

COMMISSION DECISION

C(2007)1835 of 30/04/2007

on a Multi-annual Indicative Planning Document (MIPD) 2007-2009 for Turkey

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)¹, and in particular Article 14 (2) (a) thereof,

Whereas:

- (1) Regulation (EC) No 1085/2006 creates a coherent framework for Community assistance for candidate countries and potential candidate countries. Article 6 (1) of that Regulation requires that the assistance shall be provided on the basis of multi-annual indicative planning documents established by country in close consultation with the national authorities.
- (2) In accordance with Article 6 (3) of Regulation (EC) No 1085/2006 assistance for countries listed in Annex I to that Regulation shall be based on the European Partnerships and cover the priorities and overall strategy resulting from a regular analysis of the situation in the country and on which preparation for further integration into the European Union must concentrate.
- (3) Turkey is listed in Annex I to Regulation (EC) No 1085/2006.
- (4) The Council adopted on 30 January 2006 the European Partnership with Turkey².
- (5) This Decision is in accordance with the opinion of the IPA Committee set up under Article 14 of Regulation (EC) No 1085/2006,

¹ OJ L 210, 31.7.2006, p.82

² Council Decision 2006/56/EC of 30 January 2006 on the principles, priorities and conditions contained in the European Partnership with Turkey and Montenegro including Kosovo as defined by the United Nations Security Council Resolution 1244 of 10 June 1999 (OJ L35, 7.2.2006, p.32)

HAS DECIDED AS FOLLOWS:

Sole article

The Multi-annual Indicative Planning Document (MIPD) for the years 2007-2009 for Turkey attached to the present Decision is hereby adopted.

Done at Brussels, [...]

For the Commission

[...]

Member of the Commission

ANNEX

Turkey

Multi-annual Indicative Planning Document (MIPD)

2007-2009

Preface

The main objective of the **Instrument for Pre-Accession Assistance (IPA)**¹ is to help the beneficiary country to face the challenges of European integration and implement the reforms needed to fulfil the Copenhagen criteria for EU membership.

The IPA instrument consists of five components: (IPA-I) the Transition Assistance and Institution Building component²; (IPA-II) the Cross-Border Cooperation component which applies to border regions between beneficiaries from member states, candidate states and countries in pre-accession status; (IPA III, IV and V) the Regional³, Human Resources⁴ and Rural Development⁵ components. As a Candidate Country, Turkey is eligible for all five of these components.

The basic policy documents setting out the priorities for programming assistance to Turkey under IPA are the Accession Partnership, the annual Enlargement Strategy Paper, which presents the Commission's overall enlargement policy for the candidate and potential candidate countries and the annual Progress Reports on progress made on the road towards the EU. Also relevant for the definition of assistance priorities are the Negotiation Framework, the Communication on the Civil Society Dialogue, the Community Strategic Guidelines 2007–13, as well as Turkish policy documents such as the 9th Development Plan (2007-2013) and the National Rural Development Strategy (NRDS).

¹ Council Regulation (EC) No 1085/2006 of 17 July 2006, Official Journal L210, page 82.

² **The Transition Assistance and Institution Building Component** translates the priorities set out in the European Partnership in 3 sub-components: Political requirements where EC assistance will be used to support a stable, modern, democratic, multi-ethnic and open society based on the rule of law. Special impetus will be given to Public Administration and Judiciary Reform; Socio-economic requirements where EC assistance will be used in support of the development of the socio-economic environment; European standards where EC assistance will support and accompany the country in its European integration plan (legal approximation, administration needs and requirements for DIS).

³ The Regional development Component supports policy development as well as preparation for the implementation and management of the European Regional Development Fund and Cohesion Fund.

⁴ The Human Resources Development Component supports policy development and the preparation for the implementation and management of the European Social Fund.

⁵ The Rural Development Component supports policy development as well as the preparation for the implementation and management of the Community's common agricultural policy and related policies.

This **Multi-annual Indicative Planning Document** (MIPD) is the strategic document for IPA. It is established for a three year rolling period, with annual reviews. It follows the Multi Annual Indicative Financial Framework (MIFF) which indicatively allocates funds per beneficiary and per component. It draws on the pre-established IPA components.

The document is divided into two sections. Section 1 gives an overview of strategic objectives of pre-accession assistance and of past and on-going assistance in the country. It seeks to establish the context for pre-accession assistance and draw lessons from past and on-going assistance. Section 2 provides a pre-accession assistance strategy for the period 2007-2009 on a component-by-component basis. For each component the main priorities and objectives, the expected results, the programmes to be implemented, and the relevant financial indicators are presented. The sections concerning components II – V also include subsections on the current situation in the sector and the major areas of intervention. Regarding the current situation and the major areas of intervention under component I, the reader is referred to the above mentioned documents, and notably the 2006 Progress Report.

Executive Summary

The aim of IPA assistance to Turkey is to support the EU pre-accession strategy adopted in the conclusions of the European Council of December 2004, and corresponds to three objectives: progress towards fully meeting the Copenhagen political criteria, adoption and implementation of the *acquis communautaire*, and promotion of an EU-Turkey Civil Society Dialogue.

Within the ***Institution Building*** component the focus of assistance in the area of the political criteria will be on the institutions that are directly concerned by the reforms: the judiciary and the law enforcement services. A second priority will be support for the continued development of civil society organisations. Among the issues to be addressed, priority will be given to human rights and fundamental freedoms; gender issues; and the fight against corruption. As concerns the adoption and implementation of the *acquis*, the main areas of activity, reflecting the volume of legislation to be transposed and implemented as well as the investments required, will be: agriculture and food safety; justice, liberty and security (particularly border management; migration and visa policy; and international cooperation among law enforcement agencies); and environment. The promotion of the Civil Society Dialogue will be implemented through grants supporting cooperation between EU and Turkish civil society organisations and by the co-financing of Turkey's participation in Community Programmes, notably the education programmes.

The introduction of EU territorial cohesion policy will be addressed by the ***Cross-border Cooperation*** component. Budgetary allocations will be divided between bilateral cross-border programmes with Member States and multi-country (sea basin) programmes.

EU assistance shall help to prepare the beneficiary country for participation in *Community's cohesion policy and rural development instruments* from day one of accession. In view of the limited funds available, sectoral and geographical concentration of funds will be sought. The objectives of the revised Lisbon Strategy will be pursued, bearing in mind the state of Turkey's economic development. This will necessitate to focus interventions on the provision of the more fundamental physical, business and human infrastructure, before actions concerned with the technological frontier can be addressed.

The ***Regional Development*** component will support three Operational Programmes: environment, transport, and regional competitiveness. Within the environment OP, the main priorities will be in the water and solid waste management sectors. Within the transport OP, priority will be given to rail, links with TEN and multi-modal transport. Finally, within the Regional Competitiveness OP the priorities will be to support business investment, to enhance SMEs competitiveness and to upgrade their technological basis.

The Human Resources Development component will support a single OP addressing three major areas of intervention: employment, education and social inclusion, which will be implemented by four priority axes: attract and retain more people in employment, enhance investment in human capital, increase adaptability of workers and promote an inclusive labour market.

The ***Rural Development*** component sets out three priority axes: adaptation of the agricultural sector and implementing of Community standards, preparatory actions for agri-environment measures and Leader and development of the rural economy.

The present MIPD is based on an indicative financial envelope of € 1,602.300.

Section 1 – Assessment of strategic priorities and objectives

1.1 Introduction

Further to the conclusions of the European Council of December 17, 2004, the EU follows a pre-accession strategy in relation to Turkey that is based on three elements: continued monitoring of Turkey's progress in relation to the Copenhagen political criteria, a rigorous conduct of the accession negotiations, and the promotion of an EU-Turkey Civil Society Dialogue. The content of the IPA programme and the conditions that will be formulated in respect of its implementation will need to be tightly linked to these three elements. A revised Accession Partnership taking these elements into account was adopted in January, 2006. This will now serve as the basis for programming in the referenced period.

The accession negotiations were opened with Turkey on October 3, 2005. A screening of the 35 chapters of EU legislation was begun shortly thereafter, and will be completed in October 2006. The screening process, through its identification of gaps between Turkish legislation and the *acquis communautaire*, and subsequently the negotiation of specific chapters, including any benchmarks for their opening, will inform the programming of pre-accession assistance in the area of legislative harmonisation and development of administrative capacity.

In June 2005, the Commission adopted a Communication on the civil society dialogue between the EU and Candidate Countries. This should help to promote dialogue between civil society, in a broad sense, in the EU and Turkey, in order to address issues and concerns relating to enlargement. IPA will finance a number of actions to promote this dialogue, particularly within Turkey.

The present document has been prepared in the light of discussions on the IPA programme that have taken place with the Turkish authorities starting in January, 2005. A draft of the MIPD was communicated to the Turkish authorities in June 2006 and written comments were received in September. In addition, the draft MIPD was consulted with the embassies of Member States in Ankara on 2 October, 2006, and with IFIs, bilateral and international organisations (AFD, Council of Europe, Council of Europe Development Bank, EIB, Japan International Cooperation Agency, KfW, Regional Environmental Centre, UNDP, FAO, UNICEF, UNHCR, UNFPA, UNIDO, ILO, WHO, IOM, World Bank, IMF) on 3 and 4 October, 2006. 95 Turkish NGOs active in a variety of areas were consulted, and 19 of these provided written comments. These consultations revealed a broad level of support for the priorities of the MIPD and the comments received provided useful inputs for adapting specific aspects of the document.

1.2 Objectives of pre-accession assistance

The aim of IPA assistance is to support Turkey in its preparation for EU membership. In this regard, Turkey has made considerable progress in recent years, as set out in the Commission's successive Progress Reports. Despite these positive developments, however, much remains to be done. The pace of the political transition has slowed in the last 2 years and implementation of the reforms remains uneven. In relation to the economic criteria, the Progress Report recommends that Turkey take further decisive steps towards structural reforms. As regards the ability to adopt and implement the EU legal order, the *acquis communautaire*, considerable further efforts are needed to align legislation in many areas. This will require strengthening of administrative and judicial capacity, and, in a number of

sectors, meeting EU norms will also require considerable investments. Concerning the Civil Society Dialogue, the state of mutual knowledge is particularly weak with regard to Turkey and misconceptions and concerns more widespread than in the case of other candidate countries.

Regarding economic and social development, the objectives Turkey intends to pursue are set out in the 9th Development Plan (2007-2013): increasing competitiveness; increasing employment; strengthening human development and social solidarity; ensuring regional development; and increasing the quality and effectiveness of public services. Although the scope of actions foreseen is much broader than that which can be addressed by EU assistance, these objectives are well aligned with EU policies, notably structural and rural development policies.

From both EU and Turkish policy documents, it is clear that, in preparing for accession to the EU, but even independently of its accession bid, Turkey needs to manage a number of complex and inter-related processes. Some of these processes, such as the consolidation of macro-economic stability, do not present a need for EU assistance. However, for a number of others, actions undertaken in the frame of IPA can assist Turkey in advancing them during the pre-accession phase. These include: the transition to a more democratic society based on the respect for human rights and the tolerance of diversity; the adoption of the *acquis communautaire*; counteracting the negative perceptions of Turkish membership of the EU in certain segments of EU public opinion and reciprocally negative perceptions of the EU in certain segments of Turkish public opinion; strengthening of ties with neighbouring countries, especially EU Member States; increasing the competitiveness of the Turkish economy and convergence with the economy of the EU; reduction of glaring regional socio-economic disparities; increasing employment, and particularly female employment; improving social inclusion; modernisation and restructuring of the agricultural sector, leading to the attainment of a sustainable share of the population deriving its livelihood from agriculture, while simultaneously mitigating the effects of rapid urbanisation; and improving the protection of the environment.

Within the objectives listed above, priority will be given to those that are most directly linked to the accession process. In particular, the pursuit of the socio-economic development objectives must be closely linked to specific EU policies, namely the introduction into the Turkish national framework of EU cohesion and rural development instruments.

Addressing issues connected with human resources and the movement of persons (education reform, employment policy, labour market flexibility, mutual recognition of diplomas, research cooperation, visa and migration policy, Civil Society Dialogue on migration-related issues), represent a particularly acute need due to their sensitivity in EU-Turkish relations.

A number of cross cutting themes will be integrated into all components of the IPA programme in Turkey. These are: (1) equal opportunities for men and women, (2) environmental protection, (3) participation of civil society, (4) geographic and sectoral concentration, (5) concerns of minority and vulnerable groups, and (6) good governance. These are discussed further in Annex A.

1.3 Overview of past and ongoing pre-accession assistance

1.3.1 Past and On-going EU Assistance

IPA assistance will build on assistance provided under the Turkey pre-accession instrument (2002-2006) as well as the MEDA programme (1996-2001). In particular, IPA will also make use of the institutions, the strategies, and the pipeline of infrastructure projects prepared in conformity with EU standards that have been developed and supported under preceding programmes. The experience acquired regarding Turkish institutions operating within the Decentralised Implementation System, their strengths and weaknesses in the implementation of EU assistance programmes will be an essential guide for the design of future programmes.

As of 01.09.2006, some €1.68 billion of EU grant financing is being managed in Turkey for projects committed between 1996 and 2006 inclusive (this figure does not include, however, the full envelope of € 450 million earmarked for the 2006 National Programme, for which not all the Financing Decisions have been adopted). Of this amount, approximately € 944 million will be managed through “Decentralised Implementation System” (DIS) structures, which were accredited in October 2003. The budgets allocated to Turkey are 61% contracted and 47% disbursed, reflecting considerable delays in implementation. The Commission considers that measures should be taken urgently to increase the staff of the DIS institutions, to broaden their qualifications in order to deal with new tasks, and to move to the full decentralisation of the programmes, with the waiver of ex-ante controls by the Commission services, as soon as possible.

Table 1: budgetary allocations (€) under the Turkey National Programmes 2002-2006, broken down by main areas of intervention.

SECTOR	2002	2003	2004	2005	2006	Total per sector
Political criteria	2.044.000	15.957.000	28.650.200	48.248.180	20.533.125	115.432.505
Energy	1.047.000	5.437.000	2.500.000	1.040.000	1.380.000	11.404.000
Telecommunications	2.260.000			1.200.000		3.460.000
Social Policy	7.000.000		17.173.750	7.757.325	5.000.000	36.931.075
Transport	2.299.000	4.264.000	4.612.500	1.427.500		12.603.000
Environment	15.550.000	5.450.000	12.100.000		12.250.000	45.350.000
Internal market	2.250.000	11.375.000	11.321.420	3.973.875		28.920.295
Agriculture	17.568.000	6.169.000	6.960.000	28.201.750	60.528.350	119.427.100
JLS	12.207.000	3.832.000	1.840.000		13.025.750	30.904.750
Economic Social Cohesion	40.000.000	45.300.000	77.556.000	117.059.000	182.054.274	461.969.274
Community Programmes & CSD	18.775.000	27.319.000	32.176.780	40.530.620	99.360.322	218.161.722
Public administration		5.740.000	11.157.250	13.361.750	3.335.325	33.594.325
Customs		5.406.000	22.552.100		16.532.854	44.490.954
Others	5.000.000	8.851.000	8.120.000	14.900.000	36.000.000	72.871.000
Total allocations	126.000.000	145.100.000	236.720.000	277.700.000	450.000.000	1.235.520.000

Assistance under the MEDA programme (1996-2001) and under the Turkey pre-accession assistance instrument (2002-2006) has covered most areas relevant for Institution Building. The promotion of **human rights and the rule of law** has been addressed through a number of projects aimed at the police and gendarmerie services, the judiciary, and civil society. Such projects target systemic changes, however the scale of the country and the complexity of the issues have, in general, not permitted a definitive solution to the identified problems. In many cases, it may be judged a considerable achievement that EU assistance has led to the establishment of cooperation or the definition of an action plan for further activities in relation to the issue concerned. In a number of areas of intervention, effectiveness has been limited by deep divisions within the public administration, for example judiciary reform, not all segments of which supported the aims of EU assistance. Assistance has been provided for **alignment with and implementation of the *acquis*** in the sectors indicated in the above

table. Satisfactory alignment has been achieved in a limited number of areas related to the internal market acquis, other sectors, especially those requiring important administrative capacity or substantial investments (such as agriculture, environment, border management), are still in very early stages of harmonisation. The development of strategies for alignment in key intervention sectors (environment, transport, agriculture, border management, migration) has been advanced. Although **Civil Society Dialogue** has not been a sector of intervention for the pre-accession programmes until 2005, support to civil society, because of its close links to the fulfilment of the Copenhagen political criteria, has been a priority of pre-accession assistance since the late 90's. Exchanges on a significant scale with the EU have been supported through Turkey's participation in Community Programmes such as Socrates, Leonardo da Vinci and Youth, and through grants such as the Jean Monnet scholarships. Therefore, actions to be financed under IPA in this area will be building on rather well established foundations. Turkey has also actively participated in the Fifth and Sixth Community Research Framework programmes. Connecting research results to uses in society remains a challenge, not only in Turkey.

Under the Turkey-Bulgaria programme, a Joint Programming Document has been adopted and joint structures established. The Programme's budget (EU contribution) on the Turkish side is 15 Million Euros for the 2004-2006 period, matched by an equivalent amount of Phare CBC funds on the Bulgarian side. The objective of the Turkish-Bulgarian CBC Programme is to help the border region between Turkey and Bulgaria to overcome development problems resulting from its relative isolation and to support the development of co-operative networks on both sides of the border.

Reflecting the relatively better developed state of transport infrastructure in Turkey, EU support for infrastructural investments has focussed almost exclusively on environmental infrastructure. Regional development activities, focussing on Eastern Turkey, have been supported through a number of programmes. These have been successful in mobilizing capacity building efforts, but they have been hindered by a rather centralised and non-participatory approach to regional development in Turkey, and lack of administrative capacity at local level. Furthermore, the utilisation of grant schemes, without adequate strategic focus, has also been detrimental to the sustainability of the interventions. As concerns support to SMEs, a number of successful instruments have been developed, including the establishment of a number of Business Centres and the establishment of loan instruments catering to small enterprises.

In the area of employment, a large-scale programme of grants in support of an Active Labour Market Strategy has established a good basis for further interventions. As concerns education, substantial support (165 million €) has been provided under EU programmes in the area of basic education and vocational education and training. This assistance has included policy advice, curriculum development, as well as equipment and infrastructure investments. Sustainability has been put at risk by institutional weaknesses and coordination difficulties, however this situation improving. In the field of social exclusion, the focus of EU assistance has been efforts for the eradication of child labour. Support is also provided for women's entrepreneurship and for the solution of economic and social integration problems of cities with large inward migration.

Pre-accession assistance in the agriculture sector primarily focuses on alignment with the acquis, and notably the eradication of endemic animal diseases, rather than economic support to agricultural holdings or to the food processing industry. The regional development programmes have also provided support for the economic development of rural areas. Several

projects are currently running to support the building up of structures and administrative capacity for the implementation of component V.

The reader is referred to the Annual Country Evaluation Summary Reports for further information about EU assistance to Turkey.

Lessons learned

The interim evaluation of EU pre-accession assistance (Phare 1999-2002) has highlighted a number of lessons that may be drawn for future assistance. The evaluations of assistance to Turkey lead to similar conclusions, and in particular risks associated with:

- absence of adequate **planning documents and sectoral strategies** (particularly as concerns economic and social cohesion) resulting in weaknesses in needs analysis;
- insufficient attention to **horizontal public administration reforms** in the support for the development of administrative and judicial capacity; and
- weaknesses in **programme management** resulting from understaffing and instability of the DIS institutions.

Planning documents and sectoral strategies

The structure itself of the IPA programme, including the present MIPD and the Programmes to be developed for components III-V, partly answers to the need for improved strategic planning. In addition, despite a considerable effort financed under the Turkey pre-accession instrument 2002-2006 (see section 1.3.1 above), strategic planning in Turkey needs to be improved in a number of sectors, and often does not provide a solid basis for the allocation of resources. Consequently, under each IPA component resources will be allocated for the development of sectoral analyses and strategies, needs assessments and investment plans as appropriate. The establishment of such a strategic framework will be a precondition for IPA financing.

Horizontal public administration reforms

The sustainability of many institution building activities may be imperilled by the inconsistent implementation of horizontal reforms. In Turkey, this issue is particularly relevant, as the country is in the process of implementing potentially far-reaching reforms of the public administration, including the decentralisation of some state structures and the introduction of increased local democracy and public participation. Consequently, institution building projects will not be programmed if their successful implementation is highly dependent on an on-going reform of the public administration.

Programme Management

The experience in Turkey, as in many other candidate countries, has been that sufficient attention has not been devoted to the structures needed for Decentralised Implementation. Agreement on successive annual IPA programmes will depend on the Turkish authorities' commitment to the continued forceful implementation of the pre-accession strategy, giving attention to the establishment of adequate administrative structures for programme implementation, in order that EU financial supports are used in the most effective manner. In addition, the Phare Interim Evaluation recommends the introduction of a better coordination of delivery mechanisms (the IPA framework regulation is a response to

this) and rigorous enforcement of conditionalities. A limited number of pre-conditions will be formulated concerning the financing of certain elements of IPA, in order to ensure that the framework necessary for the effective and sustainable implementation of EU assistance is established. These generally concern the preparation and adoption of legislation or investment strategies, sector analyses or the establishment and accreditation of appropriate institutions.

1.3.2 Relevant IFI and Bilateral Assistance

In areas such as the Copenhagen political criteria, social policy, or migration and asylum, the EU pre-accession programme has established a fruitful cooperation with a number of UN Agencies (UN Population Fund, UN High Commission for Refugees, etc), as well as with the Council of Europe. It is foreseen to continue this cooperation under IPA, particularly in those areas where Turkey does not currently have sufficiently developed structures to absorb more standard forms of Institution Building assistance such as twinning.

Collaboration with IFIs and bilateral donors has focussed on (1) support to the private sector, (2) infrastructure investments and (3) support for sectoral restructuring.

As concerns support for the private sector, a Small Enterprise Loan Fund (I and II) has been established with the participation of the Council of Europe Development Bank and KfW, and has laid a solid basis on which to develop further interventions in the sector. The SME Finance Facility has also been implemented in Turkey through KfW and the European Investment Bank.

Regarding the financing of infrastructural investments, there has been extensive cooperation with the European Investment Bank. On one hand, the Commission has financed technical assistance in support of EIB operations in Turkey through the FEMIP facility, and on the other it has co-financed a number of infrastructure projects, particularly in the environment (water) sector. It is intended to extend the co-financing of infrastructure projects under IPA to all IFI s active in Turkey. Since 2005 AFD is active both in the SME and the municipal sectors, and in the latter is not constrained by requirements of sovereign guarantees.

In the area of sectoral restructuring, technical assistance financed from EU pre-accession funds for the restructuring of the Turkish railways has been coordinated with a World Bank loan in the sector. Similarly, integrated rural development programmes co-financed by national and international funds (EU-MEDA, WB, OPEC, IFAD, UNDP, FAO, IDB and JICA, etc.) have been implemented in Turkey since 1970s at provincial or regional level. Recently the cooperation with the World Bank and the FAO has been intensified in the area of rural development, notably in the frame of the WB Agriculture Reform Implementation Project and the FAO's milk sector study that will help to target future support e.g. under component V of IPA. Similar synergies between loan and grant financing for sectoral restructuring may be considered in the social security and education sectors. The WB lending programme also includes a number of Policy Loans (Public Sector Development, Employment Generation Development) that are complementary to IPA interventions.

In general cooperation with IFIs has functioned well. In the private sector there is a strong demand for loan financing of projects. In the public sector demand has been kept in check by restrictions on borrowing resulting from the economic recovery plan agreed with the IMF. In future, attention should be given to establishing procedures to facilitate the joint financing of projects. In view of the large costs of alignment in certain sectors, notably the environment, developing a coherent programming to make optimal use of the available sources of loan financing and to ensure their effective coordination with IPA grant financing will constitute a major challenge in the referenced period.

Section 2 – Pre-accession assistance strategy for the period 2007-2009

2.1 Strategic choices

In translating the objectives set out in section 1.2 into specific priorities for assistance within the 3-year horizon of this document, a number of elements need be taken into consideration. These include sequencing, programme maturity, absorption capacity, alternative sources of financing, and the synergies that may be developed with the activities of other donors. In many cases, these issues can only be assessed at the programming stage. Nevertheless some general choices can already be identified. In view of the scarcity of IPA funds in relation to Turkey's economic development needs, particular attention is paid in this section to the choices guiding interventions in this area.

Given the relatively long, and at present unspecified time-scale for Turkey's accession (not before 2014), assistance in the 2007-2009 period will give priority to sectors where: (1) the volume of legislation to be harmonised is particularly large – and, within these sectors, on the introduction of the requisite framework legislation – (2) harmonisation requires costly investments, that must be spread over many years, and (3) a track record of implementation will be required prior to accession.

By contrast, institution building related to policies in which Turkey will not participate before accession (eg., direct payments under the CAP), may be deferred to a later programming period. Similarly, institution building in sectors where (1) substantial evolution of the *acquis* may be expected, (2) Turkish public administration may lead to institutional or staffing instability and imperil sustainability will be deferred. The latter issue is particularly relevant in the case of Turkey, as the country is in the process of implementing potentially far-reaching reforms of the public administration, including the decentralisation of some state structures and the introduction of increased local democracy and public participation.

Turkey is a beneficiary of IPA multi-country programmes, and, where this is justified by economies of scale, interventions will be planned under the corresponding MIPD. Two areas where this is of particular relevance are the *finance facilities*, addressed to SME and municipalities and helping these to gain access to capital and the *nuclear safety programme*.

On the basis of the above considerations and the lessons learned from previous and on-going assistance, the following strategic orientations can be identified:

- ***Progress towards fully meeting the Copenhagen political criteria***

Assistance will be provided to consolidate the reforms that have been adopted and to improve their implementation on the ground. Priority will therefore be given to supporting the institutions -- within the judiciary, the law enforcement services and key parts of the public administration -- that are directly concerned by the reforms. A second priority will be support for the continued development of civil society organisations in their role as motor for, and guarantors of, the reforms.

- ***Adoption and implementation of the *acquis communautaire****

The priority areas for support will be agriculture (particularly meeting veterinary and phytosanitary norms); environment; justice, liberty and security; and obligations stemming from the Customs Union agreement.

Of particular importance within the Institution Building component will be activities needed to support and accompany the implementation of components II, III, IV, and V. Technical assistance directly linked to the development and implementation of projects and the management of programmes that should be financed under each of these components will be financed under the same component. However, other assistance and capacity building provided to the institutions involved in the implementation of components III, IV, and V will be covered under component I, providing it is *acquis*-related and reflects Accession Partnership priorities. As regards *Rural Development*, this implies that all support to public institutions (inspectors, agencies, laboratories etc) whose functioning is necessary for the correct implementation of measures under component V will be covered under component I. Support for improvement of the investment climate under component I will complement actions supporting SMEs under component III.

- ***Promotion of an EU-Turkey Civil Society Dialogue***

The promotion of the Civil Society Dialogue will target groups and organisations that are interested and influential in the process of Turkey's integration. This includes media, youth, academic institutions, local authorities, professional organisations, social partners, and NGOs. Continuing a well-established form of assistance, a second priority within this objective will be support for Turkey's participation in Community programmes and agencies. It is expected that the contacts that will be facilitated under IPA will help counteract the negative perceptions of the Turkish EU-accession process that exists in certain segments of public opinion.

- ***Introduction of EU structural instruments***

Within the overall objective of adoption and implementation of the *acquis*, a specific priority is the introduction into the Turkish national framework of EU cohesion and rural development instruments. The introduction of EU territorial cohesion policy will be addressed by component II and will aim to strengthen ties with neighbouring countries, especially EU Member States. The introduction of EU regional, human resources and rural development instruments will be supported under components III, IV, and V, with the aim of assisting Turkey to address the needs of its economic development, such as increasing competitiveness; convergence with the EU; reduction of regional disparities; increasing employment; improving social inclusion; and restructuring of agriculture.

The volume of funds available under the IPA budget for Turkey is not sufficient to have a direct macro-economic impact on Turkey's development. It is essential therefore to ensure a strong sectoral and geographical concentration of IPA, in order to achieve impact in the areas of intervention. However, even with a high degree of concentration, the direct impact of IPA will be limited. The resources under components III and IV, which are precursors of the Structural Funds (and also component V, the precursor of EU rural development programmes) should therefore be utilised, first and foremost, to assure complementarity with the *acquis* by introducing into the Turkish framework for economic development the strategic planning and management principles guiding the implementation of the relevant EU instruments.

The approach to be followed in the programming of components III and IV must take account of the framework for EU Cohesion Policy for the period 2007-2013 as established in the “*Community Strategic Guidelines 2007 – 2013*”⁶. As the *Guidelines* point out, in pursuing economic development, two complementary sets of conditions need to be satisfied. The first is the existence of a suitable endowment of both basic infrastructure and a labour force with appropriate levels of skills and training. The second set of conditions is that innovation should be accorded high priority and that information and communication technologies should be widely accessible. The precise focus and the mix of factors which are targeted will depend on the starting position: the level of development of a country's economy – its proximity to the "technological frontier" – and the severity of the regional disparities on its territory, the nature and extent of its structural deficits, and its potential areas of comparative advantage.

Starting position

Turkey's starting position is, in fact, further from the "technological frontier" than any current Member State. The share of low technology products (OECD classification) both in total manufacturing industry production and in exports is still very high. Turkey also has a low competitive advantage in terms of provision of information society services. The environment for the development of business, which is affected by the factors like macroeconomic performance, public administration, legal infrastructure, foreign direct investments, market entry and exit costs, privatisation, and access to capital is still in the development phase. Focussing public expenditure on poles of high-technology development before an appropriate business environment is in place is unlikely to yield sustainable results. Regarding the qualification of the work force, it may be noted that in the age group of 6 and over, the literacy rate is approximately 87% in total, of which 94% among men and 80% among women. Due to lack of educational capacity, labour market rigidities and high labour taxes, the demand of the labour market for qualified manpower are not being met. In comparison with most EU Member States, Turkey's share of GDP spent on Research and Development and the rate of use of personal computers remain low.

In addition, Turkey has to contend with regional disparities that are much more marked than in any country of the EU. In 2001 per capita income in the five poorest NUTS II regions⁷ was between 33% to 53% of national average and another seven regions⁸ scored below 75%, while income in the 5 richest regions⁹ varied between 127 to 190% of national average. Other social and economic indicators - life expectancy, literacy rates, education, access to health services, sanitation, industrial activity, FDI fluxes and employment - also underline the development gap among Turkish regions¹⁰. These factors lead to mass migration of skilled people to the more dynamic western regions, placing significant pressures on urban centres.

⁶ *Official Journal of the European Union, L 291/11 of 21.10.2006*

⁷ Ağrı, Van, Mardin, Erzurum, Şanlıurfa

⁸ Gaziantep, Kayseri, Malatya, Trabzon, Kastamonu, Samsun, Hatay

⁹ Kocaeli, İzmir, İstanbul, Ankara, Tekirdağ

¹⁰ UNDP Human Development Report, Turkey 2004

Implications for economic development strategy and concentration of resources

In view of the foregoing considerations, the initial period (2007-09) of IPA assistance should contribute to policy development, strategic planning and mobilisation of resources which can form the basis for a genuine cohesion policy that would address Turkey's regional disparities, through investments in basic infrastructure, access to capital, and the improvement of the skills of the labour force, with particular emphasis on the less developed regions. Other instruments, more specifically addressing factors which are important in the knowledge-based economy, should also be phased in progressively, once the more basic instruments are established.

Given the limited resources available, IPA interventions will only contribute to these objectives if they are accompanied by firm national policy and budgetary measures. On the other hand, resources will need to concentrate in a limited number of geographic areas and sectors where its impact to achieve the foregoing objectives will be the highest. In analogy with the criteria utilised in the definition of Convergence regions within the EU, the elements of IPA which follow an intervention logic based on cohesion considerations will be concentrated on NUTS II regions having a *per capita* income below 75% of Turkish national average. As discussed in the following sections, these are: the *Regional Competitiveness* OP under component III and the *Human Resources Development* OP under component IV. This concentration shall not preclude the implementation of measures supporting national policies and institutions or projects which have regional dimensions and which contribute to enhance the competitiveness of the less developed regions. In this context, priority will be given to integrated regional development projects, with a focus on regional poles of growth and development. It is also expected that strategies developed for other sectors of intervention may integrate the consideration of regional disparities. Consideration of beneficiaries' capacity for loan financing in the determination of IPA co-financing rates for investment projects (notably in the environment sector) will further tend to concentrate funds in poorer regions.

Taking account Turkey's specific economic situation where rural development needs to be considered in the framework of Turkey's overall economic development policy, the synergy between structural, employment and rural development policies needs to be encouraged. In this context, Turkey should ensure complementarity and coherence between actions to be financed by components III, IV, and V on a given territory and in a given field of activity. The monitoring of IPA- funded actions should be established in a manner that will permit regular and precise reporting on the geographical concentration of funds.

Independently of the particular development goals that will be pursued, IPA will promote a specific EU approach to public investment through the applicable basic principles guiding the implementation of structural instruments. These include: consistency with Community policies, priorities and activities; a strategic approach, giving consideration to all relevant factors of production (infrastructure, capital, human resources); partnership, with the active involvement of all stakeholders; complementarity and additionality with other sources of financing; good governance; and equality between men and women and non discrimination.

During a transition period which should be as short as possible, it is intended to implement components III and IV under decentralised management with ex-ante controls on procurement performed by the Commission and utilising the Central Finance and Contracting Unit (CFCU) as Implementing Agency. However, one of the main purposes of components III and IV is to prepare Turkey for future effective delivery of SF upon accession. Therefore effective steps for putting in place adequate management and control structures have to be taken by the National Authorities before the Commission confers the management to the bodies responsible for the management of components III and IV.

2.2 Multi-annual planning by component

The indicative budgets, by year and programme component, in million € (current prices) are given below. Because the Rural Development component will be implemented in the framework of a fully decentralised system that will take some time to be set up and accredited, the financial allocations for component V will follow a phasing-in approach

Table 2: The Turkey Multi-Annual Indicative Financial Framework*

Component	2007	2008	2009	Total
I – Institution Building	252.2	250.2	233.2	735.6**
II – Cross-border cooperation	6.6	8.8	9.4	24.8
III – Regional Development	167.5	173.8	182.7	524
IV – Human Resources Development	50.2	52.9	55.6	158.7
V – Rural Development	20.7	53.0	85.5	159.2
Total	497.2	538.7	566.4	1602.3

* Figures are in current prices, million €

** includes allocations towards the Multi-Beneficiary Nuclear Safety programme, described in the Multi-Beneficiary MIPD

The structures and modalities for the implementation, monitoring and evaluation of the programmes are set out in the IPA Implementing Regulation.

Component I – Transition Assistance and Institution Building

1. Main priorities and objectives

Since interventions in the area of Institution Building often require mainly technical assistance (that is less costly investments and for which there is limited absorption capacity within a given recipient institution) the number of intervention areas identified in this section is commensurate with the indicative budget, and it is comparable with the scope of interventions programmed in the 2002-2006 period. Considering the current situation described in the Progress Report, and depending on project maturity and on the outcome of projects under on-going programmes, the priorities for assistance under the Institution Building component will be:

Addressing the Copenhagen political criteria

- Judiciary: Comprehensive training for the consistent interpretation of legal provisions related to human rights and fundamental freedoms; Strengthening the efficiency and independence of the judiciary; Implementation of the Istanbul Protocol throughout the country; Enhancement of opportunities for effective defence such as access to legal aid and qualified interpretation services; Strengthening of legal and judicial protection of religious freedoms;
- Law enforcement services: Training of law enforcement agencies on human rights issues; Implementation of measures adopted in the context of the “zero tolerance” policy against torture and ill-treatment; Strengthening of the system for independent monitoring of detention facilities; Training on combating violence against women;
- Public administration: Reform of the civil service, especially implementation of recently adopted legislation on decentralisation; Support for the fight against corruption and protection of EU financial interests; Implementation of the Regulation on Principles of Ethical Behaviour for Civil Servants; Promotion of civilian control of the military in line with practice in EU Member States; Support to an independent National Human Rights Institution; Support for the establishment of the office of Ombudsman; Support to the Gender Equality Body; Establishment of shelters for women at risk of violence;
- Civil society: Facilitation of the domestic development of civil society and its involvement in the shaping of public policies; Reinforcement of social dialogue and trade union rights; Measures contributing to stabilisation of the situation in the Southeast; Promotion of cultural diversity and minority rights; Support for the social inclusion of the vulnerable groups, including the Roma

Transposition and implementation of the acquis

- Agriculture (including veterinary and phytosanitary issues, as well as the fisheries sector): Administrative structures to operate Common Agricultural Policy, particularly in the area of rural development, and Common Fisheries Policy instruments; Animal identification and registration; Eradication of main animal diseases, continuing on-going programmes related to the eradication of rabies, FMD and the control of avian influenza; Implementation of EU health and food safety related standards in food

production and food-processing establishments, in particular targeting sectors and sub-sectors identified under component V; Implementation of residues and zoonosis control programmes; Veterinary and phytosanitary border controls;

- Environment: Adoption of a revised programme for transposition and implementation of the acquis; Transposition of framework legislation, international environmental conventions, and legislation on nature protection, water quality, air quality, Industrial Pollution Control and waste management, environmental impact and strategic impact assessment, chemicals and GMOs, climate change, strengthening of the relevant institutions;
- Justice, liberty and security: Migration and asylum policy (including the establishment of reception centres for asylum seekers), Border management; Visa policy and practice, Fight against organised crime, drugs, protection of personal data;
- Obligations stemming from the Customs Union agreement: State aid monitoring; Steel sector restructuring; Implementation of the customs code, Administrative capacity of the customs administration, Development of IT systems for the exchange of data with the EU and its Member States, Protection of intellectual and industrial property rights;

In addition to the above priorities, Institution Building support may also be provided in the following areas of the acquis, with more modest budgetary allocations: Free Movement of Goods (support for quality assurance at testing and calibration laboratories); Freedom of establishment and freedom to provide services (mutual recognition of professional qualifications, postal services); Free movement of capital (money laundering); Public procurement; Company law; Banking supervision; prudential and supervisory standards in the non-bank financial sector; Information society and media (electronic communications, television without frontiers); Transport policy (all modes); Energy (independence of regulatory authorities, third party access, cross border trade, promotion of energy efficiency and renewable energies, radioactive waste management); Taxation (alignment in excise duties and VAT, anti-avoidance and anti-evasion measures, exchange of electronic data with the EU and its Member States); Statistics (national accounts, macro-economic, demographic, labour market, regional, agricultural and business statistics); Social policy and employment (social dialogue, child labour, public health); Regional policy (legislative and administrative framework to absorb EU pre-accession funds).

Promotion of the EU-Turkey Civil Society Dialogue

As set out in its *Communication*, the Commission does not intend to define the issues that may addressed in the frame of the Civil Society Dialogue. Therefore this priority is less amenable to detailed programming.

- Cooperation and contacts among media, youth, academic institutions, local authorities, professional organisations, social partners, and NGOs

Activities may address a broad range of issues such as religious communities, gender issues, cultural and historical heritage, and human rights. The support provided also seeks to contribute to the strengthening of civil society in Turkey to ensure that it becomes a strong and active partner in the dialogue. Where pertinent, scholarships, awards and prizes may also receive financial support.

- Support for Turkey's participation in Community programmes and agencies.

Turkey currently participates in the majority of Community Programmes and Agencies, and it is expected that this trend will continue in the next programming period. Of particular relevance for the Civil Society Dialogue are the Education and Youth programmes, which enjoy a high rate of absorption.

2. Expected results and time frame

Given the complexity of the needs to be addressed, often requiring extensive and intensive training programmes presenting absorption challenges for the recipient institutions, one cannot expect that they will all have been fully addressed by the 2007 – 2009 annual programmes, nor that they will have been resolved by the close of the 2009 programme. Nevertheless, many of them are short term priorities of the Accession partnership, it is expected that Turkey will have made considerable progress within this time frame. In particular,

- Implementation of human rights reforms will have advanced significantly in such areas as respect of freedom of expression, repression of torture, functioning of religious communities, and enjoyment of cultural and minority rights;
- The judiciary will function more effectively and access to justice will be facilitated for all Turkish citizens;
- Public administration reforms, notably related to decentralisation, will be well advanced, reducing significantly the risks to the sustainability of further assistance in relevant acquis areas;
- An integrated set of measures for fighting corruption will be in place and progressively implemented and central and decentralised levels;
- Progress will be achieved in protecting women from domestic violence;
- Procedures will be in place for a more effective consultation of civil society in the preparation and implementation of legislation;
- Transposition of the acquis will be largely completed in the area of the Internal Market, and be well advanced in other major areas of EU legislation such as Agriculture and Environment. Implementation of the Border Management strategy and a (revised) Action Plan on Asylum and Migration will be under way. Turkey will also be able to start establishing a credible track record of implementation in the areas of the acquis prioritised above, particularly as concerns state aids;
- The EU-Turkey Civil Society Dialogue should be well established among all the target groups and have acquired a measure of visibility in Turkish public opinion.

The principal means for assessing the achievement of these results will be the annual Progress Reports, that are themselves based on a wide consultation of sources and organisations.

3. Forms of assistance to be provided

One of the lessons learned from past EU assistance in Turkey is that projects addressing the political criteria, should not be defined with overly ambitious objectives. Hence assistance in this area will be provided through individual projects making incremental steps within a well defined strategic framework, rather than through programmes aiming to address a broad objective comprehensively.

As concerns harmonisation with the *acquis*, it is proposed to focus assistance on 4 major programmes addressing: (1) implementation of veterinary and phytosanitary norms (including support to laboratories, inspectorates, and border inspection posts), (2) environmental approximation, (3) asylum and migration policy, and (4) border management, with intervention in other areas programmed in a case-by-case manner.

Institution Building support will continue to be provided principally through technical assistance and twinning, supplemented by supplies of equipment where appropriate. Training actions will focus as far as possible on training institutions to promote sustainability. Works (erection or refurbishment of buildings and other facilities) will only be considered in the context of border and asylum policy, or in exceptional circumstances, corresponding to actions having a high political priority, (for example the establishment of shelters for women at risk of violence). Grants, mainly awarded through competitive calls for proposals, will be the main form of assistance in projects in which the participation of civil society is sought. Where pertinent, scholarships, awards and prizes may also receive financial support.

4. Financial indications

Political Criteria:	20-30%
Acquis Implementation:	40-60%
Civil Society Dialogue:	15-25%

When adopting annual programmes, due account shall be taken of the progress made in implementation of programmes of preceding years. In particular, failure to meet contracting targets for projects related to the political criteria which is not attributable to unforeseeable events may result in a decrease of the overall allocation.

Component II – Cross Border Co-operation

1. Current situation

A Turkey-Bulgaria Cross-Border Cooperation component was first included in the 2003 pre-accession programme. In the following year, multi-annual (2004-2006) Turkey-Greece CBC/Interreg IIIA and Turkey-Bulgaria CBC/Phare CBC programmes were adopted.

Under the Turkey-Greece programme, a Joint Programming Document and Programme Complement were adopted in 2004. A Joint Monitoring and Steering Committee has been established. The Programme's budget (EU contribution) on the Turkish side is 15 Million Euros for the 2004-2006 period. The purpose of the Interreg III/A Greece-Turkey Programme is to improve economic and social cooperation in order to tackle common problems of neighbouring regions, in the priority areas of (1) infrastructure, (2) economic development, and (3) quality of life, environment and culture. Regrettably, an effective cooperation has been difficult to establish in practice, for a number of reasons, including mismatches of structures and procedures between the partners as well as political difficulties. Severe delays in the launch of the programmes have been accumulated. At the present time it is hoped that cooperation between Turkey and Greece will resume shortly.

2. Major areas of intervention

The Multi-Annual Financial Framework establishes an indicative allocation of funds for cross-border co-operation at borders with current and prospective Member States. Existing cooperation should be continued, and new cooperation developed on all eligible borders, in line with the objective of fostering good relations and promoting economic integration. In view of the restricted budgets, particular attention should be given to the concentration of resources.

In addition, IPA funds are available to support the participation of Turkey in the ENPI Black Sea multilateral Sea Basin programme, the ENPI Mediterranean multilateral Sea Basin programme and the ERDF trans-national programmes where Turkey is eligible (South-East European Space programme and Mediterranean programme).

3. Main priorities

Building on the 2004-06 programmes, the main priorities under the relevant programmes should be as follow:

- Small infrastructure (environmental, transport, border crossing, tourism) for the improvement of the economic potential of the border regions,
- Technical assistance for joint spatial, economic or environmental planning (including river basin management)
- Reinforcing cross-border social and cultural links,

4. Expected results and time frame

The expected results for component II are as follows:

- The projects related to economic development priority are expected to support the economic contacts of the neighbouring regions by encouraging initiatives for entrepreneurship and cooperation between the institutions of the partner countries;

- Environment problems of the neighbouring regions, including issues such as river basin management, flood protection and fire prevention, are expected to be addressed;
- Cultural resources of the border region are expected to be protected and promoted;
- Cooperation networks and people to people contacts will be established.

5. Forms of assistance to be provided

CBC programmes:

The identification of suitable economic development and environmental protection projects should primarily take place through competitive joint call for proposals agreed between participating countries. The projects selected will be implemented through works, supply and technical assistance contracts, as appropriate. Pre-identification of projects by CBC Joint Monitoring Committee is also possible. People-to-people actions will be implemented through grant schemes.

Participation in ENPI and ERDF programmes:

The participation of Turkey will follow the implementing rules of those programmes. Programmes are generally implemented through grant schemes (call for proposals).

6. Financial indications

The IPA funds to be allocated to CBC programmes are as follow:

<i>CBC programmes</i>	<i>IPA funds 2007</i>	<i>IPA funds 2008</i>	<i>IPA funds 2009</i>
Turkey – Bulgaria	1.099	1.878	2.048
Turkey – Greece	1.836	3.135	3.420
Turkey – Cyprus	0.183	0.312	0.340

(million €, current prices)

For the possible participation of Turkey in the ENPI Black Sea multilateral Sea Basin programme, the ENPI Mediterranean multilateral Sea Basin programme and the relevant ERDF trans-national programmes (Europe South–East programme and Mediterranean programme), the following indicative amount of funds have been earmarked:

2007: 3.449 million Euro

2008: 3.518 million Euro

2009: 3.588 million Euro

The share of funds to be allocated for the participation of Turkey in the ENPI Black Sea multilateral Sea Basin programme should be of the order of 20–25% of the total amount. The remaining 75–80% will be split to support the participation of Turkey in the other ENPI and ERDF programmes, according to objective criteria.

As regards cross-border cooperation with Member States, the rules governing the financial contributions of the ERDF and IPA shall be the relevant provisions of Article 21 of the *Regulation laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund*.

Component III – Regional Development

1. Current situation

1. 1.1 Environment

According to 2001 statistics, the rate of access to drinking water in municipalities is some 93 %. Access rates to municipal sewerage networks are of the order of 63% nationally and 61% per cent in Eastern and Mediterranean regions. A total 165 wastewater treatment plants are under operation in Turkey, 30% of them in the Istanbul region, 20% in the Mediterranean region, 22% in the Aegean region and 28% in other regions. The proportion of the urban population whose wastewater is treated is 42 %, with Eastern and Black Sea regions having the lowest access rates. Municipalities chronically suffer from lack of qualified staff and finance in providing water supply and wastewater services.

The proportion of the population that utilizes solid waste disposal services is 77% overall, and 98% in the case of municipalities. However, 1680 municipalities dump their waste in wild dumping sites and only 16 controlled landfill sites exist in Turkey. Of the 24.2 million tonnes of solid waste collected by municipalities in 2004, only 28.9% waste disposed in controlled landfill site.

Environmental investments of energy production facilities using solid fuels have a significant importance due to the emission limits set for the large combustion plants by the relevant EU directives regarding industrial pollution. In this context, environmental investments are considered as a part of the new plants, and upon the privatisation of energy sector, these measures are incumbent upon the private sector.

It is estimated that the cost of compliance with EU environmental norms is of the order of 70 billion euro, principally in the water sector. As the scale of these investments completely dwarfs possible IPA allocations, it will be particularly important in this sector to make optimal use of loan financing that may be leveraged using EU grant assistance.

1.2 Transport

Roads

In Turkey, road transport provides 91% of freight transport, while railway, maritime and pipeline transport take 4, 3 and 2 %, respectively. 95% of domestic passenger transport is carried out by road. The fact that almost all the domestic freight transportation is realized through highways results in heavy vehicle traffic well above the EU levels (30-40 per cent in Turkey compared to 15 per cent EU average). International freight transport is mainly realized by maritime transport, while international passenger transport is carried out by air transport. When compared to the EU member countries, Turkey lags both in terms of highways density and the pavement standards of the existing network. While the average highways density is 0.389 km/km² for the EU countries, this figure is 0.196 km/km² for Turkey, including the rural roads connecting villages to towns. The highway network represents some 63,000 km of which nearly 2,000 km are motorways; 31,000 km, state roads; and the remaining 30,000 km, provincial roads. Although 59,000 km of the highway network is paved, the total length of asphaltic concrete pavements capable of handling heavy vehicle traffic is only some 6,000 km.

Railways

The total railway network in Turkey is some 11,000 km, 8,671 km of which are the main lines. 2,122 km of the network is electrified and 2,505 km of it is signalised. In terms of railway density, Turkey has the lowest figure among the EU member and candidate countries. In terms of total traffic per km, which shows the utilization ratio of the railway network, Turkey with 1.7 is well behind the 3.2 EU average. In other words, both railway density and the traffic density on the network are very low. Moreover, with 20 per cent, Turkey is also well behind the EU average of 50 per cent in terms of electrified lines.

Maritime transport

Along the 8,300 km coastline of Turkey, there are 149 ports and piers. At these facilities an annual volume of nearly 200 million tons is handled, excluding containers. Container traffic approaches 3,000,000 TEU. The 7 biggest ports of Turkey are operated by the General Directorate of Turkish State Railways (TCDD), a public entity, although there is an on-going process of privatisation. A number of important goods and passenger ports have been privatised by transfer of operation rights or are completely privately owned.

Aviation

Air transport is one of the most significant transport modes not only for passengers but also goods. With a growing population, rapid urbanization, growth in the tourism industry and a regional commercial base, Turkey has witnessed the need to further develop its civil aviation and airport infrastructure in the current decade. In 2002, Turkey logged 400,000 commercial flights. The majority of commercial flights originated or terminated at Turkish Airline's main hub at Istanbul Ataturk International Airport. Istanbul had some 160,000 flight operations. Other major airports with significant commercial traffic included the following: Antalya Airport with some 70,000 flights and Ankara's Esenboga Airport handling over 37,000 commercial flight operations. Izmir, Turkey's third largest city had nearly 26,000 flights. In view of the limited budget of IPA and the capacity of the sub-sector to generate revenues, IPA assistance for aviation infrastructure is not planned.

1.3 Small and Medium Enterprises

Using 2003 census data and other research it is estimated that there are approximately 1.9 million registered companies in Turkey, of which approximately 15% are in the manufacturing sector. The number of registered business with more than 250 employees has been estimated at approximately 2,000 which makes over 99.9% of Turkish registered companies as SMEs under EU definition. The number of registered artisans and sole traders has been estimated at approximately 2.8 million. Overall it is estimated that around 1.3 million businesses operate in the manufacturing sector.

Turkish exports in 2004 accounted for 63.1 billion dollars, up 33% from 2003. This robust growth was the third highest for OECD countries, surpassed only the Czech Republic and Poland. This trend has been maintained for the last decade, which saw Turkish exports triple in ten years (from 1992-994 to 2002-04). Although approximately 85% of Turkish exports are manufactured goods, high technology exports represent only 6.5% of total exports. Some of the sectors where Turkey trades competitively are glass and ceramics (it is the world's 3rd and 5th largest producer respectively), clothing (2nd largest EU supplier) and automotive industry (fastest growing export sector).

In Turkey the rate of creation of new firms is significantly lower than in other OECD countries, suggesting a low level of dynamism in the economy. The low level of start-ups is a reflex of Turkish low attractiveness for new business investments, as revealed by the low score (51) in the Business Competitiveness Index. On the other hand, the low rate of company deregistration suggests that once businesses are established they are more likely to survive longer than in other OECD countries. This may be a reflex of the onerous and burdensome company creation/deregistration process, introducing selectivity in registered business and promoting the informal economy. It is estimated that nearly 70% of all SMEs are family owned and managed.

Recent surveys indicated that only 23% of SMEs in Turkey use computers while less than 9% use internet. The vast majority of Turkish SMEs still do not perceive e-business as a priority. This gap prevents Turkish SMEs from taking full advantage of significant productivity gains and growth potential, which could be tapped upon with appropriate investments and modern business practices. Similarly, the low technology base of the Turkish productive sector accounts for the low export share of high technology industries (6.5% of total manufacturing exports) the fourth lowest amongst OECD countries. Innovation, research and development aiming to increase efficiency of production processes, to increase value added, develop human resources and generate spin-off activities need to be developed.

Turkish SMEs face significant difficulties and must pay very high costs to access finance. Their share in total bank loans is approximately 5 per cent. Prohibitive interest rates, low propensity of banks to lend credit to SMEs, subsidised lending policies that introduce market distortions, the limited supply of SME guarantees, and incipient private equity and venture capital markets effectively curtail SMEs' capacity expand, to introduce new technologies and processes and access new markets.

2. Major areas of intervention

2.1 Environment

The EU environmental legislation belongs to one of the most difficult in terms of transposition, implementation, enforcement and heavy investments. Therefore, Turkey will have to make significant investments to put in place the Community 'acquis' in regard to the environment. Estimation of investments needed for full compliance with EU environmental acquis is around 70 billion Euro. Environmental projects to be financed under IPA need to be closely linked to the implementation of environmental plans for the relevant sectors (water, waste, etc.) and based on a strategic and integrated approach (including, river basin management plans in the water sector). This approach requires the drawing up of an overall investment strategy for the environment, in which prioritisation in project identification and complementarity with other sources of funding are key elements. In addition, the respect of general principles of environmental policy and conventions, the polluter pays principle and financial sustainability also need to be taken into account. The environmental dimension of sustainable development should be the basis for activities. The projects will be selected on the basis of the priorities to be listed in the OP and according to the amount of funding available. In general, priority should be given to the commitments made during negotiations and the detailed implementation schedules prepared, in particular for the drinking water directive, the urban waste water directive and the waste directives. The main areas of intervention are as follows:

- Environment measures related to water supply and urban waste water treatment
- Environment measures related to waste management, including the rehabilitation of contaminated sites and land

Activities under this OP should be complementary to what will be undertaken under Component I of the pre-accession assistance strategy, devoted to transition assistance and institution building. They can build on research cooperation addressing these challenges.

2.2 Transport

The provision of efficient, flexible and safe transport infrastructure can be regarded as a necessary precondition for economic development as it boosts productivity.-. Transport networks boost opportunities for trade, while increasing efficiency. Furthermore the development of Europe- and candidate countries-wide transport infrastructure with a particular focus on cross-border projects is essential to achieving greater proximity. Transport legislation aims at improving the functioning of market by promoting safe, efficient, environment sound and user friendly transport services. In this context the following parameters should be taken into consideration:

- elaboration of a coherent strategy over medium to longer term;
- investing in region's drivers of economic growth;
- mobilising additional financial sources, EIB, IFIs, donors;
- focussing on trans-European networks and access.

Under the above principles the scope of intervention in Turkey will cover transport infrastructure, including in particular interconnection, interoperability and intermodality of national networks as well as with the trans-European networks. The main areas of intervention will be concentrated:

- On the main axes to links with European Union; they will be the basis for the development of the Trans-European Network in Turkey;
- Railway infrastructure will be in focus as its share in the transport system - of Turkey is nowadays very weak;
- Motorways of the Sea can be considered (port facilities where there is a link to economic development);
- Support to relevant key studies and necessary related services in principle related with the above projects.

The ongoing TINA study will be a key determinant for the identification of investment priorities in the transport.

2.3 Regional competitiveness

Turkey's progress towards a higher level of convergence with the EU can only be achieved through a more harmonious internal development which provides for a higher level of social and economic cohesion between Turkish regions. To achieve this goal the economic output of the Turkish regions must be stimulated through high employment and productivity growth, namely through improving the volume and quality of employment and business stock, particularly in the regions where stock is low. SMEs have an important role in establishing competitiveness in the market, increasing the employment, and improving the income distribution. A dynamic and competitive SME tissue is fundamental to increase the competitiveness of Turkish regions, to reduce disparities and to achieve a higher rate of convergence with the EU.

Taking account of the business sector profile as described above, Turkey needs to pursue consistent strategies which: give high priority to strengthening the overall business environment in which SMEs operate; encourage and support new business, aiming to reduce the country's deficit in business stocks; support innovation and adoption of new technologies to upgrade the technological level of the business sector; enhance SMEs access to the export market, particularly in the medium/high technology sectors and strengthen SMEs' capacity to use information and communications technology;

IPA support under the regional competitiveness theme should contribute therefore to improve the competitive stance of Turkish regions to attract and maintain sustainable economic activity which create wealth and employment. Specific areas of intervention include:

- provision of basic services and infrastructure which contribute to SME development, strengthening and upgrading;
- stimulating innovation, entrepreneurship, technology transfer, namely through development of business networks and clusters, and public-private partnerships;
- provision of business related infrastructure and technology services to SMEs;
- facilitate SMEs access to finance, namely through the provision of loans and equity finance at affordable costs, while avoiding market distortions;
- promote SMEs participation in information society, including development of local content, services and applications;
- assistance and services to SMEs to adopt and effectively use information and communication technologies.

In order to achieve concrete results in SME development and strengthening in the lesser developed regions, particularly in those areas aiming to improve their international competitiveness, opportunities for inter-regional cooperation and networking with businesses, research centres and universities located within the country and abroad shall be taken into account. This may imply the financing of actions outside the regions which are the main focus of the regional competitiveness programme.

3. Main priorities

3.1 Environment

Water sector

Investments in this sector should take into account the river basin approach in accordance with the Water Framework Directive and other water related legislation. Priorities in the sector should mainly cover drinking water supply and waste water treatment. Other investments which could be considered are linked to the directives on nitrates, sewage sludge and dangerous substances. Investments must meet the standards set out in the Directives. In order to most efficiently distribute the available resources consideration should be given to the following factors:

- the construction of wastewater treatment plants in settlements where sewerage networks are already well developed;
- increasing the sewerage network connection rates and constructing wastewater treatment plants in areas with already well developed water supply systems;
- repairing existing sewerage networks suffering from significant permeability, which affects drinking water sources;
- Introducing water pricing (polluter-pays principle);
- the reduction of water network losses to ensure greater efficiency of the existing water distribution systems.

Waste sector

The identification of priorities in this sector should be based on the waste acquis and in particular they need to fit in the waste plans that are mandatory according to Art. 7 of the Waste Framework Directive (75/442/EEC). Measures should be aimed at reducing the amount of waste to be sent for landfill by introducing recycling and segregation systems. A strategic and integrated approach needs to be taken in each region by concentrating initially on measures that provide the maximum environmental improvement for the limited available funds. Investments could in particular be required for:

- introduction of recycling and segregation systems;
- closure of non-compliant landfills and the construction of new landfills, including the rehabilitation of the contaminated sites;
- municipal waste incineration facilities and hazardous waste incineration;
- disposal of packaging waste, batteries and oils in accordance with the relevant Directives could also be considered.

Given the limitation of resources, investment in these sectors must concentrate on those areas where the impact (in terms of population served) is the largest, where project implementation capability can assure adequate delivery and where projects cannot be financed predominantly from other sources (e.g. IFI, private funds, national budget and other public funds. Studies for project preparation, strategic development (e.g. master plans) and analysis of flooding risks, and funds for capacity building at beneficiary level will also be provided

(e.g. in the field of project management, project implementation, financial management, operational support for implementation, etc.). Based on the above, the prioritisation is the key issue in identifying projects to be financed under IPA. In this context the prioritisation criteria must be considered very carefully, namely by seeking to establish adequate complementarities with other financial sources and to reduce potential transition periods to a minimum. Where possible, consideration should be given to energy efficiency and the use of renewable energy (methane production) in waste management projects.

3.2 Transport

Given the existing unbalance between road transport and rail in Turkey and the needs for environmental friendly projects as well as efficiency, emphasis should be given to:

- multi-modal transport;
- Trans border and national interconnection projects, deriving from the TINA process, and concerning in particular (a) rail connection in the West with EU Member States and (b) interoperability;
- Intelligent transport systems (ITS) where needed for the above infrastructure
- Support to relevant key studies and necessary related services in principle related with the above projects;

At the time of writing, a Transport Infrastructure Need Assessment Study (TINA) is ongoing for Turkey and will give results by early 2007. A clear picture will then be given also about inter modality, especially with maritime transport. The TINA study will define the possible future trans-European transport network within Turkey (see EU Guidelines for the Development of the TENs - Council Decision 1692/96/EC). The conclusions of the National Transport Master Plan, which was finalized in 2nd quarter of 2005, whose objective was to develop proposals addressing the imbalance between the different modes of transport in Turkey should be considered adequately in order to achieve a balanced and sustainable transport system.

3.3 Regional competitiveness

The main priorities for support under regional competitiveness are:

- Support business investment through enhancement of the regions' capacity to retain and to create new and sustainable business in manufacturing and service sectors
- Enhancing of SMEs competitiveness through modernisation of management and production processes, and adoption of international best practices and standards
- Upgrading SMEs technology basis, innovation and environmental practices

The objectives to be pursued are:

- Improve the business environment in which SMEs operate and raise overall business competitiveness
- Improve quantity, quality and productivity of employment and business stock in the manufacturing and services sectors
- Increase SMEs contribution to medium and high technology export goods and services.

4. Expected results and time frame

4.1 Environment

The expected results of the priorities supported under the environmental OP are:

- reduction of the pollution of recipient water bodies,
- introduction of waste collection systems meeting EC requirements,
- closure of non-compliant landfills, opening of ecological landfills,
- capacity to prepare, implement and manage large-scale infrastructure projects in the environmental sector, in particular at beneficiary level,
- new jobs will be created and public health improved,
- energy efficiency and use of renewable energy sources will be advanced.

4.2 Transport

The expected results of the priorities supported under transport priorities by 2010-13 are:

- New efficient and environmentally friendly links with the European Union will be created; Some national deadlocks will be relieved and deficiencies repaired;
- Efficiency and sustainability will be improved;
- New jobs will be created;
- External and internal trade will be facilitated;
- User friendly and secure transportation will be secured;

4.3 Regional Competitiveness

The expected results of the priorities supported by 2010-13 are:

- New business will be created in the manufacturing and services sectors and existing business will be reinforced
- New jobs will be created and the quality of existing jobs will be upgraded
- SME turnover generated by manufactured goods and services will be improved
- Turkish exports of medium and high technology manufactured goods and services will be increased

5. Forms of assistance to be provided

Component III will implement one Environment programme with focus on the water and solid waste sectors, where the impact on the population are the widest and the self-financing capability is the least; one Transport programme covering, in principle, the whole territory but focusing on the trans-European network and infrastructure to promote regional growth and one Regional Competitiveness programme covering the NUTS II regions whose GDP per capita falls below 75% of Turkish national average GDP per capita on the basis of latest available Eurostat statistics (2001). Large projects will make part and be predominant in these two operational programmes. The investments in these two operational programmes will have to comply with the relevant environmental acquis, in particular the Environmental Impact Assessment Directive (85/337/EEC, as amended) and the Habitats and Birds Directives (92/43/EC and 79/409/EEC).

6. Financial indications

Environment:	35-40%
Transport:	30-35%
Regional Competitiveness:	25-35%

Component IV – Human Resources Development

1. Current situation

1.1 Employment

The Turkish labour market is characterised first of all by a low participation rate, particularly of women, which poses a double challenge:

- A. **Increasing general participation and employment rates:** Labour force participation rate stands at about 49%. Increasing labour market participation is a key condition for Turkey to ensure a sustainable development, since Turkey risks missing the current demographic window of opportunity offered by its still increasing working age population as people are frustrated by lack of opportunities and go into early retirement or leave the labour market. Although Turkey has now a population of more than 72 million and more than 51 million people aged 15 and above, less than 24 million are in the workforce (and only around 21 million are actually employed).
- B. **Boosting women's low level of participation:** While participation rate is around 78% for men (15-64), it is only 29% for women. Men's rate is similar to EU average (77.5%) but women's rate is dramatically low (EU average being 62%) and is in fact diminishing. In addition, labour force participation differs significantly for women between urban and rural areas: it is 37% in the latter but only 18% in the former, due to a combination of cultural obstacles to women working outside the home and their lack of qualifications. Since migration to urban areas is due to continue in the next years, rates for women are likely to fall even more unless drastic action is taken to increase their participation. The strong gender divide also implies a high concentration of lowly educated working women in agriculture, unpaid employment and in informal activities.

In addition, the labour market is highly segmented, with considerable differentials between public/state-owned and private sector, formal and informal sectors, rural and urban areas, types of enterprises, etc. in terms of working conditions, earnings, and social protection.

In connection with this, about half of total employment is undeclared and/or in the informal sector. A great number of employees (approximately 47%) are not part of the formal sector (and are therefore outside the normal coverage of social insurance schemes). In fact, for agriculture, informal/undeclared work is the rule. This has serious consequences since undeclared employees do not get any social benefit/insurances and payments to the social security system fall unduly on those employed regularly (this implies that social contributions are relatively high). Irregular employment is also an obstacle to full social integration of employees and to their access to continuing training, and prevents them from enjoying recognised labour rights and the protection of legal health and safety rules. In addition, women and youngsters (or even children) may be disproportionately affected by this problem. The informal sector is also characterised by low productivity, wage and human capital levels, placing business and employees in an "informality trap", unsustainable in the long run. There is therefore a need to reduce the numbers of undeclared employees.

Even children are affected by this problem. Although the Turkish Labour Law prohibits the employment of children under the age of 15, there are still several shortcomings as regards the scope of application, with children in various sectors working illegally.

Employment share of economic sectors is still not comparable to EU, with more than one fourth of jobs still in the agricultural sector. Around 29% of workers are still in the agriculture sector whereas industry and construction employ 25% and services 46% (figures in the EU were 4.9 %, 36.2 % and 58.9 % respectively). This is especially serious as the value added per person employed in agriculture is just one third of that in industry or even a smaller fraction of that in services. Therefore there are still very significant numbers of agricultural employees who are either under-employed or working in very uneconomical exploitations. Restructuring of the agricultural sector will have to be followed by retraining of employees staying in the countryside and by increased job and training opportunities for those moving to the non-agricultural sectors, with special attention paid to retraining of women due their particularly low level of qualification.

Regional disparities in economic development are also visible in employment, with areas in the West of the country having a very modern employment pattern with high participation of industry and services (particularly in tourism) and other areas in the East having a strong rural sector, low employment figures and lack of employment opportunities in general. HRD policies need to address these regional imbalances.

Despite the low participation rate and the importance of the informal sector, unemployment levels are quite high. No significant reduction of unemployment levels has taken place despite the good recent economic record. The unemployment rate has hovered around 10% in the last few years. The remarkable economic recovery after the 2001 crisis has not created enough jobs, leading to a so-called "jobless growth". For instance, in 2005 a total 1,085,000 employees left the agricultural sector and 917,000 reached working age, but only 1,102,000 jobs were created. This led to an increase in unemployment (it has reached 11.8%) and to some 800,000 leaving the workforce..

The considerable numbers of youngsters and former agricultural employees are therefore not finding jobs. The economy is not taking advantage of the potential for a much increased workforce. Youth unemployment figures have indeed been steadily increasing. Access to employment for young people has deteriorated, whilst their unemployment rate has reached 21.9%. Educational attainment does not appear to improve access to employment for the younger generations. In fact if frustrated people were still looking for jobs the unemployment rate would reach 15.7% which shows the scale of the problem. Only successful job-creating policies will make possible to bring more people into employment and to start reducing overall unemployment levels.

This is linked to the fact that workforce skills are relatively low, which is an obstacle to further development of the Turkish economy by moving to higher value-added production to ensure competitiveness in an increasingly globalised economy. Although there are still more jobs available for people with low skills than for graduates from universities or high schools, continued economic development will require to train youngster on skills which are marketable in the future, and to retrain older employees.

1.2 Education and training

Turkey is still not investing enough in its human capital, especially on women, although efforts have taken place in the last years. For instance, general enrolment rates have improved in recent years, particularly in primary education, but the rate of participation in secondary education is still low. Significant action has been taken to extend compulsory education and promote enrolment in primary education in all regions of the country, with an overall result of 96.3 enrolment rate. However, enrolment in secondary education, although initially quite high at 81%, drops significantly in older classes, with a net participation of only 46.7%.

As is the case in employment, there are important gender gaps in education and training. This disparity is shown for instance in important illiteracy rate disparities by gender: rates were still, in 2003, around 19% for women compared to 4.3% for men. The gap is even more serious in agriculture workforce, where 28.5% of women are still illiterate, which is the case only for 8% of the men. It also shows in the 12% disparity in the combined primary, secondary and tertiary school enrolment rates (62% for girls and 74% for boys in 2002).

Drop-out rates at primary or secondary schools are higher for girls, in part due to cultural obstacles to their continued enrolment, especially in the East of the country. Any future increase of women's employment rate will require action now to facilitate equal access to education for girls since lack of qualifications is one of the main obstacles to women finding employment.

Apart from the numbers enrolled, the quality of both primary and secondary education still needs to be improved. The Turkish education system is able to produce elite quality education. However, results of international and national assessments show that most Turkish students fail to develop basic language, math, science, and problem-solving skills during their first eight years of schooling. Graduates have low marketable skills and not many chances of finding jobs in accordance with their formal educational level. Therefore, the curriculum and structure of education and training need to be improved, in particular through closer links to market needs. This implies providing a good, general education as a basis for further VET or higher education, giving students key competencies and the capacity to adapt to changing needs before going into more specialised courses..

Another related problem is the relatively low share of vocational education in secondary education. This is related to the qualification and skills needed by the industry not having been fully translated into the curricula of the VET system, thus loosening the link with the labour market and the employment prospects of graduates. The fact that the current university entrance system makes more difficult for graduates of vocational schools to choose the field they want to study at university discourages students and families from enrolling in VET courses

Higher education, although quite developed in Turkey, presents a wide discrepancy between the number of places offered and the number of young people demanding access to it. Only 356,000 students out of 1,900,000 who take the University Placement Exam (i.e. 18.8%) obtain a place in a formal higher education institution. Despite this discrepancy enrolment rates for that group of age are relatively high (35.8% per cent in higher education, of which 23.3% in formal higher education) and women do relatively well at this level (44% of the total student population).

Accumulation at the gates of higher education continues to rise as a result of lack of effective guidance towards vocational education, inability to establish vocational education-employment relationship, and limitations to create sufficient capacity at higher education. Therefore the issue of selection and access system needs reviewing to avoid ever increasing numbers of people not getting access to the education they aspire to. The creation of intermediate institutions of higher junior education might serve as an intermediate level between secondary education and university and provide useful qualifications to youngsters not entering the formal higher education system.

A comprehensive LLL strategy in Turkey in line with the EU's educational and employment strategies would be essential since adults' participation in training is very low. Turkey cannot only rely on the younger generations to develop the skills needed in a changing context. Both employees and unemployed people need to receive further training to sustain their employability and adaptability, providing employers with incentives to invest in their workforce' skills. The transition from the different education and training pathways to further, more advanced courses should be made easier.

1.3 Social inclusion

Turkey faces the task of building a more inclusive society, particularly through an integrated labour market, and has to overcome several obstacles:

- A. Poverty rate (percentage of population below 60% of the median income) is 25%, whereas child poverty is 32% and even 25% of the employed are poor (these are the highest rates in the EU-27).
- B. "Absolute" poverty is definitely an issue, since 16% of the population are below 50% of the median income and 9% below 40% of it.
- C. Social transfers are not very efficient, as can be seen when comparing poverty rates before and after them: Pensions do not alleviate poverty effectively and coverage by unemployment and other social benefits is very low.

In addition to the widespread poverty problems, some disadvantaged groups face acute problems for their integration into society through employment:

- Risk of poverty is higher in those unemployed, and even more among inactive women and those with children. Offering job opportunities is therefore essential to reduce the risk of people falling in poverty.
- People living in "*gecekond*" areas have in general less access to social services and to formal employment opportunities: Providing better social services (including access to education for children and training for adults), and introducing active labour market policies are necessary
- Inhabitants of rural areas face also special difficulties: In isolated rural areas social services, including education, are non-existent, have much less resources or are much less accessible to the population than in the urban areas. Rural employees are also mostly engaged in informal employment and therefore excluded from social protection and insurance.
- Older people, although they may rely on family support, are also at risk of poverty, particularly in the case of women: Women should be economically independent so that they can support themselves in their old age.

In addition, other special groups suffer from specific problems of their own. People with disabilities, ex-prisoners or persons with drug addictions have particular problems to access the labour market, as may also be the case for Roma people. Only one in five people with disabilities participate in the labour market. Obstacles such as insufficient work places, limited demand from employers or physical barriers imply that many people with disabilities risk social exclusion and poverty. In addition, many of them lack skills (for instance, 21% are illiterate and VET programmes targeting them are inadequate). Smaller groups like ex-prisoners or persons with drug addictions find integration through training and employment very difficult due to lack of rehabilitation programmes for the latter, or of well-thought training programmes for convicts prior to their release in society.

It is necessary to promote adequate policies for internally displaced people (IDPs) either fully integrate into their new places of residence or to return to their homes, including in particular employment and training opportunities taking account place of their special situation (although many share similar challenges with people from *gecekodu* areas, where most of them now live).

A general problem for all these groups is their difficulty for accessing to formal employment, which limits their access to social security and therefore contributes heavily to the poverty risk. Since many employees are not registered or do not pay social security premiums fully even when they are officially registered, they do not have coverage for accidents, illness or old age.

Social assistance and social services are inadequate and in need of better coordination and functioning: These services are essential to deal with people in risk of exclusion and not having any other means of support. They present, however, problems like insufficient budgets, lack of institutional capacity and coordination among institutions, clear standards about how to deal with persons in need or overlap of responsibilities. In particular, access and quality to education presents important disparities. Both rural areas, and urban areas in which significant recent migration has taken place, have important deficits in terms of numbers and equipment of schools and numbers and training of teachers. Therefore those living in the less privileged areas have limited access to such basic services and have then problems for integrating in society through employment. Fostering access to quality social services providing education and training for the less better off would raise the chances of those with more risks of social exclusion.

Child labour has serious consequences for the health and well-being of children and usually prevents their access even to basic education, thus perpetuating their social exclusion and minimising their chances of getting better employment later in their lives.

2. Major areas of intervention

Major areas of intervention are proposed following the *Community Strategic Guidelines on Cohesion, 2007 – 2013* as well as the draft *Joint Assessment Paper (JAP)* and *Joint Inclusion Memorandum (JIM)* in the fields of employment and social inclusion respectively, which provide a first diagnosis of the situation and challenges in these broad policy fields:

- Employment
- Education and training
- Social Inclusion

3. Main priorities

The limited level of assistance under Component IV makes necessary a high degree of concentration in the implementation of Community support. The four priorities chosen render more operational each of the main areas of intervention. These priorities also adapt the draft ESF regulation's priorities to the particular needs and challenges of Turkey:

- 1.- Attract and retain more people in employment, particularly by increasing labour force participation of women, and decrease unemployment rates, especially for young people.
- 2.- Enhance investment in human capital by increasing the quality of education, improving the linkage between education and the labour market, and raising enrolment rates at all levels of education, especially for girls.
- 3.- Increase adaptability of workers, enterprises and entrepreneurs, in particular by promoting lifelong learning and encouraging investment in human resources by enterprises and workers.
- 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.

The MIPD proposes four cross-cutting themes which should be integrated in all of IPA's five components. For Component IV, the theme of equal opportunities for men and women should be accorded a particular attention in the implementation of its four main priorities. Increasing participation of Turkish women into the labour market, upgrading their human capital and providing them with more opportunities for social integration will be keys to the success of the HRD Component.

A focused approach will be necessary in order to ensure effectiveness. Past experience in the European Social Fund implementation shows that focus can be achieved through assistance to systems interventions having a multiplier dimension and through a precise targeting of the most disadvantaged groups for assistance to persons.

4. Expected results and time frame

IPA component IV should have as main goal to prepare the country for effective implementation of ESF: the main expected result should therefore be that by 2014 Turkey is able to undertake all the necessary tasks for ESF implementation. In addition, assistance under component IV should bring Turkey closer to the EU policies and parameters of the revised Lisbon strategy. Future national HRD policies should take inspiration on EU-Lisbon guidelines and use IPA assistance as a tool towards their implementation.

Within the limitations implied by the level of funding to be provided by IPA, the priorities supported under the HRD components should contribute to the following results:

At the system level of the employment, education and social services:

- Modernisation and strengthening of public employment services able to effectively implement quality and widespread active labour market policies throughout the country.

- Improvement of the quality of education, particularly through the adaptation of education and training to the needs of the labour market; increase of the attractiveness of VET as an option for studies.
- Strengthening of policies for the social integration through employment and further training of women of vulnerable groups.
- Improvement of the coordination and effectiveness of social services providing education, training and employment opportunities to particularly disadvantaged people, including day-care for children and the elderly, in order to facilitate women participation in employment.
- Strategic approach to regional disparities in the fields of labour market, education and training and social inclusion policies.

At the level of the final beneficiaries:

- Increase of participation rates in employment, particularly for women
- Reduction of the level of undeclared employment.
- Reduction of unemployment rates, particularly for young people.
- Increase of enrolment rates, and decrease of dropouts, particularly of girls in secondary/VET education.
- More equal access to education services.
- More alternative pathways of studies for graduates of secondary education.
- Better access to training and active labour market initiatives in both rural areas and those urban areas with more needs (gecekondu), particularly for unskilled labour force migrated from rural to urban areas.

The results achieved under Component IV will be monitored and evaluated; the HRD OP will contain the necessary indicators to ensure a follow-up of the implementation

5. Forms of assistance to be provided

IPA funds under component IV will be implemented through a single Operational Programme for Human Resources Development, which will consist of the four main priorities mentioned above and a set of appropriate measures under each priority.

The OP will be administered by national authorities. It will take mainly the form of assistance to persons in order to develop human resources and facilitate their integration into the labour market, through education and vocational training, actions to promote employability on the labour market, continuing training, employment aids and aids for self-employment and the development of new forms of employment.

The OP may also support the structures and systems for the delivery of public policies for employment, education and training and social integration, through actions for developing education and training system, modernise employment services or strengthen social service provision in the framework of employment/education activities. Accompanying measures may include provision of services to beneficiaries, such as care services and facilities for dependants or awareness-raising, information and publicity actions. Particular attention should be given to assistance to capacity-building for social partners and NGOs working in the field of human resources development, especially in the areas (either urban or rural) where active promotion of civil society is more necessary.

6. Financial indications

(These are indicative ranges which intend to show the priority that should be accorded to employment measures within the future IPA OP for HRD).

Employment	40-50%
Education	30-40%
Social Inclusion	20-25%

Component V – Rural Development

1. Current situation

Agriculture is of key importance to Turkey, both in social and economic terms. About half of Turkey's area of some 79 million hectares is devoted to agriculture, which is roughly in line with the EU27 average (48%). In 2003 one third of the workforce was employed in agriculture, and in the same year the sector represented 12.2% of GDP down from 22% in the beginning of the 1980s giving an indication of the growth of other sectors of economy as well as of the rapid pace of the modernisation taking place in agriculture.

The climatic and geographical conditions across the country permit a wide range of farming activities. Turkey is a major world producer of cereals, cotton, tobacco, fruit and vegetables, nuts, sugar beet and sheep and goat meat. Roughly 50% of Turkey's agricultural area is devoted to arable crops, 25% to permanent meadows and pastures and 2.5% to permanent crops. There are significant regional differences in production patterns. Turkey is also a major producer of fish with roughly $\frac{3}{4}$ of its production coming from marine fish and $\frac{1}{4}$ from aquaculture and freshwater production. 77% of the value of agricultural production is generated from crop production and 23% from animal products.

With regard to the main agricultural sectors, Turkey is a major cereal producer. The total cereal area of about 13.6 million hectares is about 25% of the EU-25 cereal area. Turkey counts 2.1 million holdings producing cereals. Turkey is self-sufficient in wheat, barley and oats. Although Turkey is an important producer of oilseeds, imports are necessary to meet the internal demand on vegetable oil.

As regards fruits and vegetables, Turkey is a major world producer and net exporter. Turkey cultivated in 2003 a surface of 1.5 million hectares producing about 14 million tonnes of fruits (mainly citrus fruits) and a surface of 818,000 hectares producing a total of 24 million tonnes of vegetables. The figures underline the key role this sector plays for the Turkish export markets (2.07 billion €). Turkey is also one of the world's biggest nuts producers and the world's most important exporter.

The milk sector in Turkey counted in 2004 about 3.8 million dairy cows producing 9.6 million tonnes of milk (ca. 90% + 8% sheep and 2% goat milk). The sector is highly fragmented since approximately 60 % of the holdings involved in cow milk production have less than 4 animals. Only 60 % of the raw milk is delivered to the dairies. On farm consumption and direct sales prevail in rural areas. With regard to the beef and veal sector, Turkey counted 10.2 million heads of bovine animals in 2004 and a total slaughtering of 2.6 million heads. Out of the 2.2 million cattle holdings, about 50 % of the cattle are kept by small holders (1-4 cattle). The sheep and goat production in Turkey is predominantly undertaken in family holdings. In 2004, Turkey had 25.2 million sheep and 6.6 million goats kept in 570.000 farms. The eggs and poultry production is significant in Turkey.

Turkey is a major agricultural exporter. Agricultural exports from Turkey in 2003 totalled 4.24 billion EUR (8% of total Turkish exports), and agricultural imports 3.88 billion EUR (5% of total imports). In recent years, Turkey has had a significant trade surplus in agricultural products with the EU 25 (exports in 2004 EUR 2,350 million; imports EUR 647 million). Turkey has mainly exported fresh fruit and vegetables, preparations of fruit and vegetables, nuts, tobacco and tobacco products, while it has imported hides and skins, essential oils, cereals and oilseeds from the EU. Trade liberalisation in agriculture remains

asymmetrical with the EU granting preferential treatment on market access, whereas Turkey still protects its livestock sector through an import ban on most live animals and animal products.

According to the 2001 census there are approximately 3 million agricultural holdings in Turkey, most of which are family farms employing family labour. This is down from about 4 million holdings in 1991. Figures for the average size of holdings suggest that holdings are small by EU standards (6 hectares on average compared to an EU-25 average of 13 hectares). Property rights are so far established for only 75% of agricultural land.

Subsistence and semi-subsistence farming is a significant feature of Turkish agriculture. These farms are characterised by low productivity and only a small fraction of production being marketed. They are difficult to reach with traditional market and price policies, but are important for the income security of the majority of the rural population in Turkey.

Turkey's food industry is dominated by the private sector except for the sugar, meat and tea branches, where some state-owned enterprises still exist. According to 2002 data, the Turkish food industry contributes around 5% of GDP. Almost 2/3 of all food enterprises are active in the cereal and cereal based sub-sectors followed by around 10% of fruit and vegetable processing and 10% of dairy enterprises. The food industry is characterized by duality, with many small and medium sized companies and only a limited number of large-scale, modern companies. With regard e.g. to the beef and veal sector, out of the 627 slaughterhouses for bovine animals only 173 are big class I (>40 animals/day) establishments, whereas 19 are medium sized class II (20-40 animals/day) and the large majority of 435 are small class III (<20 animals/day), mainly municipal establishments. 2004 data suggests that only one out of six enterprises uses modern technology for production and quality control. The capacity utilisation in most of the sub-sectors of food industry is approximately 50%. E.g. milk processing establishments in Turkey in 2002 had a production capacity of 4,555,704 tons whereas only 2,320,432 tons were produced, revealing structural weaknesses of the sector.

Agricultural producers' organizations in Turkey can be classified in 3 broad categories, namely cooperatives, producer unions and agricultural chambers. The over 700 Agricultural Chambers representing ca. 4 million producer members mainly provide vocational services. The number of agricultural producer unions and their members still low because of the very recent legal framework but show a tendency to increase. Only a limited amount of production e.g. in the fruit and vegetable sector is currently managed by them. Agricultural Credit Cooperatives (ACCs) are organized with a central body, 16 associations and have ca. 1.5 million members. They aim at meeting the need of farmers for credit in cash and kind and act as facilitators in agricultural sub sectors. In the area of marketing of agricultural commodities and inputs, agricultural sales co-operatives (grouped in 16 unions: ASCUs) are major players in Turkey with regard to collecting and distributing a wide range of agricultural commodities. Since 2001 the ASCs/ASCUs are in a process of being transformed from parastatal organisations into financially autonomous, adequately staffed and business oriented co-operatives which can compete with private traders while operating for the benefit of the farmers who formally own them. In 2004 the 330 Turkish ASCs had around 750,000 members.

When it comes to food exports from Turkey to the EU, the country is an important exporter of food of non-animal origin like fruit and vegetables. Exports of food of animal origin are restricted due to the animal health situation. There are so far neither milk and milk product establishments nor meat and meat product establishments approved for exports into the EC. On the contrary, a sizable number of establishments are approved for the export of fishery products to the EC.

In the 1950s 75 % of the population used to live in rural areas. This rate went down to 56% in 1980, and receded to an overall rural population of 39% in 2004. However, despite such significant change in the population structure, 23.7 million people who make up a large portion of the national population, still live in settlements in village status. In the period of 1995-2000, while the migration from villages to cities slowed down compared to the period of 1980-1990, it can be observed that the working age population preserved their trend to leave villages, even if at a slower pace. About 67.5 % of the rural labour force is employed in agriculture.

Rural areas in Turkey face problems of human resources (poor level of education and skills), ineffective institutional structure and farmer organisations (cooperatives, producer unions etc.), scattered settlement pattern in some regions, insufficient development and maintenance of physical, social and cultural infrastructure, a high rate of dependence on subsistence agriculture, a high rate of hidden unemployment, insufficient diversification of agricultural and non-agricultural income generating activities, low income level and ageing of rural population.

Taking into account that Component V on the basis of the above description has the specific dual long term purpose of preparing the Turkish agri-food sectors to meet EU requirements as well as helping the Beneficiary Country to get ready for the implementation of EU rural development programmes with adequate administrative structures upon accession, the main policy objectives under Component V are:

- to contribute to the modernisation of the agricultural sector (including processing) through targeted investments while at the same time encouraging the improvement of EU acquis related food safety, veterinary, phytosanitary, environmental or other standards as specified in the Enlargement Package,
- to contribute to the sustainable development of rural areas.

2. Major areas of intervention

Following the related conclusions of the Enlargement Package identifying the modernisation of agricultural sector and the creation of alternative employment in rural areas as the two main future concerns and the necessity of approximation to MS rules, assistance under Component V will target the following three main priorities to be addressed under the Component related programme (IPA Rural Development Programme):

Priority axis 1: Interventions under this priority have to contribute to the sustainable adaptation of the agricultural sector and the implementation of Community standards concerning the common agricultural policy and related policy areas like food safety, veterinary and phytosanitary matters.

Priority axis 2: Interventions under this priority have to take the form of preparatory actions for the implementation of agri-environmental measures and Leader

Priority axis 3: Interventions under this priority have to contribute to the sustainable development of rural areas while supporting the development of the rural economy.

The selection of these three priority axis has also taken account of the provisions of the Turkish preliminary National Development Plan (pNDP) and the National Rural Development Strategy (NRDS) adopted in 2006. A National Rural Development Plan (NRDP), which is currently being prepared by the Ministry of Agriculture and Rural Affairs (MARA), is furthermore expected to provide additional information about the complete set of national, international and EU funded rural development activities while at the same time highlighting strategic choices for the different funding sources and areas of activity as well as pointing out synergies between them.

3. Main priorities and objectives

Under priority axis 1 the potential key issues to be addressed in Turkey should be:

- I. The modernisation of the farm sector in the light of EU accession and the upgrading of the sector to EU standards through targeted investments
- II. The setting up of producer groups with a view to adapting their production to the market requirements and enabling them to jointly place goods on the market.
- III. The modernisation of the processing and marketing of agriculture and fishery products in the light of EU accession and their upgrading to EU standards through targeted investments.

Under priority axis 2 the potential key issues to be addressed in Turkey should be:

- I. The preparation for the implementation of actions designed to protect the environment and maintain the country side.
- II. The preparation of rural communities to conceive and implement local and integrated rural development strategies through local private-public partnerships.

Under priority axis 3 the potential key issues to be addressed in Turkey should be:

- I. The improvement and development of rural infrastructure.
- II. The diversification and development of rural economic activities.
- III. The improvement of training.

As stated in the Enlargement Package, Turkey's main focus with regard to agriculture and rural development should in the short to medium term be on priority axis 1 and 3 and on the restructuring and the modernisation of the agricultural sector and the creation of alternative employment opportunities in rural areas. With regard to the veterinary, phytosanitary and food sectors Turkey should pay special attention to reinforce and upgrade the control system (to be addressed under Component I) and food production and processing establishments should be improved with regard to technical and hygienic conditions (to be addressed under Component V).

From the above follows that under priority axis 1, Turkey should in the short to medium term focus on the modernisation of the farm, food processing and marketing sectors in its IPA Rural Development Programme. The modernisation and restructuring of these sectors should first and foremost be achieved through the upgrading to EU environmental, hygiene, food safety and animal welfare standards. Support granted towards the achievement of these

objectives should mainly be concentrated on sectors where the related *acquis communautaire* to implement is particularly comprehensive and demanding and where structural shortcomings can be detected like in the dairy and meat sectors and to a somewhat lesser extent in the fishery sector and where an in-depth analysis has been carried out involving independent expertise as required by the IPA legal framework.

It is an essential precondition for the granting of assistance under Component V that the laws and regulations of the Turkish government which are in conformity with the related EU *acquis* targeting the above sectors, e.g. the quality related provisions, should be fully implemented and controlled. The implementation of the IPA Rural Development Programme furthermore requires well functioning inspection services (in the field of environmental protection, public health, animal and plant health, animal welfare and occupational safety). Such services must be able to issue supporting documents required for the application of support and control the respect of Community standards of projects under Component V. As stipulated in the Accession Partnership the administrative capacity has to be strengthened (sufficient employees, training of staff, necessary equipment). Moreover, the services have to be sufficiently functional when the implementation of the IPA Rural Development Programme starts. Support concerning institution-building for implementation and control should be addressed under Component I.

Moreover, investments should mainly target small and medium size enterprises and should as a general rule focus on the weakest links in the production, processing and marketing chain of each sector chosen according to *acquis* relevance. In preparation for accession, Turkey should also set-up a national plan for upgrading of establishments. Once finalised and adopted, investments under priority axis 1 of Component V should be directly linked to this plan. Establishments already certified for EU markets should not be eligible for support under the IPA Rural Development Programme.

Following the recommendations from the Enlargement Package, Turkey should under priority axis 3 in the short to medium term mainly target the diversification and development of rural economies with the overall aim to concentrate on the sustainable development of rural areas in its IPA Rural Development Programme. Special attention should be given to the creation of alternative employment in rural areas in order to facilitate the modernisation of the agricultural sector and to contribute to the offsetting of the depopulation trend.

While the improvement and development of rural infrastructure will certainly also contribute to the sustainable development of rural areas in Turkey, support for this area should mainly be granted under Component III, national and the related international (e.g. World Bank) schemes. This would allow for a concentration of the limited resources available under Component V on the modernisation of the agricultural sector and the diversification of rural economic activities to achieve the greatest possible impact.

As training activities for the urban but also the rural population will generally be covered under Component IV, support for training should only be granted in relation to limited and specific rural issues identified in a related training strategy (as required by the IPA legal framework) and where there is clear evidence that these issues can be better addressed under Component V.

The preparation of rural communities to conceive and implement rural development strategies through local private-public partnerships under priority axis 2 could in the medium to long term greatly contribute to the development of rural areas by means of reinforcing the

participation of the local population through a bottom-up approach. As the capacity building for both the preparation of the implementation of Leader type measures as well as agri-environment measures will take considerable time, Turkey should only in the medium to long term be in a position to carry out preparatory actions regarding the implementation of those two areas. Whereas a financial allocation to preparatory actions should as a consequence only be envisaged at a later stage, capacity building for these two areas to also be supported under component I should start as soon as possible.

The Programme to be elaborated under Component V should therefore in the short and medium term mainly concentrate on measures targeting investments in farms and in processing and marketing of agriculture and fishery products to restructure and upgrade to EU standards as well as on setting up of producer groups. Dairy and livestock should be the main sectors addressed under these measures. The Programme should furthermore concentrate on the development and diversification of rural economic activities.

With regard to regional focus, the Programme should as a priority target those regions which have a specific potential for the development and restructuring of agricultural production in given sectors selected according to agricultural, food safety, veterinary and phytosanitary acquis relevance but where the related production, processing and marketing chains clearly show substantial weaknesses.

4. Expected results and time frame

Component V has the main goal to facilitate the preparation of the Beneficiary Country for the participation in the Common Agricultural Policy (CAP) respecting the related EU standards while at the same time assisting the Beneficiary Country with getting ready to effectively implement EU rural development programmes upon accession. Taking account of the limited amount of funding available for Component V of the IPA, the assistance provided under Component V to be implemented through a multi-annual programme covering the entire period 2007 - 2013 should contribute to the following results by 2014:

Priority axis 1:

- Improved income of the beneficiary farmers and members of newly set up producer groups
- A better use of production factors on agricultural holdings
- Improved production conditions in terms of compliance with EU standards
- Increased added value of agricultural and fishery products through improved and rationalised processing and marketing of products
- Increased added value and competitiveness of agricultural and fishery products through compliance with EU quality, health, food safety and environmental standards
- Improved competitiveness of the food processing industry in the selected sectors in the single market
- Improved processing and/or marketing of quality agricultural products as well as better preparation of the implementation of CMOs in the beneficiary sectors through the setting up of producer groups

Priority axis 2:

- Better protection of natural resources in the beneficiary areas
- Development of practical experience with regard to the implementation of agricultural production methods designed to protect the environment and maintain the country side
- Improved participation of local actors in the development and implementation of rural development strategies

Priority axis 3:

- Improved competitiveness of beneficiary rural areas
- Improved quality of life of the beneficiary rural population
- Increased income of the beneficiary rural population through the development and diversification of on-farm and/or off-farm activities
- Creation of new employment opportunities through the development and diversification of on-farm and/or off-farm activities
- Better access to training in rural areas

Indicators to measure the results achieved under Component V during the monitoring and evaluation process will be developed as part of the ex-ante evaluation of the multi-annual IPA Rural Development Component Programme.

5. Forms of assistance to be provided

Forms of agriculture and rural development related assistance

IPA funds under Component V will be implemented through a single multi-annual Programme covering the entire period of 2007 – 2013.. The Programme will address the appropriate main priority areas and a selected set of measures under each of those areas.

It is expected that a large number of applications will be generated under Component V which will require sound management of a substantial number of projects. As under all rural development programmes, such projects are generally relatively small because of the size of the beneficiaries. Consequently, the IPA Rural Development Programme will be implemented by the Beneficiary Country in the framework of a fully decentralised implementation system. In view of the time necessary to set up the decentralised implementation system and based on related positive SAPARD experience, the financial allocations for Component V will follow a phasing-in approach with a back loading of IPA Rural Development funds. Funding for the first three years of the implementation period, 2007, 2008 and 2009 therefore represent a lower percentage of the full Component V allocation which is due to increase considerably in the following years.

Assistance will mainly be granted in the form of support for private investments undertaken by natural or legal persons like farmers, food processing and marketing enterprises, co-operatives, producer unions etc.

6. Financial indications

Priority axis 1: A minimum of 50% of the overall allocation for Turkey under the rural development component will be allocated to the sustainable adaptation of the agricultural sector and the related implementation of the *acquis communautaire*.

Priority axis 3 : A minimum of 20% of the overall allocation for Turkey under the rural development component will be allocated to the sustainable development of rural areas.

No minimum financial allocations have been made for priority axis 2. Because of the long-term capacity building and preparation necessary for the carrying out of actions under this axis, implementation can only take place at a later stage. Financial allocations for this axis will therefore only be made in later MIPD's once the measures become ready for implementation.

INDICATIVE ALLOCATIONS TO MAIN AREAS OF INTERVENTION	
<i>Turkey</i>	
Component I (Transition Assistance and Institution Building)	
Political Criteria	20-30%
Acquis Implementation	40-60%
Civil Society Dialogue	15-25%
Component II (Cross-Border Co-operation)	
Turkey – Bulgaria	20%
Turkey – Greece	34%
Turkey – Cyprus	3%
ENPI Black Sea multilateral Sea Basin prog.	9-11%
other ENPI and ERDF programmes	32-34%
Component III (Regional Development)	
Environment: 35	40%
Transport: 30	35%
Regional Competitiveness: 25	35%
Component IV (Human Resources Development)	
Employment	40-50%
Education	30-40%
Social Inclusion	20-25%
Component V (Rural Development)	
Adaptation of the agricultural sector and implementing Community standards	50-80%
Preparatory actions for agri-environmental measures and LEADER	<i>not foreseen under present MIPD</i>
Development of rural economy	20-50%

Annex A

A number of cross cutting themes will be integrated into all components of the IPA programme in Turkey. The programming documents will identify the measures that will address these issues, and the monitoring of the programme will report on the results achieved. The horizontal issues concerned are: (1) equal opportunities for men and women, (2) environmental protection, (3) participation of civil society, (4) geographic and sectoral concentration, (5) concerns of minority and vulnerable groups, and (6) good governance.

Equal opportunities for men and women

The status of women in Turkish society is matter of continuing concern for the European institutions. Despite formal equality before the law and the commitment of state institutions to egalitarian principles, the empowerment of Turkish women and their participation in economic life remains deficient. Domestic violence is prevalent, and includes its most brutal manifestations such as “honour killings”. Potential measures to address gender issues include: under Component I, harmonisation of the Turkish legal framework with the gender equality acquis and support to state institutions and NGO dealing with gender issues; under Component III, support to women entrepreneurs; under Component IV, vocational training for women and promotion of female employment; under Component V, improvement of employment conditions for women in agriculture, through modernisation of farms and enterprises, and creation of alternative employment opportunities, which will in particular be beneficial for women, through diversification of the rural economy.

Environmental protection

Meeting environmental norms will constitute one of the most expensive aspects of Turkey’s EU integration effort. Legal and institutional harmonization with the environmental acquis and the activities of environmental NGOs will be supported under Component I; the development of the approximation strategy for the sector, which could involve IFI and the private sector could also be supported under Component I; Components II and III will co-finance environmental investment projects; environmental protection considerations will also be taken into consideration in other investment projects, notably transport infrastructure, and in agriculture-sector projects (Component V). Environmental authorities and NGOs will be involved in programme development and monitoring.

Civil Society involvement

Civil Society is understood to include employer's organisations, trade unions, associations of local self-governments, the media, academic institutions as well as non-governmental organisations. Civil society will have an important role to play in the implementation of projects related to the Copenhagen political criteria. It is also an essential element of the EU-Turkey Civil Society Dialogue. Finally, the promotion of the principle of partnership under Components II-V will necessitate an active involvement of Civil Society (chambers of commerce, NGOs, etc), notably at the stage of programme design. Civil Society will also be supported by the European Initiative for Human Rights and Democracy

Geographic and sectoral concentration

Although the logic of certain IPA measures will not be amenable to a uniform approach in this regard, IPA as whole will seek to concentrate resources on a limited number of the Turkish regions and sectors where the programmes' impact and contribution to IPA objectives will be the highest. Ensuring appropriate geographic and sectoral concentration will allow the impact of IPA to be maximised. Geographic concentration will also facilitate the exploitation of synergies among programme components. It will also encourage the development of a coherent Turkish policy addressing regional disparities, one of the principal challenges to Turkey's socio-economic development. This issue is discussed further in section 2.2, under "*Approach to the introduction of EU structural instruments*".

Concerns of minority and vulnerable groups

Concerns of minority and vulnerable groups will be reflected in all activities programmed under IPA, in particular when it concerns public services, legislative matters and socio-economic development.

Good governance

Specific actions promoting good governance, with particular attention to the fight against corruption, will be incorporated on a horizontal basis.