recipients	3.500.000	3.500.000	2.975.000	525.000
TA 2: Enhancing the Implementation of EOP	600.000	600.000	510.000	90.000
TA 3: Implementation of Communication Action Plan	300.000	300.000	255.000	45.000
TA 4: Capacity Building for Internal Audit unit	200.000	200.000	170.000	30.000
TA 5: Unforeseen TA Needs for IPA CI Center	1.000.000	1.000.000	850.000	150.000
TA 6: Expert Assistance	700.000	700.000	595.000	105.000
<b>TOTAL</b>	<b>6.300.000</b>	<b>6.300.000</b>	<b>5.355.000</b>	<b>945.000</b>

Within the reporting period, 2 contracts were signed and 143.703 Euros were spent from the funds allocated for EOP. Detailed disbursement figures of contracted projects are provided below.

**Table 13: Disbursement Data for the Contracted Projects**

No	Title	Type of Tender	Signed	Expire	Project Budget	EU Funds		TR Funds	
						Total	Paid	Total	Paid
1	TA for Capacity Building and Trainings for MoEF IPA CI Center	FW	13.10.2010	13.03.2011	122.680,00	104.278,00	62.566,80	18.402,00	11.041,20
2	Study for Compliance Assesment Audit of MoEF	FW	28.07.2010	05.11.2010	76.095,00	64.680,75	64.680,75	11.414,25	11.414,25
<b>TOTAL</b>					198.775,00	168.958,75	127.247,55	29.816,25	22.455,45

In accordance with Article 157 of the IPA Implementing Regulation, a major project comprises a series of works and activities of services which is intended to accomplish a definite and indivisible task of precise economic or technical nature, which has clearly identified goals and whose total cost exceeds 10 million EUR. Apart from the TA Projects and Suluova, Sorgun, Soma, Seydişehir and Merzifon water and wastewater projects with budget less than 10 million EUR, most of the projects financed under the EOP are considered as Major Projects. For these projects, the OS is preparing Major Project Applications and submitting them to the EC in order to reflect its comments and adopt the financing decision.

During the reporting period, financing decisions for “Doğubayazıt Drinking Water Supply Project”, “Erdemli Water and Wastewater Project” and “Manavgat Water and Wastewater Project” were taken. With the financing decision of “Ordu Wastewater Treatment Plant Project”, there are 4 major projects having the financing decision among 29 Major Projects.

### **3. Assessment of the management and control system:**

As it is stated in the EOP, the quantitative and qualitative progress made in implementing the EOP as well as its efficiency and effectiveness in relation to its objectives will be measured with the usage of monitoring and evaluation indicators associated to the results and outputs of the individual measures. Monitoring and Evaluation Unit of the IPA Coordination and Implementation Center is responsible for the monitoring and evaluating the programmes and projects under the EOP to assess if the targets and objectives have been achieved in accordance with the above mentioned indicators. Since there is no project under implementation within the framework of the EOP, currently it is not possible to make indicator based monitoring. However,



developments in the projects under each priority axis mentioned in the Section 2 are monitored on monthly basis by “Monthly Action Plan Reports” and “IPA CIC Monthly Activity Reports”.

In line with the objective of monitoring and evaluating of the EOP and projects, the IPA CIC, as the Operating Structure, is responsible for collecting data from different programs and projects and establishing, maintaining and regularly updating a reporting and information system to gather reliable financial and statistical information on implementation, and for monitoring and evaluation.

In this regard, Management Information System (MIS) for managing the implementation of the EOP and internal works of the IPA CIC was established and is used by IPA CIC staff.

Also, IMIS will provide an opportunity to monitor the implementation process at the level of SCF, OP's and operations under the 3<sup>rd</sup> and 4<sup>th</sup> components of IPA. Specifically for the environment sector, implementation process of all projects financed under the EOP will be closely monitored with data entry of beneficiaries. During the reporting period, a three-day training on IMIS took place with the attendees from relevant ministries, municipalities and IPA CIC. The above mentioned training was facilitated by experts of SPO and trained IPA CIC personnel.

#### **Problems related to receiving the EC comments and the implementation period of the EOP**

It is very crucial to receive the EC comments timely and promptly in order to take financing decision subsequently and then accelerate procurement stage of the projects, which will help to mitigate the de-commitment risk for the mentioned years.

#### **Problems related to tendering procedures**

It is clear that, one of the milestones in project implementation is tendering and contracting which needs to be finalized in a limited time span. Although MoEF generated a remarkable project pipeline for the EOP during the reporting period, there would be no way to generate sufficient expenditure to meet yearly de-commitment targets without sufficient progress in tendering and signature of contracts on the 01.01.2010-31.12.2010. As the delegated functions of procurement and payment were taken over from the CFCU to the accredited IPA-CIC Financing Section and Procurement Section, there are some problems resulting from the difficulty of the personnel to adapt to new responsibilities.

#### **4. Assessment of the administrative capacity.**

In line with the Commission Decision of conferring management powers relating to the "Environment" Operational Programme under the Instrument for Pre-Accession Assistance on the Republic of Turkey, adopted on 23<sup>rd</sup> July 2009 depending upon specific conditions as stated in Article 3 and also Annex I of mentioned decision, MoEF has taken necessary measures in concordance with the deadlines stated in the mentioned decision and established necessary units, recruited sufficient staff and provided trainings to these staff to ensure proper segregation of duties and timely completion of the tasks related to the management of IPA Funds. Thus,

Programming and Project Preparation Unit, Technical Implementation Unit, Quality Assurance and Control Unit and Monitoring and Evaluation Unit of the IPA CIC within the MoEF was accredited as the Operating Structure in July 2009. Also, in concordance with abovementioned decision and its annex, Procurement Unit and Financial Management Unit were established and properly staffed and adequate trainings for these staff were organized in order to take contracting and tendering responsibilities of the EOP<sup>10</sup>.

In this regard, as the OS responsible for the EOP, the MoEF made its official request at the level of NAO on 20<sup>th</sup> January 2010 for the implementation of procurement and payment functions under the DIS, which have been delegated to the CFCU by the Cooperation Agreement entered into force on 9<sup>th</sup> June 2008.

Thereafter, IPA CIC, which was founded by establishing Procurement Unit and Financial Management Unit in 2009, was accredited as Contracting Authority by the European Commission Decision No (2011)133 on 20.01.2011 upon the official application submitted to National Authorising Officer (Undersecretariat of Treasury) and to European Commission in 2010. Therefore, it is ensured that procurement and financial management functions of the projects under Environmental Operational Programme are processed by IPA CIC within MoEF as Contracting Authority in order to implement the Environmental Operational Programme more efficiently.

#### **5. Coordination with other instruments and/or donors:**

A strong coordination between other programmes and components of IPA Assistance is very crucial in the implementation of the EOP in order to achieve the maximum impact, ensure optimal use of resources as well as overall coherence between all forms of assistance. This requires also effective coordination between different investment programmes and all relevant institutions in the field of environment.

Although financial assistance allocated to the EOP under IPA Program has not yet been used due to several factors including delays in tendering process during the reporting period, there were some allocations used for project preparation and capacity building activities under the Programme called “Support Activities to Strengthen the European Integration Process (SEI)” in order to support the implementation of the EOP.

In this regard, “Technical Assistance To Prepare Wastewater Treatment Plant Projects for 15 Municipalities in Turkey” project under the SEI 2005 Programme was, initiated with the aim of preparing investment project packages within wastewater sector among priority projects was completed in November 2009. Also, another project in the same programme was “Technical Assistance To Prepare Drinking Water Projects for 8 Municipalities in Turkey” which was initiated with the aim of preparing project packages in the water sector, was completed in November 2009. Despite the fact that the contracts expired in November 2009, revisions of IPA

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<sup>10</sup> The organizational chart of the IPA CIC can be found in the Annex 3.

applications of relevant projects was carried out by the consultant in the scope of these 2 projects on the cut-off date 20<sup>th</sup> August 2010.

Under the SEI 2006 Programme, two framework contracts named “Technical Assistance for Preparation of Investment Project Package for Van SWM Project” and “Technical Assistance for Preparation of Investment Project Package for Batman SWM Project” have been carried out in order to prepare feasibility studies, CBA, EIA, IPA Application forms, tender dossiers, detailed designs and drawings.

**6. Steps taken by the Sectoral Monitoring Committee to ensure the quality and effectiveness of implementation, in particular:**

During the reporting period, two SMC meetings were conducted on 22<sup>nd</sup> April 2010 and 14<sup>th</sup> October 2010, respectively.

**1) 6<sup>th</sup> SMC Meeting of the EOP on 22<sup>nd</sup> April 2010**

6<sup>th</sup> SMC meeting was held in Ankara on 22<sup>th</sup> November 2010 at the premises of the State Planning Organization. The conclusions and recommendations of the meeting are stated in the table below:

**Table 14: Conclusions/Recommendations of the 6<sup>th</sup> SMC Meeting and their status:**

The agenda of the 6th Sectoral Monitoring Committee Meeting and the minutes of the 5th Sectoral Committee Meeting have been unanimously approved.	✓
The Annual Work Plan for 2010 had been approved by the 5th SMC meeting.	✓
In order to pave the way for the new co-financing ratio of 85% to be applicable for the Ordu Project, Turkish Authorities shall submit a letter, expressing “the request for re-calculation of the Project co-financing” to the EC after the completion of relevant approval process by the EC.	✓
The updated information on the progress made in relation to the accreditation of the Procurement and Financial Management Units shall be submitted to the EC.	✓
The updated version of the project prioritization list shall be sent not only to the European Commission but also to all SMC members.	✓
The Monitoring Committee members endorsed the Annual Implementation Report but requested the OS to incorporate the received comments in the documents.	✓

The EUD representatives shall be also invited to the regular monthly meetings held between the MoEF and the CFCU.	✓
The final version of the Communication Action Plan (CAP) has been unanimously approved by the Committee members.	✓
Parties shall jointly work on proposing a suitable date for the 7th SMC meeting, within the time frame indicated by the European Commission.	✓

## 2) 7<sup>th</sup> SMC Meeting of the EOP on 14<sup>th</sup> October 2010

7<sup>th</sup> SMC meeting was held in Ankara on 14<sup>th</sup> November 2010 at the premises of the State Planning Organization. The conclusions and recommendations of the meeting are stated in the table below:

**Table 15: Conclusions/Recommendations of the 7<sup>th</sup> SMC Meeting and their status:**

The decisions taken by the Committee and the minutes of the 6 <sup>th</sup> Sectoral Monitoring Committee and the draft agenda of the 7 <sup>th</sup> Sectoral Monitoring Committee were unanimously approved.	✓
In order to prevent the delays in the process, the agreed time table concerning the appraisal and approval of the IPA Project Applications shall be sent to the MoEF by the EC with an official letter.	✓
All the projects financed by international funds other than those of EU shall be excluded from the Monitoring Report.	✓
The Fourth Monitoring Report was accepted unanimously on condition of reflecting the opinions of the SMC Members.	✓
Until the accreditation of the Financial Management and Procurement Units of the IPA CIC is completed, the cooperation between the MoEF, the CFCU and the EUD representatives shall be sustained through monthly meetings.	✓
The Cooperation Agreement between the CFCU and the MoEF shall be reviewed; a reasonable and realistic extension to the Agreement shall be granted till the adoption of the conferral of management to the MoEF; and the legal framework of the on-going tenders and tasks in the aftermath of the said conferral of management shall be clearly drawn.	✓
Ensure in co-operation with the responsible national authorities that the draft law on the increase of salaries in all IPA institutions is adopted as a matter of urgency; as an alternative, put in place any other action of equivalent effects to ensure continuity and efficiency of operations.	<b>In-progress</b>

## **7. Assessment of the information and communication activities.**

Publicity and information dissemination is the responsibility of the OS of the EOP pursuant to the Article 62 and 63 of the IPA Implementing Regulation. In this regard the MoEF is responsible for the information and publicity activities of the Programme in which information will be addressed to all citizens in Turkey and to EU citizens in general and specifically potential beneficiaries are targeted with the aim of highlighting the role of the Community and ensuring transparency.

Effective communication activities is critical for the successful implementation and management of the EOP, and are required in order to ensure appropriate visibility and transparency regarding the allocation and expenditure of EU funds, and in order to encourage potential beneficiaries to take full advantage of the availability of EU funds for environmental projects. According to the abovementioned articles of the IPA Regulation, the OS should submit a draft of the Communication Action Plan (CAP) to the Commission within four months from the date of signature of the Financing Agreement which means until January 2010. In this regard, the MoEF is in charge of preparing and implementing its own Communication Strategy (CS) and Action Plan for the EOP. As stated in previous reports, the MoEF prepared a draft CAP and a Communication Strategy through Technical assistance support which was finalized by the end of November 2007. Also, 3 framework contracts which were planned by that technical assistance support were consolidated under TA for Implementation of Communication Action Plan in October 2009 under the OIS “Technical Assistance for supporting the management and implementation of the Environment Operational Programme (EOP)”. The CAP was submitted informally to the EC on 4<sup>th</sup> January 2010 and it has been unanimously approved in 6<sup>th</sup> SMC Meeting held on 22<sup>th</sup> April 2010 by the members of the committee.

Regarding the information and publicity; the following measures have been taken during the reporting period:

- TA for Implementation of Communication Action Plan is addressed under OIS “Technical Assistance for supporting the management and implementation of the Environment Operational Programme (EOP)” and Terms of Reference for Implementation of Communication Action Plan is being prepared under this OIS by the OS on 31<sup>th</sup> December 2010.
- There is regularly updated web site of IPA CIC for publication of all relevant information concerning the implementation of EOP.

## **8. Follow up: forecast on the implementation trends.**

In the next reporting period, IPA Application Forms for three projects (Kahramanmaraş Wastewater Project, Şanlıurfa Wastewater Project, and Diyarbakır Solid Waste Management Project) are planned to be submitted. Also, 53 contracts under EOP with a total budget of 419 MEUR are expected to be signed in 2011.

## **II.b. Regional Competitiveness Operation Programme: Summary of the Sectoral annual report:**

### **1. Synthesis of progress made in implementing Community assistance in relation to the priorities set up in the multi-annual indicative planning document and in the Regional Competitiveness multi-annual operational programme.**

In accordance with Article 158 of the IPA Implementing Regulation, three different packaging approaches have been developed under the RCOP in order to absorb the funds allocated to the Programme and to reach the objectives set out in the MIPD and the RCOP. According to this approach, the first package of projects is mainly composed of the strategic projects of national public bodies; while the second package consist of projects received from the target region of the RCOP upon call for project proposals. Finally, the third package is composed of the projects that are financed under the Measure 1.2 of the RCOP on “Creation and Development of Financing Instruments”.

There are currently 10 operations under the first package including the technical assistance (TA) and publicity operations of the RCP-CIC. 6 out of them have been officially approved by the EUD on 22<sup>nd</sup> of April, 2009, while the TA and publicity operations of the RCP-CIC have been approved by the Commission on 9<sup>th</sup> of June, 2009 and 28<sup>th</sup> of September, 2010 respectively. Within the scope of these 10 operations, there are 32 contracts. In 2010, tendering and contracting of these 32 contracts have been carried out. In this respect, 19 forecast notices and 8 procurement notices have been published and 2 contracts have been awarded.

In order to develop a second package of projects, the Ministry launched a call for proposal on 14<sup>th</sup> of November 2008 with a budget of nearly 76 Million Euros. Application deadline was 16<sup>th</sup> of January, 2009. There was a huge demand from the target groups and region for the “call” and 532 proposals with a total budget of 1.6 billion Euros applied to the Programme. As a result of the whole selection process, 47 operations have been prioritised.

After the identification of the operations, the Ministry has carried out a series of trilateral meetings with the participation of relevant stakeholders (OS-End Recipients-EUD) with a view to improve the quality of Operation Identification Sheets (OIS). During these meetings, it was observed that the content and the target region of some operations in the second package are very similar; therefore they can be combined and/or withdrawn in order to increase the overall effectiveness of the second package. In this respect, the number of operations considered in the second package has been decreased to 42.

During the trilateral meetings organised for the improvement of the OISs, it has become clear that the key issue in the finalization of the OISs of the selected operations is to provide technical assistance to the end recipients in the short run without waiting for the launch of the Capacity Building operation financed under Measure 3.1 of the RCOP. Therefore, the Ministry has formulated another technical assistance project with United Nations Development Programme

(UNDP) which is financed through national sources and aims of improving the quality of OISs. Within the context of the UNDP technical cooperation project, sector specific experts (2 SME, 1 Works, 2 Tourism, 1 Furniture, 2 Natural Stone, 1 Food and 2 Consolidation) have been mobilized for the finalization of the OISs in July 2010. By the end of 2010, **6 OISs** have been finalised and submitted to the EUD for approval. These operations submitted on 21 September 2010 were approved by the EUD on 23 November 2010.

Third package is composed of operations which are financed under Measure 1.2 of the RCOP on “Creation and Development of Financing Instruments”. Within this context, **2** operations which amount to **48 million Euros** have been submitted until now and one out of these operations was approved by the European Commission.

*Information about the physical progress made in implementing the operations approved under the first, second and the third packages is given below at the level of priority axes and measures.*

### **Priority 1: Improvement of Business Environment**

Within this priority, a total of **43** operations worth **259,230,010€** have been submitted under the first, second and third package and **11** out of them with a budget of **116,886,765€** have been approved by the EUD.

#### **Measure 1.1: Development of Industrial Infrastructure**

Within the framework of this measure, **23** operations with a budget of **107,030,408€** have been submitted under the first and second packages up to date. As of at the end of 2010, **6** operations with a budget of **52,554,483€** have been approved by the EUD under this measure.

#### *Establishment of 3 Business Incubators and Development of a Network*

The first operation submitted under this measure is “Establishment of 3 Business Incubators and Development of a Network among Incubators in Turkey” with a budget of 13,621,892€. The end recipient of the operation is KOSGEB. The operation, which will be implemented through four types of contracts: works, supervision, technical assistance and supply, was approved by the Commission on 22<sup>nd</sup> of April, 2009. Tender dossiers for supervision and works contracts were sent to the CFCU on 08.01.2010 and 12.03.2010 respectively. Procurement notice of supervision contract was published on 03.08.2010.

#### *Strengthening the Infrastructure for Furniture Production (MOBİTEK)*

“Strengthening the Infrastructure for Furniture Production (MOBİTEK)” operation which is under the second package was submitted by the Central Anatolia Development Association. It was approved by the EUD on 23 November 2010. The budget of the operation is 8,607,482 €.

The operation will be implemented through four types of contracts: works, supervision, supply and technical assistance. Tender dossier preparations of these contracts have also been launched. Manufacturing Support Units and Business Development Units will be constructed under works contract, while services for the supervision of the works will be procured under supervision contract. Under supply contract machinery and equipment, ICT supplies and software including furniture will be purchased. MOBİTEK's institutional infrastructure will be developed and manufacturing support and business development services will be provided under the technical assistance contract.

### ***Establishment of Giresun Hazelnut Licensed Warehouse and Spot Exchange***

“Establishment of Giresun Hazelnut Licensed Warehouse and Spot Exchange” operation which is under the second package was submitted by the Giresun Commodity Exchange. It was approved by the EUD on 23 November 2010. The budget of the operation is 9,452,153 €.

The operation will be implemented through three different types of contracts: works, supervision and supply. Tender dossier preparations of these contracts have also been launched. Within the scope of works component, Hazelnut Licensed Warehouse, Spot Exchange and Administrative Building, in-shell hazelnut cleaning, weighing, sampling and command control area, laboratory and technical service building, in-shell hazelnut packaging and delivery area, in-shell hazelnut stock area (for spot exchange), single-storey building of security, vehicle scales cottage and fire water reservoir and pumping station will be constructed. Supervision services will be procured for the supervision of the works. Under the supply component of the operation, licensed warehouse and spot exchange machinery and equipment and laboratory equipment will be purchased.

### ***Big Partnership of Small Industrialists***

“Big Partnership of Small Industrialists” operation which is under the second package was submitted by the Tokat SS Small Industry Construction Cooperative. It was approved by the EUD on 23 November 2010. The budget of the operation is 6,524,937 €.

The operation will be implemented through four types of contracts: works, supervision, supply and technical assistance. The Common Use Facility will be constructed through the works component of the operation and the machinery and equipment, including the vehicle, for the workshops and systems will be procured through the supply component of the operation. Within the framework of the technical assistance component of the operation, common use infrastructure will be established and business development services will be delivered. Tender dossier preparations of these contracts have also been launched.



### ***My Bee, My Honey, My Honeycomb***

“My Bee, My Honey, My Honeycomb” operation which is under the second package was submitted by the Ministry of Agriculture and Rural Affairs Apiculture Research Institute. It was approved by the EUD on 23 November 2010. The budget of the operation is 9,355,196 €.

The operation will be implemented through four types of contracts: works, supervision, supply and technical assistance. The works component of the operation includes construction of Quality Improvement and Certification Centre and Processing and Packaging Plant. The supply component of the operation includes purchase of technical machines and equipments for service units that will be established within the operation. Under the technical assistance component of the operation institutional infrastructure will be established and business development services will be delivered. Tender dossier preparations of these contracts have also been launched.

### ***Expansion of Van Enterprise Development Centre (Van İŞGEM)***

“Expansion of Van Enterprise Development Centre” operation which is under the second package was submitted by the Van Industrialist and Businessmen Association. It was approved by the EUD on 23 November 2010. The budget of the operation is 4,992,823 €.

The operation will be implemented through four types of contracts: works, supervision, supply and technical assistance. The operation will facilitate expansion of Van İŞGEM by 8.250 m<sup>2</sup> to establish shared facilities and to host 30 more tenants. The technical assistance component of the operation will improve the institutional capacity of Van İŞGEM, and will strengthen the technical skills and capabilities of the tenants. In due course, a business plan will be prepared for Van İŞGEM and a roadmap that demonstrates how Van İŞGEM can better serve the needs of its tenants will be produced. These institutional capacity building activities will include promotional activities as well. The technical assistance services to be provided to the tenants will be geared towards preparing them for the quality certification processes.

## **Measure 1.2: Creation and Development of Financing Instruments**

### ***Greater Anatolia Guarantee Facility***

DG for Internal Trade of the MoIT and the European Investment Bank (EIB) Group has prepared a proposal on the establishment of “Greater Anatolia Guarantee Facility - GAGF” with the active participation of the existing Credit Guarantee Fund (KGF) under Measure 1.2.

The official application letter and annexes of the operation (OIS, Business Plan, Contribution Agreement, Counter Guarantee Agreement, Description of Action, EIB-EIF Cooperation Agreement and State Aid Analysis) were sent to the European Commission on 22<sup>nd</sup> of March, 2010. After the approval of the operation by the Commission on 19<sup>th</sup> of April, 2010, the Contribution Agreement between the CFCU and the EIF was signed on 28 April 2010 and

submitted to the EUD for approval. The EUD approved the Contribution Agreement on 21 May 2010. Thus, the operation has been officially launched.

The first Steering Committee of the operation was held on 1 June 2010. In order to inform all the related parties about the activities of the operation, a promotional event was also held by the Ministry on 16 July 2010 with the participation of Minister of Industry and Trade and high level officials from the EIB, EIF, European Commission and Delegation. The EIF has also completed bilateral agreements with the selected 5 intermediary banks on 22 October 2010. Hence the implementation of the operation started on operational level as from November 2010.

### ***G 43 Anatolian Venture Capital Fund***

The second operation under the third package is “***G 43 Anatolian Venture Capital Fund***” with a budget of 16 million Euros. The end recipient of the operation is KOSGEB. KOSGEB will implement the operation in close cooperation with the EIF and Istanbul Venture Capital Initiative (IVCI). Within the scope of the operation, a venture capital fund will be established and access to finance through partnership for nearly 8 or 12 promising companies operating in the target region of the RCOP will be ensured through this fund. OIS, Business Plan, Funding Agreement which will be signed between the CFCU and the EIF and the Co-Investment Agreement between EIF and IVCI have been finalised. The official application for this operation will be submitted to the European Commission by the beginning of 2011.

### **Measure 1.3: Improvement of R&D, Innovation, Technology and ICT Environment and Infrastructure**

Within the scope of this measure, **10** operations with a budget of **69,994,424€** have been submitted under the first and second packages up to date. There are currently **4** operations with a budget of **32,332,282€** approved by the EUD. Under the first package, three Technology Development Zones (TDZ) operations submitted by the DG for Industrial Research and Development (R&D) of the Ministry of Industry and Trade have been approved by the EUD. Under the second package, one operation called “*Rize Tea Research and Application Centre*” has been approved by the EUD in 2010.

#### ***Technology Development Zones Operations***

“Erciyes Technopark Regional Innovation Centre”, “Development of the Research & Technological Infrastructure of Gaziantep Technopark” and “FIRASET (Firat Rainbow Surrounding Enterprise Taskforce)” operations have been approved by the EUD on 22<sup>nd</sup> of April, 2009. The tender process for the mentioned operations has also been launched. Regarding the Technical Assistance (Institutional Building) component, it is planned to have 3 separate tenders for each TDZ, while for Works, Supply and Supervision components, the technical documents of each TDZ were merged in one Works TS, one Supply TS and one Supervision ToR.

The Procurement Notice for the Works TS was published on 7<sup>th</sup> of August 2010 and tender evaluation process has been launched. For supervision component; the Procurement Notice for the Supervision ToR was published on 10<sup>th</sup> of May 2010. Tender evaluation process has also been launched and short list notice was published on 30<sup>th</sup> of November 2010. For supply component; the Forecast Notice for the Supply TS was published on 20<sup>th</sup> of August 2010. Tender dossier preparations of the supply component have continued within 2010. For technical assistance components, ToRs preparations have also continued in 2010.

### ***Rize Tea Research and Application Centre***

Rize Tea Research and Application Centre is the fourth operation approved by the EUD under Measure 1.3. The end recipient of the operation is Rize Chamber of Commerce and Industry. It was approved by the EUD on 23 November 2010. The budget of the operation is 9,957,370€.

The operation will be implemented through four types of contracts: works, supervision, supply and technical assistance. The works component of the operation includes construction of pilot tea production facility and warehouse, packaging facility, tea waste recycling facility and warehouse, administrative building including laboratory and pilot tea plantation area. Under the supply component of the operation, necessary machines and equipments will be purchased for service units to be established within the operation. Under the technical assistance component of the operation, institutional capacity will be improved, productivity, marketing capabilities and product quality of the tea producing SMEs will be increased. Tender dossier preparations of these contracts have also been launched.

### **Measure 1.4: Improvement of Tourism Infrastructure, Promotion and Marketing Activities**

Although there are 8 operations under Measure 1.4 which were submitted within the scope of the first and second package, no operation has been approved by the EUD in 2010. However, information about the progress achieved in the programming phase of the operation on “Development of Winter Tourism Corridor in Erzurum, Erzincan and Kars” under the first package is given below.

#### ***Development of Winter Tourism Corridor in Erzurum, Erzincan and Kars***

Ministry of Culture and Tourism has submitted an operation proposal called “Development of Winter Tourism Corridor in Erzurum, Erzincan and Kars” with a budget of 8.189.910€. Having agreement with the UNDP, the Ministry of Culture and Tourism has finalised the OIS, project fiche, feasibility study, cost-benefit analysis and environmental impact assessment. These documents were sent to the EUD for approval on 23<sup>rd</sup> of March, 2010. After reviewing the OIS document and its attachments, the EUD sent its opinions to the RCP-CIC on 22<sup>nd</sup> of April 2010. OIS has been revised according to the comments of the EUD and studies for the revision of the feasibility report and cost-benefit analysis have been carried out by the Ministry of Culture and Tourism. After the approval of the OIS and relevant documents by the EUD, service ToR and the TS for works and supply will be sent to the CFCU.

Although there are **11** operations worth **27,909,100** submitted both under the first and second package within this priority, **2** out of them with a total budget of **13,500,000€** have been approved by the EUD.

### **Measure 2.1: Providing Basic Information and Consultancy Support for Enterprises**

Under Measure 2.1, there are **5** operations with a budget of **14,264,700€** from the first and second project packages and one which was submitted by the Union of Chambers and Commodity Exchanges of Turkey (TOBB) under the first package has been approved by the EUD.

#### ***Enlargement of the European Turkish Business Centres Network, Phase I***

Within the scope of this measure, TOBB has an operation called “Enlargement of the European Turkish Business Centres Network, Phase I” with a budget of 8.500.000 €. The operation was approved by the EUD on 22<sup>nd</sup> of April, 2009. It will be implemented through a service contract for technical assistance and two supply contracts. Regarding the service contract of the operation, procurement notice was published on 21.01.2010 and the tender evaluation process has been launched. Shortlist notice for the service contract has also been published by the CFCU on 15<sup>th</sup> of July 2010 and evaluation of technical offers has been completed by December 2010. For the first supply component, the procurement notice was published on 19.05.2010, evaluation of technical offers was completed on 1 October 2010 and contract was awarded on 2 November 2010.

### **Measure 2.2: Strengthening of Cooperation in Industry Corporate Sector**

In the scope of Measure 2.2, **6** operations with a budget of **13,644,400€** have been submitted under the first and second project packages and one which was submitted by the Undersecretariat for Foreign Trade (UFT) under the first package has been approved by the EUD.

#### ***Empowering SMEs for Networking and Inter-Regional Cooperation***

UFT has an operation called “Empowering SMEs for networking and inter-regional cooperation” with a budget of 5.000.000 €. The operation was approved by the Commission on 22<sup>nd</sup> of April, 2009. The operation will be implemented through a service contract for technical assistance and three supply contracts. Regarding the service and the first supply contract of the operation, the tender evaluation process has been launched. For the service contract; procurement notice was published on 04.02.2010, shortlist notice was published on 09.06.2010, evaluation of technical offers was completed on 09.11.2010 and the contract was awarded on 10.12.2010. For the supply component, the procurement notice was firstly published on 02.03.2010. But the tender was cancelled by the EUD and the tender process was relaunched and the procurement notice was republished on 18.08.2010.

### **Priority 3: Technical Assistance**

#### **Measure 3.1: Support to the OP Preparation, Management, Implementation, Monitoring, Control and Evaluation**

Activities foreseen under the TA operation will be performed through several procurement contracts including service, supply, framework and direct contracts. The main and the first service contract prepared under this measure is called “Technical Assistance on Institutional Building for the Implementation of RCOP”. The budget of this service contract is **6.770.000€**.

The procurement notice regarding this contract was published on 29.01.2010 and the tender evaluation process was launched. In this respect, short list notice was published on 4<sup>th</sup> of June 2010. On 27 September 2010, evaluation of technical offers was completed by the Evaluation Committee and the contract was signed on 6 December 2010 with a budget of **6,092,960€**. Kick of meeting of the TA contract was held on 15 December 2010.

There is also a service contract called “*Technical Assistance on MIS for the Implementation of RCOP*” with a budget of **1.743.500€** and a supply contract called “*Supply of IT Equipment for Management Information System (MIS)*” with a budget of **251.310€** under the TA operation. The forecast notices of these contracts were published on 4<sup>th</sup> of June, 2009. After the publication of the forecast notice, tender dossiers of these contracts have been revised in line with the existing needs of the RCP-CIC by also considering the scope of the IMIS established by the SPO. Revised tender documents were sent to the CFCU in July 2010.

Under the TA Operation, there are also two Framework Contracts aiming to support the activities carried out for the establishment of the Finance and Contract Department (FCD) within the Centre since this department is at an early stage of its establishment and extensive support and advice is necessary to be fully functional within RCP –CIC after 2011. Within this context, a Framework Contract (FwC) has been drafted to provide external assistance to prepare a Roadmap Document for establishing the FCD. This FwC on “*Roadmap for the establishment of the FCD within RCP-CIC*” has been awarded on 24.06.2010 with a budget of **116.818€** and implementation of this contract has been launched in the beginning of July 2010 and finalised by the end of November 2010. Within the scope of this contract, a Road Map Document for the establishment of the FCD, Gap Assessment, Training Need Analysis, Work Load Analysis, Planning of Human Recourses Management and Organigramme of the FCD have been prepared.

The main objective of the Framework Contract on “*Study for Compliance Assessment Audit of Ministry of Industry and Trade*” is to perform the compliance audit of the FCD as the Tendering and Contracting Authority on behalf of the National Authorising Officer in order to obtain reasonable assurance to meet the minimum criteria for accreditation and EC requirements and thus can manage IPA funds under the RCOP. ToR for this contract has been finalised by the Ministry and sent to the CFCU on 28<sup>th</sup> of September 2010.

## Measure 3.2: Publicity, Information and Promotion of the OP Measures

The budget available under Measure 3.2 for 2007-2011 is **2,432,356€**. In order to define a general framework for publicity activities to be carried out under this measure, a Communication Action Plan (CAP) has been prepared by the RCP –CIC. After the approval of the SMC members, it was officially sent to the Commission. The Commission approved the Plan through its official letter dated 01.03.2010. Following the formal adoption of the Plan by the Commission, the OIS has been prepared by the RCP – CIC and sent to the Commission for approval in June 2010. It was approved by the Commission on 28<sup>th</sup> of September 2010. The budget of this operation is **2.100.000€**. Under this operation, one TA contract will be implemented. Tender dossier preparation of this TA contract has also been launched in 2010.

### 2. Progress in financial implementation:

**Table 16: Financial implementation of the RCOP**

	Expenditure paid out by the beneficiaries included in payment applications sent to the Commission by the National Fund	Total expenditure committed and paid out by the National Fund	Corresponding public contribution	Corresponding private contribution	Total payments received from Commission
<b>Priority axis 1</b>	32,000,000	32,000,000	32,000,000	0.000	0.000
Measure 1.1	0.000	0.000	0.000	0.000	0.000
Measure 1.2	32,000,000	32,000,000	32,000,000	0.000	0.000
Measure 1.3	0.000	0.000	0.000	0.000	0.000
Measure 1.4	0.000	0.000	0.000	0.000	0.000
<b>Priority axis 2</b>	0.000	0.000	0.000	0.000	0.000
Measure 2.1	0.000	0.000	0.000	0.000	0.000
Measure 2.2	0.000	0.000	0.000	0.000	0.000
<b>Priority axis 3</b>	70,091	70,091	70,091	0.000	0.000
Measure 3.1	70,091	70,091	70,091	0.000	0.000
Measure 3.2	0.000	0.000	0.000	0.000	0.000
<b>Total</b>	32,070,091	32,070,091	32,070,091	0.000	0.000

During this reporting period, the Direct Grant Agreement on “*Greater Anatolia Guarantee Facility*” with a budget of 32 million Euros, the Framework Contract on “*Road map for the establishment of the FCD within RCP-CIC*” with a budget of 116,818€ and Service Contract on “*Technical Assistance on Institutional Building for the Implementation of RCOP*” with a budget of 6,092,960€ have been awarded. Advance payment of the Framework Contract on “*Road map for the establishment of the FCD within RCP-CIC*” amounting **70,091€** has been paid on 15<sup>th</sup> of

July 2010. Furthermore, single payment of the Direct Grant on “Greater Anatolia Guarantee Facility” amounting **32,000,000€** has been paid on 29 July 2010.

## **Major Projects**

### *Establishment of Innovation Centre for Food- Innofood Centre*

Under this measure, TÜBİTAK has a major project proposal called “Establishment of Innovation Centre for Food-Innofood Centre” with a budget of **20.542.253€**. The Major Project Application form has been submitted to the Commission by the RCP-CIC on 25<sup>th</sup> of February, 2010. It was registered to Commission files on 17<sup>th</sup> March 2010 and the following reference number has been awarded: **2010TR16IPR003**

The European Commission has examined the major project application and considered that the project application is complete in terms of meeting the requirements of Article 157(4) of the IPA Implementing Regulation and is consistent with the strategy for Community assistance set out in the Multi-Annual Indicative Planning Document (MIPD) in force and serves to strategic priorities defined in the RCOP. In this regard, official letter on the admissibility of the project application was sent to the Ministry by the Commission on 15 July 2010. Detailed comments of the Commission about the project and its feasibility report have been received on 13 October 2010. During the last quarter of 2010, studies for the revision of the feasibility report have been carried by the TÜBİTAK in close cooperation with the RCP-CIC according to the comments of the Commission.

### **3. Assessment of the management and control system:**

The set up of the management and control systems is fully compliant with the provisions of the IPA Regulations. The management and internal control system in operation for the RCOP has functioned effectively to provide reasonable assurance on the legality and regularity of the underlying transactions during the reporting period. In this respect, the Management Declaration of the RCOP by the Head of Operating Structure was sent to the NAO for the financial year 01/01/2010 to 31/12/2010. Based on this Declaration and his assessment upon all information at his disposal NAO presented the annual Statement of Assurance to the Commission in accordance with Article 27 of the IPA Implementing Regulation.

In accordance with Article 4(1) (b) of the Implementing Agreement between the NAO and the Head of Operating Structure (HOS) signed in 14.05.2009, the Operating Structure informs the NAO about any major or minor change in the management and control system and structures and obtain prior approval from the NAO regarding major changes. In this respect, the changes occurred in the management and control structures during the reporting period were regularly communicated to the NAO in 2010.

Furthermore, several audit missions have been carried out in 2010 for assessing the effective and efficient functioning of internal management and control system in place and providing necessary assurance to the Head of Operating Structure (HOS), NAO, CAO and the European Commission.

Within this respect, Audit Authority, Board of Treasury Controllers, has examined the functioning of the management and control systems for the RCOP for the period of 1 October 2009 – 30 September 2010 with a view to providing an opinion on the conformity of the management and control systems with the Framework Agreement and any other agreements between the Commission and the Government of the Republic of Turkey in the framework of IPA and as to whether these management and control systems were operated effectively. The audits were conducted between June and December 2010. System-based audit included an examination, on a test basis, of the design and operation of the management and control systems put in place by the RCP-CIC to effectively manage the risks which threaten the production of reliable statements of expenditure presented to the Commission.

Based on this examination, for the period of October 2009 - September 2010 it was found that the management and control systems established for the RCOP functioned effectively and, concerning its design and operation, complied in all material respects with all applicable requirements of the IPA Framework Agreement and/or any other agreements between the Commission and the Government of the Republic of Turkey in the framework of IPA.

Internal audit of the RCP-CIC is carried out by Internal Audit Unit of the Ministry of Industry and Trade at least once a year. Within this respect, activities of the Sectoral Monitoring Committee for the RCOP were audited in November - December 2010. No high risk finding was identified as a result of this audit.

Conferral of management audit follow up mission was carried out from 29 November to 3 December 2010 by the Commission auditors. Draft Audit Report was received on 25 February 2011 from the European Commission. In this report, auditors have emphasized that although progress has been made since the conferral of management in July 2009, some horizontal high risk issues still remain unresolved at the time of their audit in December 2010.

#### **4. Assessment of the administrative capacity.**

The Regional Competitiveness Programme Coordination and Implementation Centre (RCP-CIC) was established by a Ministerial Consent in **December 2007** for the management and implementation of the RCOP and it was accredited by the Commission on **23 July 2009**.

The RCP – CIC is composed of four departments, namely: Programming, Finance and Contracts, Monitoring and Evaluation and Quality Assurance and Control.<sup>11</sup> A Department was also established for the Administrative Affairs and four staff was assigned in this Department. To enhance the administrative capacity of the RCP-CIC, required staff has been recruited in 2010 and the total number of staff has reached to **63** including the Head of Centre and administrative

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<sup>11</sup> Please see *Annex 3.2* for the Organigramme of the RCP-CIC.



staff. Hence the staff needs required for the execution of the Operating Structure's functions including finance and contracting has been substantially met.

To improve the capacity of the RCP-CIC in the management, implementation, monitoring, evaluation and control of the RCOP and to support the operation development and management capacity of the central and local stakeholders in particular the end recipients of operations, several technical assistance contracts are implemented by the RCP-CIC. Implementation of the Technical Assistance Contract on Institutional Building for the Implementation of Regional Competitiveness OP whose budget is 6.770.000 € has been launched on 15 December 2010. Within the scope of this TA contract, up to date inventory of urgent needs for support of the RCP-CIC was determined, Training Need Analysis for the RCP-CIC and Internal Audit Unit of the Ministry was carried out, urgent training programme for accreditation of the FCD was delivered, recruitment process of 6 non-key long term experts and urgent short term experts has been launched and organization of a workshop on project generation was supported.

Furthermore, several capacity building activities have also been carried out for the take over and execution of tendering and contracting tasks delegated to the CFCU in 2010. Within this respect, first of all necessary staff was recruited in the FCD and staff number has reached to 34. Secondly, tendering room and office needs of the FCD have been met and a new floor was hired in the existing building of the RCP-CIC.

Besides, several technical assistance contracts have also been implemented with a view to strengthening the administrative and human resources capacity of the FCD. First of all, through a Framework Contract, a Road Map Document for the establishment of the FCD, Gap Assessment, Training Need Analysis, Work Load Analysis, Planning of Human Resources Management and Organigramme of the FCD have been prepared. In order to plug the gaps listed in the Gap Assessment Document, a Technical Assistance Contract on Institutional Building for the implementation of RCOP has been launched in December 2010. Within the scope of this TA contract, PIM, POG, check lists and other necessary documents of the FCD have been prepared, necessary trainings and on the job support have also been delivered. Furthermore, two non key long term experts for FCD have been recruited in March 2011 for 24 months period. Thus, direct support to the FCD in executing its daily tasks has also been provided.

## **5. Coordination with other instruments and/or donors:**

Considering the limited budget allocated from IPA funds, it is essential to ensure complementarity of interventions between the RCOP and other Operational Programmes (OPs) as well as the national and Community programmes and to avoid overlapping with a view to increasing the impact of the interventions carried out under the RCOP and ensuring coherence and efficiency in the management of financial assistance.

Within the framework of the above considerations, creating a synergy with Transport, Environment, Human Resources Development (HRD) and the Rural Development (RD) OPs is particularly essential in order to increase the effectiveness of the interventions of the RCOP. All

the actions under the RCOP have been designed according to this approach. Hence, the actions to be carried out under the RCOP will also serve to the other OPs in reaching their objectives.

In order to ensure complementarity and to avoid overlapping among the OPs, coordination mechanisms have been established between the MoIT and relevant line Ministries responsible for other OPs both for the programming and implementation period of the OPs.

During the implementation phase of the OPs, this coordination is ensured through the Sectoral Monitoring Committees. MoIT is also a member of the Sectoral Monitoring Committees for Environment, Transport, Human Resources Development and Rural Development OPs. During the reporting period, the participation to the related Sectoral Monitoring Committees was ensured.

#### **6. Steps taken by the Sectoral Monitoring Committee to ensure the quality and effectiveness of implementation:**

In order to establish the required infrastructure for the monitoring of the RCOP and to provide strategic guidance and advice to the MoIT in the implementation of the Programme, Sectoral Monitoring Committee (SMC) for the RCOP has been established. In 2010, the 6<sup>th</sup> and 7<sup>th</sup> meetings of the SMC were held on 22<sup>nd</sup> of April 2010 and 14<sup>th</sup> of October 2010. During these meetings, state of play in the implementation of three project packages, absorption capacity of the RCOP, procurement plans and disbursement forecasts under the programme and technical assistance activities carried out by the RCP-CIC have been discussed. Members of the SMC were also informed about the revision of the IPA Implementing Regulation and Financing Agreement, the revision and extension of the Operational Program and the preparation of mid-term evaluation.

#### **7. Assessment of the information and communication activities**

In order to define a general framework for publicity activities aiming to inform the potential beneficiaries about the funding opportunities under the RCOP, a Communication Action Plan (CAP) has been prepared by the RCP –CIC. It was approved by the Commission on 1 March 2010. Following the formal adoption of the Plan by the Commission, the OIS has been prepared by the RCP – CIC and it was approved the Commission on 28 September 2010.

During the reporting period, a promotional meeting was organized by the Ministry on 16<sup>th</sup> of July 2010 to publicize the activities of the Greater Anatolia Guarantee Facility operation and to inform potential stakeholders on credit guarantee facilities to be provided for micro and small enterprises under the operation. Representatives of the Chambers of Commerce and Industry in the target region have also participated to the meeting.

The Operational Programme has also a web site (<http://ipaweb.sanayi.gov.tr>; <http://ipa.stb.gov.tr>) which contains all the related information about the IPA system and the RCOP including the list

of the operations financed under the RCOP. The main objective of the web site is to provide up-to-date information to all interested parties about the implementation of the RCOP.

Information requests regarding the funding opportunities under the RCOP submitted by potential stakeholders and general public through e-mail or mail have also continued to be responded by the Publicity Division of the RCP-CIC in 2010.

#### **8. Follow up: forecast on the implementation trends.**

In 2011, tender evaluation process will continue to be carried out for the operations under the first package and contracts are expected to be signed for 8 contracts with a budget of 14,6 million Euros. Actual implementation of these contracts on site will also be launched.

Approval of the major project on “Establishment of Innovation Centre for Food- Innofood Centre” by the European Commission and launch of the tender evaluation process of “Development of Winter Tourism Corridor in Erzurum, Erzincan and Kars”, which are in the scope of the first package, is also expected to take place within 2011.

Within the framework of the second package, tender evaluation process will be launched for 6 operations, which’s OISs have been approved by the EUD in 2010, and for the remaining 36 operations OISs improvement process will be finalised and these operations will be submitted to the EUD for approval and their tender dossier preparations will also be launched.

Within the scope of the third package, implementation of the “Greater Anatolia Guarantee Facility” operation will continue and micro credit guarantees and loan guarantees will be provided to micro enterprises and SMEs. Furthermore, “G 43 Anatolian Venture Capital Fund” operation will be approved by the Commission and its contract with a budget of 16 million Euros will be signed.

In 2011, project appraisal, selection and development studies will also be carried out with a view to formulate a fourth package of projects, which will absorb the funds to be allocated to the RCOP for the period of 2012-2013.

Furthermore, the tasks delegated to the CFCU will be taken over and accreditation of the FCD will take place in 2011. According to the MoIT Action Plan for taking over the delegated tasks from the CFCU, the MoIT will apply to the NAO for national accreditation in May 2011 and compliance assessment will also start in May and will be finalised by June 2011. Verification audit by the Commission will start in July 2011 and accreditation of the MoIT for finance and contracting functions will take place by the end of 2011.

## **II.c. Transport Operational Programme: Summary of the Sectoral annual report:**

### **1. Synthesis of progress made in implementing Community assistance in relation to the priorities set up in the multi-annual indicative planning document and in the Transport OP multi-annual operational programme.**

#### ***Developments on the Institutional Side***

The revised version of the Financing Agreement which covers 2007-2011 period was signed on December 14, 2010. Both the first and revised versions have been endorsed by Council of Ministers Decision No. 2010/1217 and published on the Official Gazette dated December 29, 2010 and numbered 27800. Internal developments concerning the MoT IPA Unit is explained in Section 4.

#### ***Developments at priority level (Project Preparations and Capacity Building Activities)***

Priorities and measures of TOP are formulated to be in compliance with Strategic Coherence Framework (SCF) prepared by State Planning Organisation as Strategic Coordinator for 2007-2013 period, MIPD and related documents, reports and guidelines.

TOP is based on two main sub-sectors of transport, railway infrastructure and port infrastructure. Technical assistance activities for capacity building of IPA Coordination and Implementation Unit to ensure smooth implementation of TOP as well as enhancing the project pipeline is also an indispensable part of TOP as its third priority.

Indicative project list of TOP, which is enrolled in Section 2 also indicates the compliance with MIPD. Progress in implementing Community Assistance in relation to priorities and detailed information as to the preparation and current situation of the projects in the OP is also given in Section 2 (progress in financial implementation) of this report only in order to avoid repetition and overlapping.

Nonetheless, as the third priority of TOP, studies regarding technical assistance (TA) is handled in this section.

In addition to the first and second priorities on the railway and port infrastructure, Technical Assistance (TA) priority has been envisaged as the third priority in the TOP. Related to the TA priority, a TA Plan had been prepared drawing out the necessary activities to improve the capacity of the Operating Structure and beneficiaries, to publicise the TOP and to enhance the project pipeline in December 2008. In accordance with the extension of TOP (2007-2011), TA Plan had been revised in October 2009 and submitted to all SMC members as a supporting document in March 2010 before the 6<sup>th</sup> SMC meeting took place on 21 April 2010.

The TA activities under TOP TA priority are designated to support the public and private institutions with responsibility for the OP implementation process. Hence, the rationale of the allocation of TA resources reflects the intention of the MoT to overcome the risks and to manage

the sensitivities which are likely to occur during the OP implementation process. Therefore, in line with the measures indicated under TOP TA priority;

1. Capacity development and institution-building,
2. TOP promotion activities,
3. Project pipeline enhancement

constitute the main concern of the TA activities set forth for 2007-2011 programming period.

As for the practical side of TA priority, Operation Identification Sheets (OISs) have been prepared and revised considering the extension of period of TOP and the financial envelope as well as the Terms of References under measure 3.1 and 3.2. Revised OISs for projects have been sent to Commission via official correspondence and e-mail in May 2010.

Regarding to Measure 3.1 “Support to OS and End Recipients’ capacity for implementation including programming, management, monitoring, evaluation and control”, Terms of Reference for “Technical Assistance the Strengthening Capacities of MoT IPA Unit and End Recipients” sent to the CFCU in January 2010. Forecast Notice has been published on 26 March 2010 and Procurement Notice has been published on 18 August 2010 .Expected date for signature of contract is July 2011. The duration of the project is 48 months whereas indicative budget is 5.3 million Euros.

Under this measure, another Terms of Reference for Compliance Audit phase of the accreditation of the tasks relating to tendering, contract management and financial management functions of IPA Unit was sent to CFCU on 1 October 2010. This short term contract “Study for Compliance Assessment Audit of IPA Implementation Unit” started with the kick off in January 2011.

Regarding the Measure 3.2 “Support for information and publicity activities”, Terms of Reference for “Technical Assistance for Information and Publicity Activities” sent to the CFCU in January 2010. Forecast Notice has been published on 7 April 2010 and Procurement Notice has been published on 10 August 2010. Expected date for signature of contract is August 2011. The indicative budget of the project is 1.9 million Euros and the duration is 36 months.

For Measure 3.3 “Support for enhancing the project pipeline”, identification of one project from the priority projects list of the TINA Study and Preparation of EU Standard-Feasibility Study, Environmental Impact Assessment (EIA) Report and other necessary documents of the project in concern is envisaged. Terms of References for “Technical Assistance for Modernisation of Samsun-Kalin Railway Line” was sent to the CFCU on 1 February 2010. Expected date for signature of the contract is March 2012. “Modernization of Alayunt-Afyon-Konya Railway Line” and “Modernization of Malatya-Narlı Railway Line” projects will also be evaluated within this scope.

## 2. Progress in financial implementation:

Since any contract for the projects has not yet been signed, no expenditure has been incurred in 2010. The EU financial contribution to the Transport OP will be implemented in line with the financial plan presented in the following table for 2007-2011.

**Table 17: Financial plan of the TOP**

YEAR 2007-2011	Total Public Expenditure	Public Expenditure		IPA Co financing rate
		Community Contribution	National Contribution	
<i>Priority Axis 1</i>	<i>326.188.235</i>	<i>277.350.000</i>	<i>48.838.235</i>	<i>85%</i>
Measure 1.1.	326.188.235	277.350.000	48.838.235	85%
<i>Priority Axis 2</i>	<i>58.588.234</i>	<i>49.800.000</i>	<i>8.788.234</i>	<i>85%</i>
Measure 2.1.	58.588.234	49.800.000	8.788.234	85%
<i>Technical Assistance</i>	<i>14.117.647</i>	<i>12.000.000</i>	<i>2.117.647</i>	<i>85%</i>
Measure 3.1.	5.882.353	5.000.000	882.353	85%
Measure 3.2.	2.352.935	2.000.000	352.935	85%
Measure 3.3.	5.882.353	5.000.000	882.353	85%
<b><u>Total Year 2007-2011</u></b>	<b><u>398.894.111</u></b>	<b><u>339.150.000</u></b>	<b><u>59.744.111</u></b>	<b><u>85%</u></b>

New project list after the revision studies of TOP (2007-2011);

1. Rehabilitation and Re-Construction of Köseköy-Gebze section of Ankara-Istanbul High Speed Railway Line
2. Rehabilitation and Signalization of Irmak-Karabük-Zonguldak Railway Line Project
3. Construction of a New Port in Filyos
4. New Construction of Mersin Container Port

Technical assistance project for Installation of a Signalization and Electrification System on Irmak-Karabük Zonguldak Railway Line was successfully completed by the approval of the Final Report on 4 March 2010. Technical assistance projects for Mersin and Çandarlı Ports have been completed in November 2010 with the preparation of necessary documents for the application of IPA funds. The technical assistance studies were carried out in 2010 for Filyos Port. Now, it is in the final stage.

Under Priority 1, regarding the first prioritized project “Rehabilitation and Re-Construction of Köseköy-Gebze section of Ankara-Istanbul High Speed Railway Line Project”, the Tender Dossier that was revised according to the FIDIC Conditions of Contract and PRAG rules, was sent to the CFCU in November 2009. Major Project Application Form with Feasibility Study, CBA Analysis and EIA Report for the first Project was submitted to the Commission on 30 October 2009, accepted as admissible with the letter of the Commission dated 12.11.2009 and approved on 1 March 2010 with Commission Decision C(2010)1069. The Bilateral Agreement for this project has been signed between Ministry of Transport and European Commission on 17 March 2010. Two contracts are envisaged for this project; “Works” contract for construction works and “Supervision” contract for supervision of the project. Forecast Notice for works contract has been published on 29 December 2009 and Forecast Notice for supervision contract has been published on 4 February 2010 on Europeaid web-site. The Procurement Notice of the “supervision” was published on 2 April 2010 and the Procurement Notice of “works” was published on 2 July 2010 on Europeaid web-site. Because of the technical problem on publication of the Supervision Procurement Notice, it was re-published on 6 November 2010. It is envisaged that the Works and Supervision contracts will be signed in August 2011. The construction period is 30 months.

Under Priority 1, second prioritized project is “Rehabilitation and Signalization of Irmak-Karabük-Zonguldak Railway Line Project”. Major Project Application Form for “Rehabilitation and Signalization of Irmak-Karabük-Zonguldak Railway Line Project” was submitted to the Commission on 4 December 2009 and found “admissible” by the 21.12.2009 dated Commission’s letter. Tender Dossier, prepared according to the FIDIC Conditions of Contract and PRAG rules by the technical assistance study using SEIA funds, sent to the CFCU on 23 March 2010. For this project the Forecast Notices concerning Supervision and Works were published on the 21 July 2010 and Procurement Notice of the “supervision” was published on 1 March 2011 on Europeaid web-site. Following that, DG Turkish State Railways (TCDD) has

decided to carry out some changes in Tender Dossier and revised tender documents sent to the CFCU on 11 February 2011. There will be two contracts for this project; “Works” contract for construction works and “Supervision” service contract for supervision of the project. The construction period is 48 months and it is envisaged that the Supervision and Works contracts will be signed in December 2011. Additionally, as far as co-financing is concerned, Turkish State Railways handed in the application to the Undersecretariat of Treasury on 18 June 2010.

Under Priority 2, Major Project Application Form for Construction of a New Port in Çandarlı project was submitted to the Commission on 4 December 2009 and found “admissible” by the 21.12.2009 dated Commission’s Letter. But, since the Construction of Çandarlı Port holds a very crucial strategic position for our economic development, it is decided to be financed from National Budget due to the time constraints. Therefore, Construction of a New Port in Filyos Project was proposed to European Commission to replace the Çandarlı Port Project in order to use the funds under the second priority of the TOP.

### **3. Assessment of the management and control system:**

As it is stated in the TOP, the quantitative and qualitative progress made in implementing the TOP as well as its efficiency and effectiveness in relation to its objectives will be measured by the use of monitoring and evaluation indicators related to the results and outputs of the individual measures. Quality Assurance and Control Management Unit (QACMU) of the IPA Unit is responsible for ensuring the monitoring and evaluation of the Programme whether the targets and objectives have been achieved or not, in accordance with the above mentioned indicators. Since there is no project under implementation in the framework of the TOP, currently it is not possible to make indicator-based monitoring.

In line with the objective of monitoring and evaluation of the Programme, MoT is responsible for collecting data and establishing, maintaining and regularly updating reports and information system to gather reliable financial and statistical information on implementation and using this information to evaluation. For this purpose, a common working group has been established under the coordination of the Strategic Coordinator (State Planning Organization) to develop a centralized Monitoring Information System (newly called as IMIS, Integrated Monitoring Information Systems) common to all Operating Structures under the IPA Components III and IV. Variety of meetings has been held and study visits have been realized to identify the content and structure of IMIS. Within that framework, the templates for several reports and checklists have been completed. Study visits to best practice EU member countries have been realized. Testing period of the system was completed in December 2009 and one-week training with the participation of staff responsible for IMIS system from the IPA Units of all Operating Structures under Component III and IV have been held in the beginning of March 2010 under the coordination of the Undersecretariat of SPO. Also, between the 21-25 June 2010, MoT has organized a training for IMIS with the participation of relevant parties from DIS institutions such as NAO, SPO, End Recipients -TCDD and DG DLH-, and all staff of MoT IPA Unit.

Under this issue, and referring to finding number 51 in Annex 1 of the conferral of management report, the functions of IMIS are foreseen to fulfil the requirements of the TOP with the aim of



evaluating the financial and technical progress and efficiency with related performance indicators, providing an effective reporting system to monitor procurement plan, controlling and supporting site-visits and on the spot checks by a comprehensive and useful documentation. IMIS is operational since September 2010. MoT is in the process of data entry related to implementation of TOP and continuously participating in all trainings.

#### **4. Assessment of the administrative capacity**

IPA Implementation and Coordination Unit has been officially established within the Department for EU Affairs of the MoT by the Ministerial Order (15.05.2007 and No.518) in order to perform the duties of the OS and responsible from the management of implementation of the TOP according to the Article 21 of IPA Implementation Regulation. Another Ministerial Order (09.06.2008 and No.593) officially appointed the Head of Operating Structure (Mr. Suat Hayri AKA, Deputy Undersecretary), the Head of IPA Unit (Dr. Mustafa Kaya, Head of Department for EU Affairs), the coordinators, substitute coordinators and staff of the Sub-Units of the IPA Unit. Moreover, a Quality Assurance and Control Management Sub-Unit has been established within the IPA Unit. Another two Ministerial Orders (24.06.2009 and No. 471; 03.11.2009 and No. 756) followed according to the revision of the organigramme and the changes in staffing. The last Ministerial Order dated as 20.12.2010 and numbered as 824 defines the personnel responsible in the sub-units.

On 21 February 2011, MoT held an exam to recruit eight new EU experts to employ in IPA Unit. According to the revised Work Load Analysis, the number of available staff is 20, and 23 is the required number of staff to perform the duties of IPA Unit.

MoT IPA Unit is now composed of Programming, Tender and Contract Management, Financial Management and Quality Assurance and Control Management Sub-Units in order to manage EU Funds in transport sector and carry out programming, implementation, monitoring, evaluation, tendering, financing and audit phases of transport infrastructure projects efficiently and effectively. In line with the principle of segregation of duties, the duties of the OS which is mentioned in the Article 28 of the IPA Implementing Regulation, is distributed among the sub-units of IPA Unit.

#### **5. Coordination with other instruments and/or donors:**

SEI funds and MATRA Programme are also being utilised within the context of IPA related activities. There are ongoing and completed studies as to project pipeline preparation and technical assistance activities being financed through these instruments which have been elaborated in previous sections.

These instruments have enabled MoT to tackle issues concerning project preparation and maturity. Although Transport OP has some risks concerning N+3 rule, this is mainly due to the characteristics of the infrastructure projects which requires huge amounts of funding and long implementing periods.

## **6. Steps taken by the Sectoral Monitoring Committee to ensure the quality and effectiveness of implementation, in particular:**

6<sup>th</sup> SMC Meeting was held in Ankara and Brussels through a videoconference on 21<sup>th</sup> April 2010. Main issues discussed and conclusions are as follows:

- Annual Audit Activity Report was presented by the representative from Audit Authority and the Report was adopted by the Committee.
- Detailed information on TOP implementation was stressed. It is re-emphasized that implementation of Köseköy-Gebze Project as part of Ankara-Istanbul High Speed Line Project has been decided to replace Halkalı-Kapıkule Railway Line Project under Priority 1, upon the consensus between the EC and Ministry of Transport. The budget figures resulting from the extension and revision of the transport operation program were presented. And also Head of OS stated that Filyos Port Project has been proposed as the port project instead of Çandarlı Port.
- The Communication Action Plan was presented by the OS and approved by the Committee.
- Commission informed the Committee on the revision of the IPA Implementing Regulation and Financing Agreement. IPA Regulation has been modified in January 2010 to increase the co-financing rate to 85%. Co-financing rate is 85% from the Commission side and it would be implemented to the whole of the IPA from 2007, not just from 2010. It would be totally clear once the financing agreement is modified in line with this amendment.

7<sup>th</sup> SMC was held on 15<sup>th</sup> October 2010 in the premises of Undersecretariat of Maritime Affairs. Main issues discussed and conclusions are:

- MoT applied for the accreditation of the functions related to tendering, contracting and financial management in October 2010. Gap assessment and gap plugging stages will be held by MoT IPA Unit. A contract will be signed to implement Compliance Audit Phase. The Cooperation Agreement will be extended in this context via an addendum signed with CFCU.
- In this line, TA Project 3.1 of the Operational Programme should be contracted in the shortest time, which is very essential to enhance the capacity of the institution.
- To fix the co-financing rates, a formal notification is necessary due to the revised Financing Agreement should be notified in a very short time.

- IKZ should be contracted till the end of 2011 to mitigate de-commitment risk. In this sense, cooperation and the communication between stakeholders very important.
- Construction of High Speed Train Depot in Behiçbey Project will be withdrawn from the TOP.
- Çandarlı Port Project will be withdrawn from the TOP due to the time constraints.
- Filyos Port Project is very important since it is a complementary project to Rehabilitation and Signalization of Irmak-Karabük-Zonguldak Railway Line Project. Therefore, there should be no delays for not losing money according to procurement plan.

## **7. Assessment of the information and communication activities.**

Effective communication activities is critical for the successful implementation and management of the TOP, and are required in order to ensure appropriate visibility and transparency regarding the allocation and expenditures of EU funds, and in order to encourage potential beneficiaries to take full advantage of the availability of EU funds for transport projects. In this context, the Communication Strategy (CS) and Communication Action Plan (CAP) were prepared and submitted to the European Commission on 7 April 2009 for preliminary comments. However, due to the modifications in the TOP Priority Project List, the CS&CAP and the relevant TOR have been revised. CAP has been submitted to the members of Sectoral Monitoring Committee (SMC) as well as Commission services and has been approved in the 6th SMC meeting on 21 April 2010.

Knowing that the information and publicity activities are central to the EU funding mechanism, utmost importance is devoted to the publicity and visibility activities. Within the framework of the TA Plan, especially the activities foreseen in the Communication Action Plan of the TOP will be carried out including but not confined to organisation of conferences and seminars, realization of other tasks such as preparation, publication and distribution of promotional materials on the TOP (publications, brochures, folders, CDs and other possible formats etc.) and dissemination of information through web-site (2008-2012 period).

Accordingly, Terms of Reference for “Technical Assistance for Information and Publicity Activities” sent to the CFCU on January 2010. Forecast Notice has been published on 7 April 2010 and Procurement Notice has been published on 10 August 2010. Expected date for signature of contract is August 2011.

The Operation Identification Sheet for Measure 3.2 has been submitted to the Commission on 30 October 2009 and revised in May 2010 just like the CAP and Terms of Reference and sent to Commission.

As in 2008, for 2009 and 2010, major activities envisaged for publicizing Transport OP are the provision of information flow through web-site, which is currently under operation at (<http://op.ubak.gov.tr>).

#### **8. Follow up: forecast on the implementation trends.**

Necessary information as to the envisaged date for the signature of contracts of projects of which tendering process is going on is given in detail in Section 1 for TA projects and in Section 2 for Major Projects under TOP.

### III. Sectoral conclusions

**Regional Competitiveness OP:** By the end of 2010, 7 contracts were awarded with a total budget of 43,6 million € under the RCOP. Within the context of these contracts, declared eligible expenditure to the NAO by the CFCU amounts to 34,3 million €. Absorption capacity of the RCOP is substantially high by taking into account both technical and financial progress. In addition, the OS of the RCOP will take over finance and contracting responsibilities from the CFCU by the end of 2011, which will also be a positive factor in increasing absorption capacity of the RCOP in the forthcoming years.

**Environment OP:** By the end of 2010, 34 IPA project applications (6 SWM and 28 WWTP projects) were submitted to the EC with a total investment cost of 743 million €. Among these, 9 projects re-submitted in line with the EC comments. Admissibility letters were received for 33 projects, for 20 of which first comments were provided. First comments for 14 IPA project applications are pending. Moreover, bilateral agreements were signed for Ordu, Doğubayazıt, Manavgat, Erdemli projects.

Considering timetable for the implementation of the projects and N+ 3 rule, there is de-commitment risk for the year 2011. As a mitigation measure, accreditation application was made in January 2010 by the OS to undertake finance and contracting functions. Through the delegation of finance and contracting function from the CFCU to the OS and an expanding project pipeline with mature projects, de-commitment risk for the upcoming years will have been successfully minimized.

**Transport OP:** The funds allocated to the Transport OP for the period of 2007-2011 with national contribution approximately 399 million € will be absorbed through a few big-budget projects. Because of the complexity of projects under the OP, tendering process proceeds gradually. By the end of 2010, no contract has been signed yet. However, it is envisaged that 2 works contracts, 2 service contracts and 3 TA contracts will be signed in 2011. Regarding the present procurement plan, there is no de-commitment risk in 2011 according to N+3 and M+15 rules. Absorption capacity of Transport OP will be increasing in the upcoming years though delegation of finance and contracting function from the CFCU to the OS.

Turkey has taken necessary steps to undertake implementation process through effective coordination and to ensure a full absorption of the resources available under IPA components III and IV. In this respect, Regional Development and Human Resources Development Committee was established with the Prime Ministry Circular numbered 2009/18 published in the Official Gazette no: 27422 on 4<sup>th</sup> December 2009.

The Committee meets under the chairmanship of the Strategic Coordinator, the Head of OSs, high level representatives from the Ministry of Foreign Affairs, the Ministry of Finance, the Undersecretariat of Turkish Treasury, the Secretariat General for EU Affairs, and the CFCU.

The Regional Development and Human Resources Development Committee met in February, July and November 2010. As an inter-ministerial committee, it provided a powerful formal coordination and communication platform and served as an effective tool for taking collective action and solving problems as well as for increasing absorption capacity during the implementation process of the OPs under IPA Component III in 2010. As a consequence of

enhanced inter-institutional cooperation, there has been significant progress in the preparation and publication of tender documents recently, one of the most critical stages for the implementation of projects and absorption of the IPA funds. Accordingly, the implementation process of OPs has been accelerated notably.

For all OPs including those under IPA Component III, Integrated Monitoring Information System (IMIS) established under coordination of the Strategic Coordinator has been operational since September 2010. IMIS is accessible to all actors including OSs, Strategic Coordinator, NIPAC, CFCU, NAO and beneficiaries. In order to ensure smooth functioning of the system, extensive training programmes were successfully organized for expert staff of IPA Units in March 2010, for executive-level in April 2010, as well as for the beneficiaries of the operations financed under Environment OP, Transport OP and Regional Competitiveness OP in December 2010, June 2010 and April-May 2010, respectively. IMIS enables to conduct more systematic and complementary monitoring activities performed at the levels of operation, OP as well as Strategic Coherence Framework (SCF).

## **COMPONENT IV: Human Resources Development**

### **I. Summary of the Component IV and the relevant priorities set up in the Multi-annual indicative planning document and the Operational programme.**

The HRD OP sets out five priorities, including technical assistance, and relevant measures for each of the priorities covering issues such as increasing labour force participation of women and youth, improving administrative capacity of public employment services, enhancing the link between the labour market and education, the development of lifelong learning, increasing the school enrolment rates of especially girls especially in secondary education and improving the quality of education, and integration of disadvantaged persons at risk of social exclusion.

The priority axes are below:

**Priority Axis I:** To attract and retain more people in employment, particularly by increasing labour force participation of women and decrease unemployment rates especially for young unemployed

**Priority Axis II:** To enhance investment in human capital by increasing the quality of education, improving the linkage between education and labour market, and raising enrolment rates at all levels of education, especially for girls

**Priority Axis III:** Increase adaptability of workers, enterprises and entrepreneurs, in particular by promoting lifelong learning and encouraging investment in human resources by enterprises and workers

**Priority Axis IV:** Promote an inclusive labour market with opportunities for disadvantaged people, with a view to their sustainable integration into the labour force and combat all forms of discrimination in the labour market

**Priority Axis V:** Priority axis for Technical Assistance

### **II. Summary of the Sectoral annual report**

**1. Synthesis of progress made in implementing Community assistance in relation to the priorities set up in the multi-annual indicative planning document and in the HRD multi-annual operational programme.**

## . Summary of the Sectoral annual report

### 1. Synthesis of progress made in implementing Community assistance in relation to the priorities set up in the multi-annual indicative planning document and in the HRD multi-annual operational programme.

Information on quantitative and qualitative progress made in implementing the HRD OP in the reporting period (year: 2010) is indicated below (both in text and charts):

Firstly, quantitative progress within each component of the Operations implemented under the measures in HRD OP is stated, secondly, brief information about qualitative progress is provided.

#### a. Quantitative Progress

##### **PRIORITY AXIS 1: To attract and retain more people in employment, particularly by increasing labour force participation of women and decrease unemployment rates especially for young unemployed:**

- *Measure 1.1: To promote women's participation into the labour market, and increase female employment, including those formerly employed in agriculture*

It aims at improving women's employability and entrepreneurship as well as diminishing cultural and other obstacles hindering women's participation into the labour market.

##### ➤ **Promoting Women's Employment Operation (PWE - I)**

- **The Progress Achieved in Procurement Process of the Service Component:** The tender process of the service component had been finalized in the reporting period. The award notice was published on 31<sup>st</sup> December 2010, so the signature of the contract couldn't be realized before the end of the year.
  - **Grant Scheme Component:** The evaluation process of the grant applications has been completed on 30<sup>th</sup> June 2010. The award notice to notify successful grant applicants has been published on 22<sup>nd</sup> June 2010. The contracts with successful grant applicants have started to be signed from 28<sup>th</sup> July 2010.
- *Measure 1.2: To increase employment of young people*

It aims at promoting the youth integration into the labour market through active labour market policies.

##### ➤ **Promoting Youth Employment Operation (PYE - I)**



- **The Progress Achieved in Procurement Process of the Service Component:** The shortlist notice has been published on 10<sup>th</sup> December 2010. The short-listed candidates have been invited to submit their offers on 15<sup>th</sup> December 2010.
- **The Progress Achieved in the Grant Scheme:** The evaluation of grant applications has been completed on 31<sup>st</sup> August 2010. The award notice to notify successful grant applicants has been published on 7<sup>th</sup> September 2010. The contracts with successful grant applicants have started to be signed from 25<sup>th</sup> October 2010.
- ***Measure 1.3: To promote registered employment***

It aims at strengthening the capacity of social security institutions, enhancing coordination of relevant public institutions and ensuring better cooperation with social partners.

➤ **Promoting Registered Employment Through Innovative Measures Operation (PRE - I)**

- **Progress Achieved in Procurement Process of the Service Component:** After the finalization of the tender process of the service component, the award notice was published on 16th July 2010 and the contract with the successful tenderer was signed on 14th September 2010. The Kick-off Meeting of the project was held on 27th of September 2010. Inception Report of the Project was submitted on 8th of November of 2010.

Within the scope of this project, technical assistance was provided to the SSI and other relevant institutions in order to strengthen their capacity to combat undeclared work and to promote registered employment in Turkey. The project activities cover;

- conducting training needs analysis,
- organising training programmes,
- organising study visits and on- the- job training,
- developing and testing models for inter-ministerial cooperation and coordination to combat unregistered work,
- establishing a common database for cross-institutional use,
- conducting field study/labour market analyses,
- carrying out awareness-raising activities,

- disseminating the results of the grant scheme.

An informal working group with SSI and End- user Representative Chief Inspector was formed; methodology of the analysis was defined; road- map, phasing, end users involvement and various support mechanisms were identified for the database system “Central Audit System”. Information was collected for the System in November 2010 and analysis phase started in December 2010. A meeting with SSI, Ministry of Finance and Revenue Administration Department IT Experts was held on 10 December 2010. First and second monthly meeting of were held. Coordination with the grant scheme was strengthened through a visit to two projects being implemented in Samsun.

- **Progress Achieved in Procurement Process of the Supply Component:** CFCU published the procurement notice on 17<sup>th</sup> September 2010. The technical offers have been submitted by tenderers until 23<sup>rd</sup> November 2010.
  - **Progress Achieved in Procurement Process of the Grant Scheme:** The evaluation of the offers was completed on 3<sup>rd</sup> June 2010. The award notice to notify successful grant applicants was published on 1<sup>st</sup> July 2010. The contracts with successful grant applicants have started to be signed on 12th July 2010.
- ***Measure 1.4: To improve the quality of public employment services***

It aims at improving the efficiency of public employment services by strengthening their administrative capacity.

➤ **Improving The Quality of Public Employment Services Operation (PES - I)**

**Progress Achieved in Procurement Process of the Service Component:** After the finalization of the tender procedure for the service component, the award notice was published on 9th December 2010 and the contract with the successful tenderer was signed on 22nd December 2010.

Technical Assistance is expected to support ISKUR, MoLSS, Provincial Employment and Vocational Training Boards and social partners in order to strengthen their administrative capacity and improve the quality and efficiency of public employment services. In this context, the Technical Assistance will include;

- improving labour market information system and ensuring an efficient job matching system;
- improving job, career and vocational guidance services;

- establishing monitoring mechanism for active labour market policies;
- ensuring better functioning of provincial employment and vocational training boards at local level;
- increasing awareness regarding ISKUR, MoLSS and social partners through delivery of training and consultancy services;
- conducting exchange and internship programmes;
- organizing study visits and communication campaigns.

After the signature of the contract, preparatory works within the context of the inception phase have been started. In this regard, date and agenda of the kick-off meeting have been determined.

- **Progress Achieved under Procurement Process of the Supply Component:** The supply procurement notice has not been published in 2010. Therefore, there has been no progress achieved in supply component in 2010.

**PRIORITY AXIS 2: To enhance investment in human capital by increasing the quality of education, improving the linkage between education and labour market, and raising enrolment rates at all levels of education, especially for girls**

- *Measure 2.1: To increase enrolment rates for girls with a view to developing female human resources and access to labour market*

It aims at improving access for girls to secondary education and Vocational Education and Training (VET), and at increasing awareness about the importance of girls' education.

➤ **Increasing Enrolment Rates Especially for Girls Operation (IER -I)**

- **Progress Achieved under Procurement Process of the Service Component:** Procurement notice for this component has been published on 2<sup>nd</sup> March 2010. After the preparation of the shortlist, short-listed candidates have submitted their offers until 11<sup>th</sup> October 2010, but the project couldn't be awarded before the end of the reporting period.
- **Progress Achieved under Procurement Process of the Supply Component:** Forecast notice has been published on 24<sup>th</sup> July 2010. Procurement notice has not been published in 2010.

- **Progress Achieved under Procurement Process of the Grant Programme:** The evaluation of the offers has been completed on 31<sup>st</sup> October 2010. The award notice to notify successful grant applicants has been published on 9<sup>th</sup> December 2010. The contracts with successful grant applicants have started to be signed from 14<sup>th</sup> December 2010.
- **Measure 2.2: To improve the content and quality of vocational and technical education**
  - **Improving the Quality of Vocational Education and Training in Turkey (IQVET - I)**

It aims at increasing the flexibility of the education system, adapting the curricula, rendering VET a more attractive option for students, and promoting cooperation between social partners, schools and VET centres as well as the private sector.

- **Progress Achieved under Procurement Process of the Service Component:** ToR document was completed and sent to CFCU on 27<sup>th</sup> July 2010. The forecast notice has been published on 23<sup>rd</sup> October 2010.

**PRIORITY AXIS 3: To increase adaptability of workers, enterprises and entrepreneurs, in particular by promoting lifelong learning and encouraging investment in human resources by enterprises and workers**

- **Measure 3.1: To promote the development and implementation of coherent and comprehensive strategies for lifelong learning**

It aims at improving the quality of non-formal training, supporting the establishment of Vocational Standards Development, promoting testing and certification centres as accredited bodies for vocational standard development and supporting the setting of a National Qualifications System (NQS).

- **Promoting Lifelong Learning Operation (LLL - I)**
  - **Progress Achieved under Procurement Process of the Service Component:** Procurement notice has been published on 2<sup>nd</sup> March 2010. After the preparation of the shortlist, short-listed candidates have submitted their offers until 11<sup>th</sup> October 2010. The evaluation of the submitted offers has not been completed before 31<sup>st</sup> December 2010.
  - **Progress Achieved under Procurement Process of the Supply Component:** The supply procurement notice has not been published in 2010. Therefore, there has been no progress achieved in the supply component within 2010.

- **Progress Achieved under Procurement Process of the Grant Programme:** The evaluation of the offers has been completed on 30<sup>th</sup> April 2010. The award notice to successful grant applicants has been published on 26<sup>th</sup> April 2010. The contracts with successful grant applicants have started to be signed from 10<sup>th</sup> May 2010.
- *Measure 3.2: To increase adaptability of employees and employers by investing more in human capital*

It aims at facilitating workers' access to training, in particular for the low-skilled people; designing and disseminating innovative and sustainable forms of work organisation and increasing the training capacities of social partners, NGOs, VET institutions and public bodies.

➤ **Increasing Adaptability of Employers and Employees to the Changes in Global Economy (ADAPT - I)**

- **Progress Achieved under Procurement Process of the Service Component:** Forecast notice has been published on 12<sup>th</sup> August 2010. Procurement notice has not been published in 2010.

**PRIORITY AXIS 4: Promote an inclusive labour market with opportunities for disadvantaged people, with a view to their sustainable integration into the labour force and combat all forms of discrimination in the labour market**

- *Measure 4.1: To increase the employability of disadvantaged persons, facilitate their access to labour market, and eliminate barriers for their entrance into the labour market*

It will aim at promoting their inclusion into the labour market through the provision of more efficient and specific active labour market policies and social protection services; increasing their awareness on the services available, and eliminating barriers to their access to employment.

➤ **Promoting Active Inclusion in Turkey Operation**

After the completion of the stakeholder analysis in 2009, Turkish Employment Agency (İŞKUR) has been identified as the Operation Beneficiary under this measure and preparation of the OIS has been started. During 2010, the preparations for an Operation composed of only a service component were made to develop public employment services model specific to disadvantaged persons. By the end of 2010, the OIS of the Operation was presented to the EC for their comments. The comments of the EC were not received by the end of 2010.

**PRIORITY AXIS 5: Technical Assistance**

- *Technical Assistance Plan (TA Plan) for HRD OP*

MoLSS has prepared the TA Plan in accordance with the Technical Assistance priority axis of the HRD OP as well as Communication Strategy and Action Plan (CSAP). The main objectives of the TA Plan are to ensure the effective implementation of the HRD OP in accordance with the relevant regulations and to improve the administrative capacity of the Operating Structure and the other central, regional and local institutions involved in the implementation of the HRD OP by supporting the management, implementation, monitoring, evaluation, control and publicity of the HRD OP. In order to reach these objectives, the TA Plan consists of two main pillars: (a) Capacity building activities for the OS; (b) Capacity building, information and publicity activities for the potential and final beneficiaries.

- *Measure 5.1: Support for Management, Implementation, Monitoring, Control, Evaluation and Dissemination Activities*

- **Technical Assistance for Implementation of Human Resources Development Operational Programme (TA 5.1)**

It aims at providing support to the HRD OP's Operating Structure in different steps of the IPA process, and at increasing the capacity of the relevant central and local partners in related issues.

- **Progress Achieved in the Procurement Process of the Service Component:** The shortlist notice for the service component has been published on 16<sup>th</sup> February 2010. After the evaluation of the tenders, the contract had been awarded on 5<sup>th</sup> August 2010 and the contract was signed with the successful tenderer on 28<sup>th</sup> September 2010.
- **Progress Achieved under Procurement Process of the Supply Component:** The forecast notice has been published on 13<sup>th</sup> February 2010 and the procurement notice has been published on 18<sup>th</sup> November 2010.

The subject of the contract is supply, delivery, installation, putting into operation, inspection, testing, training and warranty service of office furniture and equipment, ancillary equipment, audio-visual equipment, security system and IT equipment (hardware and software) which will be used by the EU Coordination and IPA Management Department of the MoLSS.

- *Measure 5.2 – 5.3 : Support for Development of Absorption Capacity of Final Beneficiaries - Information and Publicity Activities*

These measures aim at improving the absorption capacity in order to develop a project pipeline in the framework of the HRD OP and at raising the visibility of the HRD OP and its Operations. They will also inform entities interested in receiving support from the HRD OP, as well as the general public, about the opportunities provided by the IPA assistance and its outcomes.

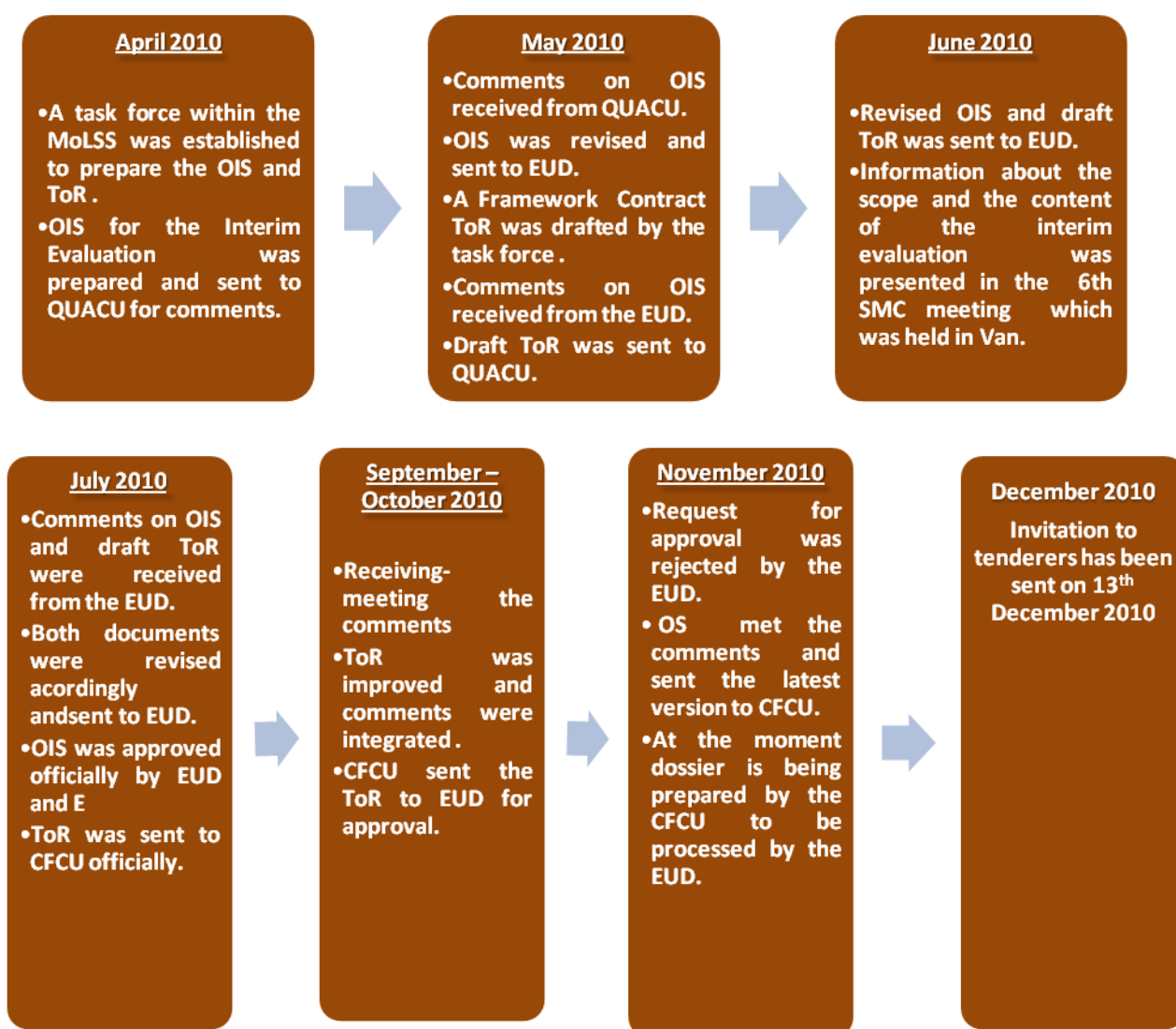
➤ **Technical Assistance for Potential Operation and Grant Beneficiaries, Information and Publicity (TA 5.2 & 5.3)**

- Progress Achieved under Procurement Process of the Service Component: The shortlist notice for this component has been published on 26th February 2010. After the evaluation of the tenders, the contract was awarded on 3rd September 2010 and signed with the successful tenderer on 1st November 2010.

• ***First Interim Evaluation of HRD OP***

- **Progress Achieved under Procurement Process of the Framework Contract:** In 2010, the OIS for the framework contract has been prepared by the OS. Invitation to tenderers has been sent on 13<sup>th</sup> December 2010.

The process can be seen on Table 18 in schematized version:



**Table 18: Time schedule regarding the preparations for the First Interim Evaluation of HRD OP Qualitative Progress**

As the real implementation within the scope of service contracts has not started yet, there is no adequate information to make *qualitative analysis*.

According to the G-MIS figures as of 31 December 2010, 384 courses on several skills, professions and entrepreneurship have been organized under the first 3 grant programs and the names and ID numbers of 10.412 trainees were entered into the system. Many statistical data is available in the G-MIS. There is a set of lists and graphics for the numbers of trainees which can be broken down by gender, disability status, age groups, professional codes, employment status, education levels and regions.



Grant beneficiaries are expected to enter into the G-MIS their numerical project targets and actual amounts related to the HRDOP output and result indicators.

The numerical data is to be checked by the monitors during the monitoring visits and examination of the reports. It is also to be cross-checked by the other related G-MIS data and aggregated for comparison with the OP targets. Indicators which were defined as percentage should also be analysed for determining the real figures after the end of the grant program implementation periods.

## 2. Progress in financial implementation:

As of 31<sup>st</sup> December 2010, the general situation in terms of status, number of projects and the budgetary information of the Operations under HRD OP are shown here under:

**Table 19: Situation of the Operations in terms of status, number of projects and the budget**

General Information (2007)			
Stages	Status	# of Projects	%
Preparation	Processing at the Beneficiary / FWC	8	28,57
	Preparation of Dossier by the CFCU	6	21,43
	Processing at the EUD	0	0
Tendering	PN/CFP Published	2	7,14
	Under Shortlisting	1	3,57
	Shortlist Notice Published	0	0
	Under Evaluation	3	10,71
	Evaluation Report sent to the EUD	2	7,14
Contracting	Under Contract Preparation	0	0
	Awarded Contracts	6	21,43
	Failed Projects	0	0
<b>TOTAL</b>		<b>28</b>	<b>100</b>

General Information (2007)			
Stages	Status	Budget (€)	%
Preparation	Processing at the Beneficiary / FWC	70.220.260,21	49,32
	Preparation of Dossier by the CFCU	16.998.000,00	11,94
	Processing at the EUD	0,00	0
Tendering	PN/CFP Published	8.630.000,00	6,06
	Under Shortlisting	2.000.000,00	1,40
	Shortlist Notice Published	0,00	0
	Under Evaluation	14.761.764,00	10,37
	Evaluation Report sent to the EUD	13.130.000,00	9,22
Contracting	Under Contract Preparation	0,00	0
	Awarded Contracts	16.624.683,80	11,68
	Failed Projects	0,00	0
<b>TOTAL</b>		<b>142.364.708,01</b>	<b>100</b>

Out of 186.705.885 € which was allocated to HRD OP for 2007-2009, **16.624.683 €** was contracted in 2010.

According to the forecasts prepared by the Operating Structure in cooperation with the CFCU, it was estimated that extra fund was necessary in order to avoid cash insolvency. In order to overcome this problem, after correspondences between the OS-CFCU-NAO and Ministry of Finance, bridge financing, which amounts to 12.884.810 € was transferred by the Ministry of Finance to the EU Contribution account at Central Bank in August 2010.

In line with the Article 66 of the Financing Agreement, on 30<sup>th</sup> December 2010, NAO has sent the certified statement of expenditures and applied for interim payment from the Commission for the following Operations:

**Table 20: Expenditures under the Operations**

		<b>Total Public Expenditure</b>	<b>EU Contribution (85%)</b>	<b>Public contribution (15%)</b>
PRIORITY AXIS 1	<b>Measure 1.3:</b> Technical Assistance for Promoting Registered Employment	719.850,00 €	611.872,50 €	107.977,50 €
	<b>Measure 1.4:</b> Improving the Quality of Public Employment Services	150.000,00 €	127.500,00 €	22.500,00 €
PRIORITY AXIS 5	<b>Measure 5.1:</b> Technical Assistance to OS for the Implementation of HRD OP	569.700,00 €	484.245,00 €	85.455,00 €
	<b>Measure 5.1:</b> Direct Grant with OS	514.248,51 €	437.111,23 €	77.137,28 €
	<b>Measure 5.2:</b> Technical Assistance for Potential Operation and Grant Beneficiaries	486.399,62 €	413.439,68 €	72.959,94 €
	<b>Measure 5.3:</b> Technical Assistance for Information and Publicity Activities	373.224,38 €	317.240,72 €	55.983,68 €

As it can be seen on the table, a total amount of 2.813.422 € was declared as “certified expenditure” to the European Commission, of which 2.391.409 € was EU Contribution. With this payment application, the risk for reimbursing the total amount of pre-financing to EC was eliminated which would have raised if there were no payment application sent within 15 months of the date of which the Commission pays the first pre-financing amount (m+15 rule, FA art. 64/3).

According to the Article 13 of the Financing Agreement, which is also known as “n+3 rule”, the Commission shall automatically decommit any portion of a budget commitment for the

programme where, by 31<sup>st</sup> December of the 3<sup>rd</sup> year following year *n* in which the budget commitment was made:

- ✓ it has not been used for the purpose of pre-financing; or
- ✓ it has not been used for making intermediate payments; or
- ✓ no declaration of expenditure has been presented yet.

According to this article, for 2010, there was a de-commitment risk of 2.590.000 €. As of 31<sup>st</sup> December 2010, (2.590.000-2.391.409=) 198.591 € was decommitted.

### ***Financial Information on Direct Grant***

The “direct financing of expenditures” procedure for in-house expenditures such as monitoring costs of the OS and Central and Regional grant monitoring teams or SMC costs were accepted with the approval of European Commission. Accordingly, 1.966.575, 78 € was allocated for the in-house activities of the OS for 2010.

### **3. Assessment of the management and control system:**

In 2010, various tasks were conducted in order to attain efficiency and high quality in designing, setting up and monitoring the administrative, financial and technical management of the Operations under HRD OP ensuring the management of Operations in accordance with the applicable EU and national legislations. Those tasks are indicated in this Section of the Report.

The implementation of the HRD OP has started once the Financing Agreement has been signed on 16<sup>th</sup> September 2009. The decision to confer management of IPA Component IV to the Turkish authorities was adopted by the European Commission on 5<sup>th</sup> August 2009. Operating Structure (OS) of IPA Component IV has temporarily delegated the finance and contracting functions to the Central Finance and Contracting Unit (CFCU) until the end of 2010. Capacity building process is ongoing in order to gain the accreditation decision concerning the transfer of the above mentioned functions to the Ministry of Labour and Social Security. Some of the achievements for this aim are mentioned below:

- Several high-level meetings were held in the second half of 2010 under the chairmanship of the NAO and with the participation of the Undersecretaries and Deputy Undersecretaries of the IPA III & IV Operating Structures. These meetings were followed by a meeting held in December 2010, under the chairmanship of the Competent Accrediting Officer (CAO).

The main decisions taken during the meetings were:

- To extend the duration of the Cooperation Agreements between CFCU and OS until the notification by the Commission of the conferral of management decision for finance and contracting functions;
  - To accelerate the accreditation process for the taking over of the finance and contracting functions by OS;
  - To recruit and train the required number of staff to be employed at the newly-established finance and contracting units and to complete the Manuals of Procedures;
  - Operating Structure(s) will assume additional responsibility regarding the preparation of tender dossiers;
- In addition to the decision taken in the above-mentioned meeting, OS has initiated the preparation of the accreditation package which consists of Program Implementation Manual (PIMs), Programme Operational Guidelines (POGs) and Annexes to PIM and POG jointly comprising the written internal procedures of the Ministry of Labour and Social Security (MoLSS) for implementing its role of Operating Structure with financing and contracting responsibilities for IPA Component IV. The package was sent to NAO for compliance audit in August 2010. On behalf of NAO, three independent auditors were assigned in order to assess the compliance of the accreditation package with IPA requirements.
  - On 28<sup>th</sup> December 2010 the duration of the Cooperation Agreement between the OS and the CFCU has been extended for a second transition period for 2011 in order to ensure the continuity of operations.<sup>12</sup>
  - With the accreditation process for taking over contracts and payments functions close to being finalised, IPA MD has grown and improved in size, organisational structure and institutional capacity. In November 2010, 24 new Assistant EU Experts were recruited. Theoretical and practical trainings have been organised under 5.1 Technical Assistance Project (Technical Assistance for Implementation of Human Resources Development Operational Programme) for the newcomers.
  - Operating Structure has taken necessary measures to improve its physical capacity. The premises used by the IPA Management Department (IPA MD) within the building at MoLSS were inadequate not only in terms of workspace considering the increase in the number of staff, but also in terms of security and privacy. For this reason, by taking into account of the need for confidentiality finance and contracting functions, it was considered as an urgent requirement to have a convenient working environment providing

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<sup>12</sup> Therefore, the CFCU will continue to perform its current functions in the implementation of the Operational Programmes until the OS is ready to assume full responsibility.

security and privacy. To meet this requirement a renting process was conducted with the instruction note provided by the European Commission (EC) on “procedure for prospection and selection of building/premises” and the building was rented in December 2010.

From the beginning of the Technical Assistance Project (5.1) preparatory works for updating and revising the Training Needs Analysis (TNA) was initiated in November 2010 which is an important part of the human resources development strategy of the IPA MD. The review of the TNA was based on the interviews made by each Unit of the IPA MD. The aim of the review was to receive a more detailed picture on the actual training needs and training priorities. The results of the interviews have been summarized and used in design of the general training programme and defining the content of individual training modules.

Document Management System (DMS) is another mechanism utilized mainly for improving the quality of the daily tasks of the OS, increasing the communication between different units and institutions and ensuring a more transparent management and monitoring system. The system has been developed by the OS since 2010 with the support of IT Experts working under the 5.1 Technical Assistance project. The system contains data and information about internal workflows, operational procedures, trainings, training needs, workloads etc. of the IPA MD, set by Programme Implementation Manual (PIM). It also serves as a tool for the management of Operations.

The internal control procedures for IPA Management Department of HRD OS were carried out by Quality Assurance and Control Unit (QACU) during May and August 2010. QACU while carrying out the internal control procedures for IPA Management Department have taken into consideration the internal control standards and principles defined in Chapter D of the Manual that are also in line with the EU standards and framework. QACU have prepared the Internal Control Report for 2010 including an assessment of weaknesses and strengths of IPA Management Department to be also taken into consideration by Internal Auditors and by the Management. The report for internal control was approved by the Head of OS in July 2010 and was submitted to NAO.

An integrated part of the internal control system is the risk management which serves as one of the information sources to assess the systems and procedures and identify deficiencies and required improvements in HRD OS. Regarding the Risk Management System, the OS prepared the “Annual Risk Management Report of MoLSS as HRD OP OS for 2010” on the basis of the risk management system which was defined under Chapter D in HRD OP Programme Implementation Manual (PIM). In this respect, the Quality Assurance and Control Unit (QACU) held two “Risk Management Committee” meetings on 15<sup>th</sup> April 2010 and 30<sup>th</sup> December 2010. Units of IPA MD have identified their risks based on their organisational structure and activities for 2010 and have defined their mitigation actions including the responsible persons and deadlines for these actions. Following the general assessments, the QACU prepared the “Annual Risk Management Report of MoLSS as HRD OP OS for 2010” and submitted the Report to Head of IPA MD and Head of OS for approval and to the NAO for information.

In addition to the internal control activities carried out by QACU, there are also audit functions performed by internal and external actors with regards to the functioning of the HRD OS.

Among these actors, Internal Audit Unit of MoLSS provides independent, objective assurance and consulting services designed to add value and improve the operations of the OS. The role and responsibilities of the Ministry's Internal Audit Capability (IAC) are formally defined in an audit charter. The annual audit work plan is risk-based, forms part of a multi-annual strategic plan and is approved by the Undersecretary of MoLSS. Within this scope, no internal audit of the IPA Management Department was carried out by the internal auditors of Ministry of Labour and Social Security in 2010, according to 2010 audit work plan.

On the other hand, IPA Management Department was audited for the first time by the Board of Treasury Controllers as the Audit Authority. The audit which was held between August-November 2010 covered the period of 1.10.2009-30.09.2010 and comprised of the audit of the system and the operations. In this regard, the Audit Authority prepared the Audit Report addressing the findings related to the establishment and functioning of the management and control systems as well as the management of the operations under IPA IV. The Report was submitted to the IPA MD for opinions and comments on 02.12.2010. The IPA MD submitted its opinions on the report together with the actions to be taken for the findings of the audit to the Audit Authority on 16.12.2010.

There are two findings with major priority level first of which concerns the lack of legal basis for the IPA MD. According to the Audit Authority, lack of any legal basis on the establishment of the IPA Management Department may cause serious problems in the functioning of the system such as:

- With expansion of workload related to the EUCD, overloaded staff with different tasks can affect the efficiency of the IPA process.
- Lack of legal basis is a question mark from the perspective of third parties about the institutional awareness and enforcement power of the IPA Management Department.
- Since there is no budgetary allocation for the IPA Management Department under the national budget, administrative expenditure including salaries is covered through EUCD budget.
- Head of Operating Structure or Head of IPA Management Department are not assigned as "pending authorities" in Public Financial Management and Control Law No 5018.
- IPA Management Department cannot recruit its own staff.
- Due to lack of legal basis, IPA Management Department could be easily affected by the external factors (e.g. change of government, relations with EU, international affairs).
- Lack of legal basis may cause technical, administrative and legal problems about official correspondence to fulfill tasks related with IPA and ensure accountability and efficiency.

The other finding with major priority level is related to the Internal Audit in IPA MD. As stated in the Audit Report, due to the workload of the Internal Audit Unit, IPA Management

Department was not audited in 2010 and in 2009 the internal audit of the IPA Management Department only performed follow up of the previous year's findings. Thus, not assigning adequate number of internal auditors for the internal audit of the IPA Management Department may lead to risks about the continuity of the internal audit function.

Along with the findings with major priority level, there are some other findings determined at intermediate and minor priority levels. Some of the findings determined by Audit Authority and measures taken/to be taken by HRD OS are:

- There is a conflict in IPA MD about responsible person for irregularities. Additionally IPA MD staff needs training on irregularities; A new irregularity officer has been appointed by Head of IPA Management Department and informed to every staff in IPA MD. Trainings about irregularity will be delivered to all staff in IPA Management Department within the scope of Technical Assistance to the HRD OS Project.
- Job descriptions of some units do not conform to the duties stated in the PIM related with that unit; An activity to check the PIM and POG including job descriptions to define inconsistencies is already scheduled.
- IPA Management Department was not audited in 2010 and the internal audit unit performed only follow up audit related with the previous year's findings in the IPA Management Department in 2009; Audit Unit decided and planned that two internal auditors with permanent posts about IPA MD.
- Financial audit should be a part of internal audit like system audit; Assigned two internal auditors will receive training about "Introduction to IPA HRD OP Management". This program also includes the financial procedures.
- Risk identification method covers an unsystematic approach identified in the Risk Management Guideline; Risk Management will be integrated in the weekly agenda of Unit, regular reporting will be provided. A more systematic Risk Management System will be developed with the assistance of the Technical Assistance Team under Technical Assistance to the HRD OS Project.
- There is no contingency plan put in place; The contingency plan will be prepared by Technical Assistant Team under Technical Assistance to the HRD OS Project.
- It was found some conflicts in segregation of duties; With the recruitment of new staff, which will double our resources, this punctual situation will not be repeated.
- Working environment should be improved; This problem will be solved with the removal new building of HRD OS.
- Internal Audit Unit submitting its reports to Undersecretary of MoLLS instead of Head of Operating Structure; This problem will be solved by devolution of authority by Undersecretary to the Deputy Undersecretary.
- Annual audit plans prepared by Internal Audit Unit are approved by Undersecretary. However, annual audit plans could be revised by Undersecretary who is out of the IPA structure; Audit Unit appointed two internal auditors with permanent posts about IPA MD.

- Programming Unit is not following the change procedures in PIM; One staff under the Programming Unit will be assigned in order to follow up this task in a regular basis. The technical Assistance will provide a methodology for revision of Manual procedures and annual revisions until 2013.
- There is no procedure for high staff turnover; A staff turnover procedure shall add which would be a part of the PIM and POG. Staff satisfaction will be measured annually. A questionnaire will be prepared for leaving staff.
- A substitution procedure for staff job descriptions shall be defined; OS will improve the substitution procedure while revising the inconsistency of job descriptions.
- IPA Management Department does not have its own IT department.; This problem will be solved under the technical assistance project. Establishment of IT department in IPA MD will be considered once IPA MD has the legal basis.
- The IPA Management Department has not prepared a detailed plan for implementation of HRD OP; Strategic Planning of HRD OS shall be conducted. A draft Procurement Plan was written. The work plans have been detailed according to the PIM and POG for the 2011 and 2012 period.
- It is observed that there is no procedure for defining the subordination of tasks to a lower level and supervision of those tasks delegated to the subordinates; The procedure for delegation of tasks will be issued while revising the job descriptions.
- Safety policy related with IT security is not considered properly; The IT expert under the TA team has been submitted with the relevant parts of the Manuals. The new IT system that shall be established in the new MoLSS premises will be in compliance with the requirement of the Manuals.
- The back-up policy and procedures in PIM are not sufficient; All necessary procedures for back-up procedures will be dealt with under the assistance of technical assistant project and sustainability of it will be ensured accordingly.
- There are procedures about disaster recovery plan in PIM, but a disaster recovery plan has not been prepared yet; A comprehensive disaster recovery plan will be prepared with the assistance of the experts under the technical assistance project.
- IPA Management Department does not have a procedure to record the changes in the Community regulations; The changes of PRAG rules will be followed by an expert in Programming Unit of IPA MD.
- There are not regular meetings between the different bodies of the IPA structure, for organising a systematic planning and execution process; Coordination meetings among main actors of the IPA system are already in place.
- Regular staff meetings have not been held with all the staff and the Head of the IPA Management Department;
- Regular staff meetings will be held in line with the procedure stated in PIM and POGs.
- Current monitoring information system cannot generate some of the requested data and reports on operational program appropriately. The system will be improved with the



assistance of technical assistance project and this process has already been started. The existing Grant MIS software has been developed and improved. A list of immediate improvements and bug fixes required for the sustainability of the existing Grant-MIS (ProjeMatik) was prepared and a senior non-key expert was recruited. The revised monitoring and implementation system will be developed from now. OS will also benefit from the Integrate MIS system (IMIS) developed by the SC.

Furthermore, the NAO Supervision follow-up visit was held on 21 December 2010 so as to monitor the findings of the NAO Supervision held on 22 December 2009. The relevant documents requested after the visit were submitted to the NAO in December 2010.

#### **4. Assessment of the administrative capacity.**

Administrative capacity and structure of the IPA MD is closely related with the accreditation process. Below is the progress made in the DIS accreditation and the roadmap to E-DIS. Also, two technical assistance projects started at the end of 2010 are important tools for improving the administrative capacity of the HRD OS.

##### **a. DIS Accreditation and Roadmap to E-DIS**

In August 2010 the Accreditation Package was submitted to NAO. Compliance Assessment following the request for accreditation had not started until the end of 2010.

European Commission had adopted the decision on conferral of management powers relating to the Human Resources Development Component within the Instrument for Pre-accession Assistance on the Republic of Turkey on 5<sup>th</sup> August 2009. As stated in the Article 31 of the Financing Agreement which was signed on 16<sup>th</sup> August 2009 between EC and Turkey, DIS without *ex-ante* controls by the Commission is the objective for the implementation of the HRD OP in Turkey and in accordance with Article 18 of the IPA IR, this shall be the objective for the implementation of all IPA components where assistance is implemented on a decentralized basis.

In accordance with Article 31 of the Financing Agreement for Community Assistance from the IPA under the “Human Resources Development Component”, Turkey, - in close consultation with the Commission - shall establish a roadmap with indicative benchmarks and time limits in order to achieve decentralisation without *ex-ante* controls by the European Commission.

The roadmap to achieve decentralisation without *ex-ante* controls may refer to a “phased waiver of different types of *ex-ante* control”. The guidance note on waiving of *ex-ante* controls issued on the 17<sup>th</sup> December 2010 (Regio.I5/HD.vb D(2010) 1059616) provided a clear framework for the presentation of this roadmap. Therefore, this roadmap is presented in order to allow the Commission to receive the self-assessment of IPA MD of MoLSS regarding progress toward fulfilling the accreditation criteria as referred in Article 11(2) of IPA Implementing Regulation.

In this respect, HRD OS prepares and reviews the roadmap for waiving *ex-ante* controls within the framework of IPA HRD component twice a year. In 2010, the first revision of roadmap was

made in July and the preparations for the last revision for 2010 were initiated in December. These revisions formalize the roadmap proposed by Turkey - under the aegis of the National Authorising Officer (NAO) - for ensuring that the DIS (set of rules and procedures) with *ex-ante* controls of the EC is maintained and that the controls of the EC as listed in the Annex II to the Commission Decision are ultimately phased out under a DIS without *ex-ante* controls.

The roadmap is composed of information regarding;

- the actual state of fulfilment of the recommendations from EC included in the initial conferral decision,
- a detailed self-assessment of quantitative and qualitative benchmarks in the accreditation criteria,
- the specific benchmarks in tendering and contracting of the OP,
- a synoptic table of the self-assessment of IPA MD progress toward waiving the ex-ante controls in all the criteria defined and the next milestones in that progress,
- a proposal for phased waiving of ex-ante controls by the European Commission.

#### **b. Technical Assistance Projects**

In 2010 two technical assistance projects were started in order to provide the OS as well as the potential and actual operation and grant beneficiaries support for the programming, implementation and monitoring of the HRD OP.

Main aims of the activities conducted under these projects are;

- Horizontal capacity building activities on current and upcoming tasks and responsibilities by trainings and internships; by providing direct assistance and full time consultancy services
- Improve the infrastructure of the OS by assisting on supply procedures; by establishment of MIS and development of relevant IT procedures
- Drafting of relevant procedures, manuals and structures for establishing an institutional structure which implement tendering, contracting and financial management responsibilities under IPA Implementing Regulation Article 28.

The Technical Assistance activities in order to implement the HRD OP are defined under three measures:

- Support for Programming, Management, Implementation, Monitoring, Control, Evaluation and Dissemination Activities
- Support for development of absorption capacity of final beneficiaries,
- Information and publicity activities.

## **5. Coordination with other instruments and/or donors:**

In order to ensure complementarity and to avoid overlapping among the OPs, coordination mechanisms have been established between the MoLSS and relevant line Ministries responsible for other OPs both for the programming and implementation period of the OPs.

During the implementation phase of the OPs, the coordination is ensured through the Sectoral Monitoring Committees. MoLSS is also a member of the Sectoral Monitoring Committees for Regional Competitiveness, Environment, Transport and Rural Development OPs. Sectoral Monitoring Committee for the HRDOP also includes representatives from the Operating Structures responsible for the Regional Development Component. During the reporting period, the participation to the related Sectoral Monitoring Committees was ensured.

IMIS also provides opportunities for monitoring on three levels; Strategic Coherence Framework (SCF), Operational Programme and Operation. SCF level monitoring aims to measure the achievement of the objectives and performance indicators set out in the SCF in accordance with the relevant Operational Programmes.

Regarding the participation in Community Programmes, as a principle, the HRD OP will be implemented in order to get maximum benefit from the Community Programmes in which Turkey will participate. Within this framework, in 2010, a project titled “*Fighting Against Disability Discrimination in Turkey*” has been implemented under PROGRESS Community Programme under the supervision of IPA MD, by the coordination of the Administration for the Disabled and with the partnership of Human Rights Presidency.

The project aimed to “contribute to the formulation of strategies in fighting against discrimination based on disability and to development of informed or evidence-based policy in disability field in Turkey.”

## **6. Steps taken by the Sectoral Monitoring Committee to ensure the quality and effectiveness of implementation:**

In 2010 two Sectoral Monitoring Committee (SMC) Meetings were held. 6<sup>th</sup> SMC was held on 24 June 2010 in Van and 7<sup>th</sup> SMC on 30 November 2010 in Hatay. Since the implementation of Operations has been started in 2010, some important remarks were made by different parties in the SMC meetings. These are summarized below.

**a. In the 6<sup>th</sup> SMC Meeting**

Fixing the delay for signing contracts, having the Commission Decision for the approval of the HRD OP as quickly as possible and speeding up the accreditation process were the main points mentioned by the European Commission (EC) services.

In addition to the recommendations made by the EC, other recommendations, which can be summarized as “shortening the time period between the publishing of grant guidelines and the date of contract signature”, were made by other members of the SMC.

**b. In 7<sup>th</sup> SMC meeting:**

It was indicated by the European Commission (EC) that monitoring at all levels was vital. In addition, sending payment requests before the end of the year was important mainly for two reasons: The first one was if a payment request of at least 2.6 million Euros would not be made, the related amount would be subject to automatic de-commitment; the second one was the obligation of the arrival of first payment request by the beginning of 2011, which is 15 months after the signature of Financing Agreement. It was stated that if a payment request was not submitted within this period of time, the Turkish authorities would have to reimburse to the Commission the total amount of pre-financing of 47.6 million Euros paid to them in 2009. There was a risk of losing funds for the next year following the application of the n+3 de-commitment rule but in order to reduce this risk, the final reports of the projects should be processed on time according to the schedule.

In addition to the comments and recommendations of the EC, the comments stated below were mentioned in the meeting:

- To increase the participation rate of the disabled to the project activities, the number of information days organizations might be increased.
- Due attention has to be paid to the task of interim evaluation for the next revision of the HRD OP.
- Potential beneficiaries who have attended to entrepreneurship courses should not lose their chance to participate in employment courses or other trainings under PWE Operation.
- Some mechanisms might be put in practice for enabling different parties to contact with the monitoring experts more easily as well as providing them with the supplies that the monitoring experts are in need for conducted their tasks more efficiently.

As regards the **implementation of corrective actions**, in general terms, the Operating Structure has paid attention to the recommendations on corrective actions and some important tasks have

been fulfilled accordingly. First of all, mechanisms for coordination of monitoring activities have been strengthened in a systematic way, some measures were taken for ensuring financial efficiency and sustainability (i.e. a total of 2.813.422 € was declared as “certified expenditure” to the European Commission, of which 2.391.409 € was EU contribution and with this payment application, the risk for reimbursing the total amount of pre-financing to EC was eliminated), process for the First Interim Evaluation of HRD OP (2007- 2009) have been conducted in cooperation with the CFCU and EUD, plans were designed for information and publicity activities under the 5.1 Technical Assistance Project and importance of submitting the final reports of the grant projects have been indicated in various organizations (meetings, trainings, conferences, etc.) to the relevant parties (Operation Beneficiaries, Regional and Central Grant Monitoring Teams, CFCU, etc.).

## **7. Assessment of the information and communication activities.**

Information, communication and publicity activities conducted in 2010 under HRD OP can be summarized in three categories: Communication Strategy and Action Plan (CSAP), activities under the Technical Assistance Priority Axis and the website of IPA MD.

### **a. Communication Strategy and Action Plan (CSAP)**

For the successful implementation of the HRD OP (with appropriate communication measures during the period of 2010- 2014) and dissemination of its results as well as making the role of EU in the implementation of the HRD OP through visibility activities, Operating Structure prepared a “Communication Strategy and Action Plan” (CSAP) to outline how information and publicity measures will be undertaken including aims and target groups, communication strategies, the budget and actors responsible for the implementation.

CSAP was revised to cover the next three years (2010-2013) and was finalised in August 2010<sup>13</sup>. It was designed to be implemented along three main kinds of communication activities during 2010-2014 period:

- a) Interpersonal activities (Information days, conferences, seminars, trainings),
- b) Printed products,
- c) Audio-visual information products.

### **b. Activities under the Technical Assistance Priority Axis**

Information and Publicity Activities to be carried out mainly under the Technical Assistance priority axis has been launched by the Information and Publicity Project (5.3). Following the kick-off meeting which was held in 26<sup>th</sup> November 2010, the Consultant started to conduct the preparatory works on information and publicity issues for the next period.

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<sup>13</sup> CSAP has been revised by the Information, Publicity and Technical Assistance Unit (IPTA) of the OS under the support of 5.3 Information and Publicity Project. Indicative date for finalising the document is November 2011.

The preliminary activities are consisted of the following components:

- Project name has been designated, and project identity and logo have been designed and approved both by Beneficiary and CFCU for “Human Resources Development – Grant and Promotion” Project. (Technical Assistance for Potential Operation and Grant Beneficiaries (HRD OP 5.2), Information and Publicity (HRD OP 5.3)”
- Project brochures with the content of IPA and HRD OP, flyers with the content of “N+3”, project posters with the theme of “HRD OP Priority Axis” and banners, have been designed, approved, printed and distributed at Grant Beneficiaries Project Management Training Workshop on 8<sup>th</sup> – 9<sup>th</sup> December and 13<sup>th</sup> – 14<sup>th</sup> December 2010. Also notepads and dossiers have been designed and distributed in the same trainings.

### **c. Website**

In order to facilitate the establishment of the Website of the IPA MD, “Technical Assistance for Implementation of Human Resources Development Operational Programme (HRD OP) in Turkey Project” was commenced on 13<sup>th</sup> October 2010 with Key Expert 3 (IT and MIS Expert) directly responsible for the development of the website of the OS under the supervision of his counterparts from the Operating Structure. Component 4.2 of this project is dedicated to the “Development and Maintenance of the Website of the OS”.

### **8. Follow up: forecast on the implementation trends.**

Up to now, the HRD OP has been implemented through nationwide operations by public institutions. At this stage, for selecting Operation Beneficiaries, national public institutions were selected by MoLLS. MoLSS consulted the European Commission and selected these institutions without opening any call for Operation. However grant projects implemented under these operations were selected by the way of call for proposal. These grant projects were generally budgeted around 300-400.000 € and implementation time was around 10-12 months.

For the upcoming implementation period, in order to improve implementation effectiveness and impact of HRD OP and also to increase absorption capacity; regional actors and non national public bodies will also be targeted through call for operations. “Call for proposals for grant projects” will be implemented as before but the budgets and duration of the projects may increase. In addition individual grants may be used also as a new tool under the HRD OP such as the Jean Monnet Scholarship Programme.

### **III. Sectoral conclusions**

In 2010, various tasks were conducted in order to attain efficiency and high quality in designing, setting up and monitoring the administrative, financial and technical management of the Operations under HRD OP ensuring the management of Operations in accordance with the applicable EU and national legislations.

The duration of the Cooperation Agreement between OS and CFCU was extended until the notification by the Commission of the conferral of management decision for finance and contracting functions being transferred to the Ministry of Labour and Social Security. More specifically, on 28<sup>th</sup> December 2010 the duration of the Cooperation Agreement between the OS and the CFCU has been extended for a second transition period for 2011 in order to ensure the continuity of operations OS has initiated the preparation of accreditation package which consists of Program Implementation Manual (PIMs), Programme Operational Guidelines (POGs) and Annexes to PIM and POG jointly and the package was sent to NAO for compliance audit in August 2010.

Signature of grant and service contracts are among the most important developments. By the end of 2010, grant projects under 5 Operations have started to be implemented, and service contracts under two Operations, namely PES and PRE have been signed. Within the framework of 5 grant schemes, 435 grant contracts were signed with a total budget of 81.372.983 Euros including the co-financing contribution of the grant beneficiaries. According to the G-MIS figures as of 31 December 2010, 384 courses on several skills, professions and entrepreneurship have been organized under the first 3 grant programs and the names and ID numbers of 10.412 trainees were entered into the system. The HRD OP is updated for the period of 2010-2011. The revision includes the revision of some indicators and targets, revision of financial allocations, revision of the Implementation Structures and the revision of some legislative provisions for the period of 2010-2011. In the revised HRD OP, the Geographical Concentration Approach has been also revised and a new approach has been adopted. According to the new geographical concentration approach, the financial allocation for the national level would be up to a maximum of 20 % of total HRD OP funding while growth centres and hinterland areas would get 55-60 % and the remaining 14 NUTS II regions would get 20-25 %.

Regional Development and the Human Resources Development Committee, met in February, July and November 2010, provided a powerful formal coordination and communication platform and served as an effective tool for taking collective action and solving problems as well as for increasing absorption capacity during the implementation process of the HRD OP in 2010.

IMIS has been operational for all OPs including HRD OP since September 2010. Extensive training programmes were successfully organized for staff of IPA HRD OP unit in March 2010 as well as beneficiaries of the projects financed by the HRD OP in April 2011. As a common monitoring platform, IMIS will provide systematic monitoring for the SCF, HRD OP as well as operations, except for grant schemes.

To sum up, in 2010, the OS has conducted tasks for reclaiming the finance and contract functions; implemented and monitored the contracts, Operations and the Programme; revised the HRD OP for the year 2010- 2011; developed IT- based systems for attaining an effective management and monitoring structure; established the Central and Regional Grant Monitoring Teams; trained the staff; prepared tender documents; conducted information and publicity activities; updated the Manual and sent the accreditation package to NAO.

## COMPONENT V: RURAL DEVELOPMENT

### **I. Summary of the Component V and the relevant priorities set up in the Multi-annual indicative planning document and the Operational programme.**

The Turkish IPARD Programme is based on and in line with the strategic guidelines provided both by the national and the community legislative framework. For the national framework programming was based on the 9<sup>th</sup> Development Plan 2007 – 2013, the Agricultural Strategy 2006 – 2010 and the National Rural Development Strategy. With regard to the Community document guidance, the IPARD Programme is in line with the priorities of the Enlargement Package and the National Programme for the Adoption of the Acquis (NPAA) and in particular, the specific IPARD related recommendations of the Multi-annual Indicative Planning Document (MIPD).

Based on this strategic framework, the main policy objectives to be pursued under IPARD are: to contribute to the sustainable modernisation of the agricultural sector (including processing) through targeted investments whilst encouraging the improvement of EU acquis related to food safety, veterinary, phytosanitary, environmental or other standards as specified in the Enlargement Package.

In order to implement the IPA cross-cutting theme regarding geographic and sectoral concentration for Turkey and to maximise the impact of IPARD support, 42 out of 81 provinces have been selected for IPARD implementation during 2007 – 2013. The provinces have been chosen based on their level of development in terms of GDP, the importance of their rural-out migration rate as well as their specific potential for the development and restructuring of the agricultural production in given sectors selected according to agricultural, food safety, veterinary and phytosanitary acquis communautaire relevance but where the related production, processing and marketing chains clearly show substantial weaknesses. Out of the 42 selected provinces, only 20 will be targeted for support during the first period<sup>14</sup> of implementation of the IPARD Programme, as a way to build up experience and capacity in a progressive way. In the second implementation period, a further 22 provinces<sup>15</sup> will be added. Furthermore, among the 20 provinces covered during the first implementation period of IPARD for each measure and sub-measure the most appropriate target provinces have been selected taking into account production, processing and marketing potential and weaknesses as well as rural economic development potential for diversification. IPARD resources were thus in a first instance concentrated on provinces where the programmes' impact and contribution to IPARD objectives for Turkey is considered to be the highest.

The Programme will be implemented in two periods. Following the guidance of the MIPD, priority axis 1 related measures (agricultural holdings, processing and marketing, producer groups) as well as priority 3 related measures (diversification) will start to be implemented in the

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1 First implementation phase provinces: Afyon, Amasya, Balıkesir, Çorum, Diyarbakır, Erzurum, Hatay, Isparta, Kahramanmaraş, Kars, Konya, Malatya, Ordu, Samsun, Şanlıurfa, Sivas, Tokat, Trabzon, Van, Yozgat

2 Provinces added for the second Programme implementation phase: Ağrı, Aksaray, Ankara, Ardahan, Aydın, Burdur, Bursa, Çanakkale, Çankırı, Denizli, Elazığ, Erzincan, Giresun, Karaman, Kastamonu, Kütahya, Manisa, Mardin, Mersin, Muş, Nevşehir, Uşak.



first phase, concentrating on the weaknesses of the agricultural sectors targeted as identified in the SWOT analysis as well as on those actions which are expected to have the greatest impact on the rural economy and living conditions, meeting an urgent need for intervention. For priority axis 2 measures, a prior intensive capacity-building process of which the milestones have been identified in chapter 4 of the Programme will be conducted. The measures (agri-environment, preparation and implementation of local rural development strategies) are therefore presented as outlines under chapter 4 of the Programme to be finalised subsequent to the above mentioned capacity-building process.

In accordance with the MIPD, the following priority axes are included in the Programme:

- **Priority axis 1:** the sustainable adaptation of the agricultural and fisheries sector and the implementation of related Community standards
- **Priority axis 2:** the preparation for the implementation of agri-environmental measure and preparation and implementation of local rural development strategies
- **Priority axis 3:** the development of rural economic activities.

***Priority axis 1: Improving market efficiency and implementation of Community standards***

**Measure 101. Investment in agricultural holdings to restructure and to upgrade to Community standards**

IPARD will assist farms to improve their production tools and processes, in order to both achieve more economic efficiency and guarantee their viability and long-term sustainability. IPARD will also contribute to their upgrading to EU standards regarding quality and quality management of agricultural and food products, hygiene and food safety, animal welfare, control and limitation of the environmental impact (in particular water use, manure and nitrate pollutants management), as well as occupational safety.

***Sectors to be supported:*** (i) Milk Sector; (ii) Meat Sector

**Measure 102. Support for the setting up of the Producer Groups**

The measure aims to improve and strengthen the role of producers groups on agricultural markets, as a way to:

- Support the adaptation of the production and output of producers to market requirements in terms of quantity and quality,
- Support the adaptation of the production and output of producers to meet Community standards in compliance with the *acquis communautaire*,
- Support the improvement of the income situation, the economic viability and efficiency of individual agricultural holdings.

The beneficiaries of the measure are those Producer Groups with legal personality which are recognised by the Law Number 5200, Agricultural Producer Unions,

For fruit and vegetable sector, the beneficiaries are those defined in Decree No 552/1995 which are the cooperatives and their umbrella unions established by minimum 50 farmers who are registered to Agricultural Chambers.

*The producer groups to be supported are;* on sectors Fruits, Vegetables including Mushrooms, Flowers, Medicinal crops, Milk, Red and white meat, Eggs, Honey and Fish.

### **Measure 103. Investment in the processing and marketing of agricultural and fishery products to restructure those activities and to upgrade them to Community standards**

The priorities for IPARD intervention in the processing sector are the assistance to the processing industry for the upgrading to Community standards - notably aiming to reach the Community standards related to quality, hygiene and food safety and veterinary controls, animal welfare, environmental impact and occupational safety as well as the improvement of the efficiency of the processes and the diminishing of the losses. .

*Sectors to be supported:* (i) Milk Sector; (ii) Meat Sector; (iii) Fruit and Vegetable and (iv) Fishery Sector.

### ***Priority axis 2: Preparatory actions for implementation of the agri-environmental measures and local rural development strategies***

The measures under this priority axis will be implemented in the 2<sup>nd</sup> implementation period subsequent to an intensive capacity-building process (clearly defined in Chapter 4 Measure 2.1 and Measure 2.2) necessary because of the very limited existing experience in Turkey. Therefore, these activities are currently outlines to be updated through programme modification, taking into account the results of capacity-building process.

### ***Priority axis 3: Development of the rural economy***

### **Measure 302.Diversification and Development of Rural Economic Activities**

The measure aims to contribute to:

- Turkey's preparation for the implementation of the acquis communautaire concerning the Common Agricultural Policy and related policies.
- The creation of new jobs through the development of business activities and maintaining of existing jobs, thus raising the economic activity level of rural areas and counteracting rural depopulation.
- The adjustment of regional rural development imbalances

The measure comprises 4 sub-measures: Development and diversification of farm activities (bee-keeping, aromatic and medicinal plants, and ornamental plants production), Development of Local products & micro-enterprise development, rural tourism and Aquaculture development.

## **II. Summary of the Sectoral annual report. The points of reflection should include, inter alia, information on the following:**

### **1. Synthesis of progress made in implementing Community assistance in relation to the priorities set up in the multi-annual indicative planning document and in the operational programme.**

Since the implementation of IPARD Programme has not started yet and the accreditation and conferral of management (CoM) processes are still on progress, the information with regard to sections 1, 2, 3 and 8 under this part are not available for the time being.

## **2. Progress in financial implementation:**

- **financial status**
- **information on co-financing**

N/A

## **3. Assessment of the management and control system:**

- **efficiency**
- **quality**
- **capacity to ensure integrity and reliability of information for reporting and decision making**

N/A

## **4. Assessment of the administrative capacity.**

Programme implementation under Component V could, as in previous years, not start in 2010 due to the delays regarding the finalisation of the legal framework including the preparatory national legislation and the signature and conclusion of the Sectoral Agreement (EU/Turkey agreement laying down the EU rules for decentralised implementation of funds without ex-ante controls) as well as the national accreditation of the IPARD implementation system. Delays were mainly due to the lengthy process of setting-up and staffing the IPARD entities, drafting and setting-up the legal framework and in relation, the very complex and extensive adoption process of the legislation and the IPARD related regulations. Furthermore, the IPARD Programme the complexity of the programme featuring not only many measures and sub-measures, but also a wide geographical scope leading to a high degree of decentralisation of the IPARD Agency's controls to provincial level necessitating in turn a high number of Provincial Co-ordination Units.

However, it has to be noted that during 2010 important progress has been achieved with the signature and conclusion of the Sectoral Agreement which entered into force 27 July 2010 and thus constitutes the specific legal basis for the implementation of IPARD in Turkey. During the same month the accreditation process was completed and the accreditation package was submitted to the Commission, thus starting the conferral of management preparation process.

Although the implementation of IPARD programme has not started yet, the administrative structures (Managing Authority and IPARD Agency) have been already established, the preparations for the accreditation and CoM process have been concluded and National Accreditation has been announced on 21<sup>st</sup> July 2010 by National Authorising Officer (NAO).

With regard to Managing Authority, hereinafter MA, following developments have been realized during 2010:

- Accreditation preparatory studies, IPARD Programme modification and List of Eligible Expenditure studies have been carried out and MA Accreditation Package has been submitted to NAO on 6<sup>th</sup> April 2010.
- Preparatory actions for implementation of the agri-environmental measures and local rural development strategies have been initiated in 2010.

With regard to IPARD Agency, hereinafter Agriculture and Rural Development Support Institution (ARDSI) following developments have been realized during 2010:

- Preparatory studies towards conferral of management have been intensively continued throughout 2010, in accordance with accreditation calendar designated by ARDSI and approved by NAO and European Commission (EC).
- By the beginning of April 2010, preparations within the ARDSI have been accomplished; ARDSI Accreditation Package has been submitted to NAO and on May 7<sup>th</sup> 2010, compliance audit process for national accreditation of IPARD structures started on 27<sup>th</sup> April 2010 and ended on 16<sup>th</sup> July 2010.

In compliance with Art. 25 of the SA, on 2nd August 2010 the Competent Accrediting Officer (CAO) notified the COMM of the accreditation of the National Accrediting Officer (NAO) and the National fund as well as the Operating Structures. The accreditation package presented by Turkey and covering 20 provinces included 5 measures as follows:

Measure 101 - Investments in agricultural holdings

Measure 102 – Support for the setting up of Producer Groups

Measure 103 – Investments in processing and marketing

Measure 302 - Diversification and development of rural economic activities

Measure 501– Technical assistance.

Conferral of management is expected to take place during the second half of 2011 for three measures (M 101; M103; M302) and 17 provinces, subsequent to which significant efforts will have to be made to start implementation as quickly and as efficiently to contain the de-commitment risk.

With regard to **accomplished accreditation preparatory studies**:

- (1) With regard to **legal framework**, Law on Establishment and Duties of ARDSI has been changed with the law dated *25/11/2010* and numbered 6082. The amendment is about the change of date of exception for the submission of foreign language licence. Sectoral Agreement between The Government of Turkish Republic and European Commission has been signed and put into force in July 2010. Regulation on the Principles and Procedures Concerning the Accreditation and Accreditation Criteria of ARDSI and the Regulation on Implementation of the Criteria and Draft Regulation on the Principles and Procedures Regarding Other Financial Matters within the Scope of Financial Assistance from the European Union have been put into force on 8<sup>th</sup> January 2011.
- (2) **In the context of common operations of IPARD structures**; Memorandum of Understanding between ARDSI and Managing Authority was signed on December 18<sup>th</sup>, 2009 and Memorandum of Understanding between ARDSI and National Fund was signed on April 7<sup>th</sup>, 2010 however it will be resigned after the final approval of the procedural arrangements.

- (3) **Cooperation studies with technical bodies:** The protocols signed with 19 Technical Bodies have been revised. The directives attached to annexes of some protocols have been re-designed. Furthermore, the certificates regarding EU Standards to be given to the beneficiaries of IPARD have been created and the related Checklists have been prepared as well.
- (4) As of 1<sup>st</sup> February 2010, **physical conditions** have been settled down all for the Headquarter (HQ) and 20 Provincial Coordination Units (PCU).
- (5) All **operational procedures** including manuals/written rules and working arrangements both in English and in Turkish have been re-designed according to Commission Findings during successive meetings held in Ankara and Brussels. All the procedures of ARDSI have been fine tuned in accordance with the sectoral agreement and other related EU/National legal provisions.
- (6) In terms of **staff recruitment**; total number of 884 staff as to end of the December 2010 has been recruited. Recruitment process will continue to reach 947 norm staff.
- (7) With regard to **training**, during 2010, all of the ARDSI staff at HQ and PCUs have been continuously trained on both horizontal and technical topics, on which they are assigned. In this context, 81 training programs for the HQ and PCUs were accomplished. In general, the topics of the training programs that have been organized in theory and practices are mainly on EU rural development policy and IPARD regulations; legal framework; internal auditing issues; horizontal procedures such as Risk Management, Supervision, Exceptional Cases, Management of Irregularity, Complaint Management, Help Desk and Debt Management; technical project analysis, food safety control systems, operational procedures on project management such as General Principles of Hygiene and Good Manufacturing Practices in Food Safety Management, Business plan, Project analysis, LEADER training, Terminology of IPARD, Before Contracting And Ex-Post On The Spot Control Procedures, Practical Training on Machinery and Equipment Needs for Food Safety Systems Regarding Controlling the Hazards for Meat, Milk, Dairy Products, Fresh Fruit and Vegetable Production; operational procedures for project on the spot controls and monitoring and financial issues on payment authorization, payment and accounting such as Accounting Principles & Analysis of Financial Reports, CUP procedures (execution of payments, preparation of the budget, cashflow forecast, recovery, dept management), Operational Manuel for PCPU, Procedural arrangements of CUPA, GPS Training, On The Spot Control training and Personal Development Trainings (Impressive Communication and Body Language, Points for Being an Influential Human Being, The Art of Conviction, Leadership, Negotiation Techniques, Protocol Rules, Time Management, Teamwork, Extraordinary Life Skills) Strategic Planning Training, TAIEX application tracking and management system , Absorption of pre-accession assistance under rural development, General Information of Business Continuity Management Training, Archive Procedure, Province Establishment and Processing of the Internal Control System, Internal Audit, Inspection Board Inservice etc.

- (8) With regard to **information and publicity activities**, which are performed in collaboration with Managing Authority based on shared responsibilities, by the beginning of 2010, tendering process for “Project for Strategic Communication and Implementation of IPARD Programme” was initiated and concluded by ARDSI. The Publicity Function of ARDSI has been given intense importance. The clearly elaborated guidelines for potential applicants of IPARD together with all necessary supporting informative documents have been prepared. The methodology to be applied during the publicity activities of ARDSI has been re-designed.
- (9) The protocols between public and private banks (total of 14 ) and ARDSI have been signed with regards to **Rural Credit Mechanism** in order to find solutions for possible financial difficulties to be faced by the potential applicants for the projects to apply under IPARD funds and hence to ensure the feasibility of IPARD Programme.

During 2010, ARDSI has improved its paper-based **system for monitoring and reporting** of data on progress of measures being implemented against indicators and other required information to MA within the context of monitoring, reporting and evaluation of IPARD Programme. Meanwhile, under SEI funding, “Preparation of Technical Specifications and Supply Tender Dossiers for Software Development for Monitoring and Data Collection System of ARDSI” project was implemented in between 27 September – 8 December 2010. The outputs of this project will be utilized for transition to IT-based system following to the first Conferral of Management, through further integration with a larger context capacity building project in the next programming period.

#### **5. Coordination with other instruments and/or donors:**

- reference to previous programmes and assistance from pre-IPA programmes
- analysis of the linked activities, and arrangements made ensuring demarcation and coordination between other programmes and components of IPA assistance
- coordination with other donors providing assistance in the same area to avoid overlap

#### ***Eastern Anatolia Development Programme (EADP-DAKP)***

*Donor: EU*

*Period: 2004-2007*

*Funding: 45 Million Euro (29 million Euro out of 33.5 million Euro which was apart from technical assistance and was anticipated to be allocated for the projects has been used for 4 components on the basis of the project.)*

The Eastern Anatolia Development Programme is a regional development Programme that aims at capacity building for sustainable development through the implementation of innovative and participatory regional policy and planning approaches. The Programme is implemented in the provinces of Bitlis, Hakkari, Muş and Van. The Programme consists of various targeted interventions, in 4 different grant scheme components with different allocations:

- Agriculture and Rural Development – 12,34 MEuro,
- Small and Medium Sized Enterprises – 4,56 MEuro,

- Tourism and Environment – 9,3 MEuro and
- Social Development – 2,80 MEuro.

The overall objective of the Programme is to assist in the reduction of regional disparities and to develop local skills and capacities, thereby enabling a continuation of activities after its end, and improving income levels. By complementing the regional development plan, EADP is expected to improve the economic and social conditions of the people living in the selected provinces, and stimulate self-help initiatives at local level. The administration of the scheme is the same one for all the components and follows the EU Decentralized Implementation System.

The State Planning Organization (SPO) is the beneficiary of the Programme and is responsible for the technical implementation of the Programme and co-ordinates the monitoring of the grants awarded.

The EADP has four components: Agriculture and rural development, support to small and medium sized enterprises, tourism and environment and social development.

For all components of the EADP, a total number of 716 projects were submitted, 309 projects were supported and the evaluation was completed in August 2006 and the contracts were signed in September 2006. Among these projects, 148 are for Agriculture and Rural Development, 68 for SMEs, 49 for Tourism and Environment and 44 projects are for Social Development components. In the programme, 29 million Euro out of 33.5 million Euro has been allocated for 716 projects and 87% (29 Million Euro) of the total grant amount was contracted.

### **ARIP Project : Village Based Participatory Investment Programme (VBPIP)**

*Donor:* World Bank

*Period of implementation:* The Programme was implemented between 2005-2008 years.

Funding amount: 39,7 million Euro

The *aim* of the scheme is to *increase income in rural areas and to raise social standards by conserving natural resources*. Programme activities target private and public agencies and individuals, who agree to fulfill the programme's conditions and improve the socio-economic conditions of disadvantaged regions. The programme targets also the capacity building with regard to project preparation and implementation for the further implementation of IPARD.

The programme has two components;

For ***Economic activities investment support*** , the beneficiaries are private individuals who are farmers, who work for agribusiness enterprises or legal entities formed partnerships, joint companies or ventures, unlimited and limited responsibility companies, joint-stock companies as defined in the Turkish Commercial Code and the Civil Code, foundations established in

accordance with provisions of the Foundations Law or the Civil Code and agricultural cooperatives and unions in accordance with related laws and regulations.

Beneficiaries should be registered with National Farmer Registry System and/or any other registry system of MARA.

Eligible investments were ;

- new constructions for storage, processing and packing of agricultural products
- Investments concerning capacity increase or technology renewal of current facilities conducting activities on storage, processing and packing of agricultural products,
- Investments to complete unfinished investments on storage, processing and packing of agricultural products,
- Individual and group applications are accepted for building of greenhouses using alternative energy sources.

The total project cost for economic investments is max 50,000 TL for single applicants and 350,000 TL for group application.

For economic activities investment projects the public sector covers 50% of the total project cost.

The project was operational in the following provinces; Çanakkale, Denizli, Bolu, Konya, Karaman, Burdur, Hatay, Niğde, Tokat, Artvin, Gümüşhane, Rize, Ardahan, Malatya, Adiyaman, Batman.

For ***agricultural infrastructure investment support***, the beneficiaries are District governor's offices and Unions for Village Services supply. The Projects include renovation of irrigation systems. This component was implemented in: Ardahan, Artvin, Bolu, Burdur, Çanakkale, Denizli, Gümüşhane, Hatay, Karaman, Konya, Niğde, Rize and Tokat.

For infrastructure investments the total project cost is max 400,000 TL. For agricultural infrastructure investment projects the public grant covers 75% of the project costs.

In the current implementation of ARIP VBPIP (Phase 3), there is also another component which includes support for the purchase of; new agricultural machines, new bailing and silage machines, pressured irrigation system and new cold storage transportation vehicles.

The project was implemented in two phases and the third phase applications has been started in April 2007. The investment subjects have been changed with regard to developments in each implementation phase.

In phase 1, the following investments have been supported under the economic investment component;

- Storage and drying of maize



- Milk collection, drying and processing
- Storage, processing and packing of fruit and vegetables
- Building of greenhouses using alternative energy sources
- Meat processing (Hatay, Malatya, Bolu), legume processing and packing (Denizli), processing and packing of bee products (other provinces)

The infrastructure component was composed of : village road, village drinking water, sewage systems and irrigation facilities.

Under the program mentioned above, 3 phases have been implemented between 2005-2008. The projects shown in the tables below, related to the economic investments, infrastructures and purchase of machine-equipment have been finalized

**Table 21: Village Based Participatory Investment Programme**

Province	ECONOMIC		MACHINE EQUIPMENT		Total	
	Number	Grant (TL)	Number	Grant (TL)	Number	Grant(TL)
<b>ADIYAMAN</b>	23	1.801.653	6	73.347	29	1.875.000
<b>ARDAHAN</b>	17	1.127.681	27	468.663	44	1.596.344
<b>ARTVİN</b>	16	702.535	1	21.000	17	723.535
<b>BATMAN</b>	20	1.936.210			20	1.936.210
<b>BOLU</b>	52	2.733.166	40	383.648	92	3.116.814
<b>BURDUR</b>	34	2.784.421	119	1.108.407	153	3.892.828
<b>ÇANAKKALE</b>	46	4.249.729	23	466.333	69	4.716.063
<b>DENİZLİ</b>	70	5.839.319	24	577.191	94	6.416.310
<b>GÜMÜŞHANE</b>	63	1.512.136			63	1.512.136
<b>HATAY</b>	44	4.092.112	46	783.861	90	4.875.973
<b>KARAMAN</b>	26	2.296.465	13	280.056	39	2.576.521
<b>KONYA</b>	66	5.812.986	412	2.688.723	478	8.501.108
<b>MALATYA</b>	70	3.517.432	3	125.025	73	3.642.457
<b>NIĞDE</b>	41	2.981.454	16	218.742	57	3.200.196
<b>RİZE</b>	25	2.326.795			25	2.326.795
<b>TOKAT</b>	51	5.723.870	35	635.744	86	6.359.614
<b>General Total</b>	<b>664</b>	<b>49.437.962</b>	<b>765</b>	<b>7.830.742</b>	<b>1429</b>	<b>57.267.903</b>

#### **Southeastern Anatolia Project (GAP)**

Donors: EU, UNDP, World Bank, cooperation with International Organisations and other countries

Period: 1989-2012

Southeastern Anatolia Project (GAP) covers about 10% of surface area and population of Turkey. It is based on the development of land and water resources as well as general socio-economical development and integrated sustainable human resource development.

The objective of the project, covering nine provinces (Adiyaman, Batman, Diyarbakır, Gaziantep, Kilis, Mardin, Siirt, Şanlıurfa, Şırnak) within the Euphrates and Tigris River basin, is to eliminate the regional development distinctions by focusing on economic, ecological and socio-cultural sustainability.

With Master Plan elaborated in 1989 and revision conducted in 2002, GAP, including agricultural, industrial, transportation, education, health, rural and urban infrastructure investments, became an integrated regional development project, based on multi-sectoral, sustainable human development.

In 2008, all the investments and improvements realized in the region have been reviewed; it was decided to finalize the economic and social development of GAP till the end of 2012 by accelerating the main infrastructure investments, initially the irrigation; GAP Action Plan (2008-2012) has been elaborated and put into practice.

There are 4 strategic development axes under GAP Action Plan:

- I. Realization of the economic development
- II. Ensuring the social development
- III. Developing the infrastructure
- IV. Developing the institutional capacity

There are 73 main actions under these axes. The projects and activities within the frame of main actions are above 300.

The financial need for the public investments of GAP with the prices of year 2010 is at a level of 42,1 billion TL in total. Cumulative cost at the end of 2009 has reached to 30,6 billion TL and the monetary realization is at a level of 72,6%.

#### **6. Steps taken by the Sectoral Monitoring Committee to ensure the quality and effectiveness of implementation, in particular:**

Third formal IPARD Monitoring Committee was held on 06.05.2010 at the Meeting Hall of the Agriculture and Rural Development Support Institution (ARDSI). The following decisions were taken in the MC:

**Table 22: Decisions taken at the IPARD Monitoring Committee**

<p><b><u>Decision № 1:</u></b></p> <p>Agenda of the meeting has been adopted.</p>
<p><b><u>Decision № 2:</u></b></p>

The minutes of the 2<sup>nd</sup> IPARD Formal Monitoring Committee Meeting held on 03 December 2009 has been approved.

**Decision № 3:**

IPARD Program amendment and financial tables as well as the authorization to enable the MA to make any amendments in case of negotiations with the EC have been approved and granted.

In line with the authorisation taken from Monitoring Committee, studies related to the IPARD Programme modifications have been carried out.

Fourth formal IPARD Monitoring Committee was held on 09.12.2010 at the Meeting Hall of the Agriculture and Rural Development Support Institution (ARDSI). The following decisions were taken in the MC:

**Table 23: Decisions taken at the IPARD Monitoring Committee**

**Decision № 1:**

Agenda of the Meeting was adopted.

**Decision № 2:**

The minutes of the 3<sup>rd</sup> IPARD Formal Monitoring Committee Meeting held on 06 May 2010 was approved.

**Decision № 3:**

The proposed IPARD Programme Modification has been adopted. The Monitoring Committee has authorized the Managing Authority and the chair of the Committee to make any modification which might be needed during the negotiations with the Commission.

**Decision № 4:**

The Communication and Publicity Action Plan for 2011 has been adopted.

**Decision № 5:**

The Technical Assistance Action Plan in 2011 has been adopted.

**Decision № 6:**

It has been adopted that the next meeting would be held on 16 June 2011.

In line with the authorisation taken from Monitoring Committee, studies related to the IPARD Programme modifications have been carried out.

Studies on IPARD Programme publicity are carried out in line with the Communication and Publicity Action Plan.

The activities included in the Technical Assistance Action Plan are carried out according to the plan.

In the 4<sup>th</sup> Monitoring Committee meeting which was held on 9 December 2010, 16 June 2011 was determined to be the date of the next meeting, however as a result of the discussions with the Commission it has been postponed to 6 July 2011.

### **7. Assessment of the information and communication activities.**

Studies on IPARD Programme publicity were carried out in line with the Communication and Publicity Action Plan.

The participation was provided to the publicity meetings which were held between 28 June- 5 July 2010 in 20 IPARD provinces for the publicity of IPARD Programme and information regarding the Programme was given.

A seminar was held for the publicity of IPARD Programme for the consultancy firms in 09 August 2010.

Technical staff of the IPARD implementation provinces received training concerning IPARD Programme and communication techniques in 10 August 2010.

A three day communication techniques training was organised for the Managing Authority and ARDSI staff between the dates of 11-13 August 2010 in order to raise their ability of communication and presentation techniques.

For the publicity of IPARD Programme, 20.000 brochures and leaflets were prepared and distributed.

### **8. Follow up: forecast on the implementation trends.**

### **III. Sectoral conclusions**

N/A

## **CONCLUSIONS, RECOMMENDATIONS AND CORRECTIVE ACTIONS**

Please, state the conclusions, recommendations and corrective actions proposed during the reporting period, related to the:

- **design of the programmes and choice of activities to achieve the stated objectives;**
- **sustainability or likely sustainability of the changes initiated with the assistance of the programmes;**
- **management and control systems;**

Midway of IPA period (2007-2013) has already left behind. The first three years of implementation period have brought in various lessons and articulated very valuable experiences to evaluate. With close cooperation with the EC, a new sectoral approach to programming under first component has been developed and this approach has already been employed in the new MIPD 2011-2013. The said work was however specific for the first component has given us a clear insight how the IPA implementation in other components have progressed. In the meantime, all structured legal and ad-hoc consultation platforms equally have analysed the implementation of IPA and have drawn up the appropriate lessons. The areas in which EU funded projects can be developed were broader in the former programming years but in 2011-2013 period, it is intended to focus on the priority areas specified in the new MIPD. The main aim of this new approach is to make the projects more effective and visible eventually leading them to bear solid and sustainable results. This new design of funding, at the same time, serves to give rise to major projects with bigger impacts in the field. Another important feature of this approach is that while the main focus is placed on acquis alignment and institution building, through clear settings of intervention areas, priorities, objectives, results and measurable indicators, programmes under the other components bear a character of complementarity as well.

Moreover, in the design of the new MIPD all relevant parties including national public bodies, local stakeholders and civil society have been consulted. Through several meetings in 2010 (some of them with EC) the new approach was introduced to the potential beneficiaries and other stakeholders including representatives of the NGOs.

The OPs under IPA III – IV were revised by the relevant Operating Structures to cover the funds allocated for 2010 – 2011 period and in line with the EC Regulation No 80/2010 of 28.01.2011 regarding the increase in the max. co – financing rate from 75% to 85%. Also, revised Financial Agreements of these OPs were signed and endorsed by the end of reporting period.

Regarding the m+15 rule (15 months deadline for the payment application after the date on which the Commission pays the first pre-financing amount) the loss of fund risk was eliminated for all operational programmes. In line with the N+3 rule (a part of the allocation of the N<sup>th</sup> year should be disbursed till the end of the following third year), 2007 allocation was secured by the end of

2010, however till the end of 2016 N+3 risk will prevail. Governance of the contracting and procurement procedures of these components throughout upcoming years is very crucial for the proper and effective implementation of the programmes.

Hence accreditation of the contracting units of the relevant ministries will ease this management process due to the heavy work load of CFCU. In this regard, the IPA – CIC established with the Procurement and Financial Management Units for the implementation of the Environment OP had achieved a serious progress towards the accreditation in the reporting period and on 20<sup>th</sup> of January, 2011, accredited as Contracting Authority by the European Commission. The conferral of management decisions regarding the taking over of the responsibilities from the CFCU for other operating structures are planned to be taken before the end of 2011. On the other hand, the duration of the Cooperation Agreement between the Ministries and CFCU has been extended until the end of 2011 to enable the CFCU to continue doing the tasks related to payments, reporting, contracting or tendering until the conferral of management decisions for the operating structures to be taken.

Preparations for activating IPARD component have been intensified in the course of the last year. The most prominent development of last year for the Rural Development Component is that Sectoral Agreement (SA) was signed on 7 May 2010 then approved by the Council of Ministers on 7 July 2010 eventually entered into force by 27 July 2010. Upon the entry into force of the Sectoral Agreement, Turkey informed the Commission that it is ready for proceeding with the signature of the MAFA. It should be noted that the text of the MAFA has been negotiated by the relevant Parties and agreed upon by the end of 2010. Also, the NAO has accredited the Agriculture and Rural Development Support Agency (ARDSI) on the 21<sup>st</sup> of July, 2010. The accreditation process is planned to be finalized in 2011.

To increase the institutional capacity of the staff working in the EUSG and to create a pool of trainers to carry out trainings for the staff working in other institutions in the DIS system, preparations have been carried out during the reporting period. These activities will be carried out via a project in the upcoming period.

A new mechanism to provide faster use of SEI funds is going to be introduced to support the project preparation activities and to improve the level of programming for the coming years. Also, the implementation of the SEI funds will be monitored closely by the meetings between Ministry for EU Affairs, CFCU and EUD.

It is important to mention that by the new institutional setup in the Turkish public administration that took place in June 2011, changes had been made in some ministries and new ministries have been established. Although some of the DIS bodies had also been affected by this new setup (e.g. the establishment of the Ministry for EU Affairs instead of EUSG, Ministry of Development instead of SPO, and GAP Regional Development Administration) it is not expected to impose serious effects on the implementation of the IPA Programmes. The work for identifying the effects of the re-structuring on the DIS system and the necessary measures to be taken for the continuation of the smooth and efficient implementation are carried out by the NAO. Also, the

process to change the Prime Ministerial Circular numbered 2009/18 which specifies the roles and responsibilities of Turkish institutions in the DIS in line with this new setup have been started.

When properly implemented as prescribed in the new MIPD, the final effect of this new sectoral approach will be higher absorption rates thereby justifying an increase in Turkey's share in the new pre-accession funds to be set in the EU's 2014-2020 budget period. In fact, according to the current realization figures and project pipeline, the performance of Turkey in the years 2007 to 2010 supports the need for increase in its appropriations.

The relevant Turkish institutions dealing with the financial cooperation have already engaged in the preparations to compile facts and reasoning for a reasonable growth in Turkey's share under EU's 2014-2020 budget terms. In a pro-active- manner, all IPA beneficiaries have been consulted by the EUSG and formal calls were made to the related Commission services in order for taking into account Turkey's requests and concerns. Since Turkey is the biggest recipient of EU pre-accession funds, it is expected that the said requests and concerns are treated with due care by the Commission services.

Apart from the need for an increase in the capacity of the financial assistance, also the contracting and implementation procedures need to be revised so that the deadlines can be complied with and de-commitment risks of funds can be avoided. The funds under technical assistance components of the Operational Programmes should be permitted to be used before the signature of the Financing Agreement in order to increase the institutional capacity of the Operating Structure and finalize the preparation activities before the implementation of the programmes. Also, in order to increase the absorption capacity of the Operational Programmes under IPA 3 and 4 and to prepare all the regions in Turkey for the Structural and Cohesion Funds; some flexibility in the geographical concentration principle should be formed or all the regions in Turkey should be considered eligible.

Since what Turkey has managed to gain in terms of programming, implementation and monitoring of the IPA funds, it is believed that all these progress of Turkey and its experiences in IPA domain would be of paramount importance for the EC in its future projections for 2014 and beyond. Being aware of the importance of 2014 and beyond, Turkey's internal assessment for the better utilization of IPA funds in future had been started. A participatory screening and fact finding process with all relevant parties have been initiated. The outcome of this process will be shared with the EC to be evaluated and taken into account in its future preparations.

## **ANNEXES**

**Annex 1:** Monitoring Activities

**Annex 2:** Summary of the findings, conclusions and recommendations of the Sectoral/Joint Monitoring Committees

**Annex 3.1:** Annual IPA implementation progress

**Annex 3.2:** Organigrammes of the IPA Centers

**Annex 4:** Financial progress