

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

**REPUBLIC OF TURKEY**

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**Date**  
**06/10/2015**

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## **LIST OF ABBREVIATIONS:**

AA: Audit Authority  
AAAR: Annual Audit Activity Report  
BPA: Bilateral Project Agreement  
CAO: Competent Accreditation Officer  
CAP: Communication Action Plan  
CBA: Cost-Benefit Analysis  
CBC: Cross -border Cooperation (IPA Component II)  
CFCU: Central Finance and Contracts Unit  
CfP: Call for Proposals  
DEUI: Department for EU Investments (EOP)  
DIS: Decentralized Implementation System  
EC: European Commission  
EIA: Environmental Impact Assessment  
EIB: European Investment Bank  
EIPA: European Institute of Public Administration  
ENPI: European Neighbourhood Policy Instrument  
EOP: Environment Operational Programme (Under Component III)  
ERA: End Recipient of the Assistance  
EU: European Union  
EUD: Delegation of the EU to Turkey  
EUTF: European Union Regional Trust Fund  
FA: Financing Agreement  
FCD: Financial Cooperation Directorate of the MEU  
FN: Forecast Notice (Prior Information Notice)  
FwC: Framework Contract  
HOS: Head of Operating Structure  
HRDOP: Human Resource Development Operational Programme (Component IV)  
IMIS: Integrated Monitoring Information System  
IPA: Instrument for Pre Accession Assistance  
IPA MC: IPA Monitoring Committee  
IPARD: IPA Rural Development (Component V)  
IPARD MC: IPARD Monitoring Committee  
JMA: Joint Managing Authority  
JMC: Joint Monitoring Committee  
MA: Managing Authority  
MAFA: Multi Annual Financing Agreement  
MEU: Ministry for EU Affairs  
MEUR: Million Euros  
MIFF: Multi-Annual Indicative Financial Framework  
MIPD: Multi-Annual Indicative Planning Document  
MIS: Monitoring Information System  
MoEU: Ministry of Environment and Urbanization  
MoFAL: Ministry for Food, Agriculture and Livestock  
MoLSS: Ministry of Labor and Social Security

MoSIT: Ministry of Science, Industry and Technology  
 MoTMC: Ministry of Transport, Maritime and Communication  
 NAO: National Authorizing Officer  
 NGO: Non Governmental Organization  
 NIP: National Info Point  
 NIPAC: National IPA Coordinator  
 NP: National Programme  
 OIS: Operation Identification Sheet  
 OP: Operational Programme  
 OS: Operating Structure  
 PAO: Programme Authorization Officer  
 PCM: Project Cycle Management  
 PF: Project Fiche  
 PIN: Prior Information Notice  
 PMR: Progress and Monitoring Report  
 PN: Procurement Notice (Tender Notice)  
 PRAG: Practical Guide to Contract Procedures for EU External Actions  
 PLSC: Project Level Steering Committee  
 RCOP: Regional Competitiveness Operational Programme (Under Component III)  
 ROM: Result Oriented Monitoring  
 SAS: Sector Alignment Strategy  
 SCF: Strategic Coherence Framework  
 SEI: Support Activities to Strengthen the European Integration Process  
 SIF: Sector Identification Fiche  
 SMC: Sectoral Monitoring Committee  
 SME: Small and Medium-Sized Enterprises  
 SMSC: Sectoral Sub Monitoring Committee  
 SOP: Sectoral Operational Programme  
 TAIB: Transition Assistance and Institution Building (IPA Component I)  
 TAIB MC: TAIB Monitoring Committee  
 TAIEX: Technical Assistance and Information Exchange Instrument  
 TEN-T: Trans-European Networks – Transport  
 TROP: Transport Operational Programme (Under Component III)  
 ToR: Terms of Reference  
 TS: Tender Specifications  
 W&WWTP: Water and Waste Water Treatment Plant  
 WWTP: Waste Water Treatment Plant

# MAIN REPORT

## OBJECTIVE

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

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

The report synthesizes the Sectoral Annual Reports issued under all IPA components for the year 2014 and is subject to examination by the IPA Monitoring Committee prior to its transmission to the European Commission and to the National Authorizing Officer.

## EXECUTIVE SUMMARY

The present report was drafted on the basis of the sectoral reports prepared per component by the related operational structures. It concerns the progress ensured within the year 2014 in terms of financial implementation of the assistance under IPA.

Being a candidate country for EU membership, Turkey has been one of the beneficiary countries of EU Funds under the Instrument for Pre Accession Assistance since 2007 with its all five components. From 2007 to 2013, annual sums of funds allocated to Turkey had increased steadily (i.e. from 497 MEUR for 2007 to 902 MEUR for 2013). Annual financial allocations for Turkey per component during the IPA period have been illustrated in the MIFF as follows:

**Table 1: Annual Budget Breakdown of IPA I (2007 – 2013) (MEUR)**

Component	2007	2008	2009	2010	2011	2012	2013	Total
I- Transition Assistance & Institution Building	256,7	256,1	239,6	217,8	231,2	227,5	238,5	1667,4
II-Cross-border Cooperation	2,1	2,8	3,0	3,1	5,1	2,1	2,2	20,6
III-Regional Development	167,5	173,8	182,7	238,1	293,4	356,1	366,8	1778,4
IV-Human Resources Development	50,2	52,9	55,6	63,4	77,6	83,2	91,1	474,1
V-Rural Development	20,7	53,0	85,5	131,3	172,5	187,4	204,1	854,6
<b>TOTAL</b>	<b>497,2</b>	<b>538,6</b>	<b>566,4</b>	<b>653,7</b>	<b>779,8</b>	<b>860</b>	<b>902,9</b>	<b>4795,2</b>

Starting from the beginning of 2014, IPA II period covering the years from 2014 to 2020 has been commenced. In this term, instead of the component based structure as it was the case in the first period of IPA, priority sectors to be financed and the responsible lead institutions to conduct the sectoral preparations have been identified.

The reporting year has been overwhelmed with the preparations of the IPA II period. Significant efforts have been utilised in determination of the new management structure of the funds under IPA II. All DIS institutions together with the lead institutions responsible for the implementation of actions as set out in the related Sectoral Planning Documents spent considerable efforts in shaping the structure of the new IPA period.

The total allocation for Turkey under IPA II for 7 years amounts to 4.453,9 MEUR, as stated in the Country Strategy Paper. Priority sectors and allocated budgets are given in the below table.

**Table 2: Annual Budget Breakdown of IPA II (2014 – 2020) (MEUR)**

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

In the context of programming of the year 2014 for the sectors in which annual programming is applied, 2014 Action Documents (ADs) for the Civil Society, Judiciary, Fundamental Rights, Home Affairs, Energy, Agriculture, Civil Society, Jean Monnet Scholarship Programme sectors/subsectors were submitted to the EC in the last quarter of 2014, reviewed by the member states in the IPA Committee in December 2014 and received a positive opinion.

In addition to abovementioned annual programmes, Multi-annual Country Action Programmes for the following sectors are also adopted by the Commission:

- Competitiveness and Innovation
- Environment and Climate Action

- Employment, Education and Social policies
- Transport

Summarized information concerning the implementation of first period of IPA is given under each component:

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

Financing Agreement for the last annual programme of the first component of IPA 2007 – 2013 (2013 NP) has been signed and ratified in the reporting period. Moreover, amendments to four NPs were completed. Throughout the year implementation of all NPs except 2013 was carried on but until the end of the reporting period, no contracts were signed under 2013 NP yet.

Concerning the contracting rate for the programmes in IPA-I (2007, 2008, 2009, 2010 and 2011 Part I), it was realized above 90% on average and shows a high ratio in the recent years due to the efforts and the gained experiences of all DIS actors. However, to achieve these figures the contracting deadlines of nearly all of these programmes were extended from 6 months to 1 year. Additionally, the practice of last minute contracting was still an issue in the reporting year for some of the projects. The concrete figures for 2011 IPA I Part II and 2012 IPA I Programmes will be determined when the contracting processes are completed for the extended programmes.

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

In the framework of Cross-Border Cooperation Component, the “Bulgaria-Turkey IPA CBC Programme” and “ENPI Black Sea Basin CBC Programme” are still under implementation. In the reporting year; in addition to conducting calls for proposals and tender procedures for finalized calls, the implementation and the monitoring of the existing projects were proceeded while opportunities for future CBC programmes have been explored.

#### **IPA- III Regional Development**

Implementation of the three OPs under the 3<sup>rd</sup> component were carried out by the relevant authorities throughout the reporting year. More than 250 MEUR has been disbursed in 2014 under this component. Nevertheless, a total of 62,4 MEUR has been de-committed under the Environment OP and Regional Competitiveness OP.

#### **IPA –IV Human Resources Development**

The HRD OP has been carried out in the reporting year with a disbursed amount of 58 MEUR. 28,4 MEUR has been de-committed by the end of 2014.

#### **IPA Component V**

Similar to the previous year, there were significant increases in the number of applications, contracted projects and disbursement rates under the IPARD OP. Along with the Turkish contribution; an amount of 340 MEUR has been paid in the reporting year. No de-commitment was realized under this component.

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

Component I– TAIB Monitoring Committee meeting was held on 8 July 2014.

Component II – The only JMC Meeting of the reporting period was held in 9-10 October 2014.



### Component III:

Environment OP: Two SMC meetings were conducted on 25 June 2014 and on 26 November 2014.

Regional Competitiveness OP: Two SMC meetings were conducted on 25 June 2014 and 27 November 2014.

Transport OP: Two SMC meetings were conducted on 26 June 2014 and 25 November 2014.

Component IV –Two SMC meetings were held on 22 May 2014 and 26 November 2014.

Component V – Two IPARD MC meetings were conducted on 11 April 2014 and 4 December 2014.

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

In the previous report, concerning the IPA II period it was stressed that to increase the efficiency and impact of the funds, it will be helpful to have a more flexible system with fewer rules and procedures. Moreover, the impacts of major projects were emphasized and continuing to support these kinds of projects in the next IPA term was recommended. Opinions and recommendations of the Turkish institutions on the overall preparation and rules of IPA II period were continuously shared with EU sides in the reporting period.

Regarding the de-commitment risks, it was suggested to increase the implementation performance in general and advised that shortening the durations for project preparation, assessment and approval phases at both the TR and EU sides and sustaining the demand for IPA funds by maintaining and strengthening the awareness and information building activities (especially in IPARD) and continuously analyzing and refining the procedures crucial in avoiding future decommitment risks. In that sense, utilization of ESEI funds are being promoted for project preparation, regular reminders are being made to the project beneficiaries to initiate the contract preparations as quickly as possible and trainings are being given on EU project management if needed. Also, rejection rates and their causes are being followed up closely by NAO and CFCU. Although an improvement is recorded in the latest quarter of the reporting period on rejection rates, CFCU, NIPAC and NAO should continue to work on developing capacities of beneficiaries on tender dossier preparation. Awareness and project applications in IPARD programme has significantly increased owing to the promotion and information building activities.

## Detailed Observations by Component

### COMPONENT I: Transition Assistance and Institution Building

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

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

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

As of 31/12/2014, 461 contracts were signed within IPA 2007 Component I, 335 contracts were signed within IPA 2008 Component I, 416 contracts were signed within IPA 2009 Component I, 179 contracts were signed within IPA 2010 Component I, 124 contracts were signed within IPA 2011 Component I –Part I, 338 contracts were signed within IPA 2011 Component I –Part II and 4 contracts were signed within IPA 2012 Component I. No contracts have been signed within IPA 2013 Component I.

The contracting rate of **2008 National Programme** was realized as 93.5%. Under this programme with a total amount of 184,9 MEUR, 172,9 MEUR was committed by the CFCU through award of 335 contracts while 11,7 MEUR has remained unspent because of competition in tenders. Only one small- value supply tender (*TR0802.19- Improving Data Quality in Public Accounts*) with a total budget of 300.000 EUR, despite the re-launching procedure, could not be awarded due to the technical reasons. As of 31<sup>th</sup> of December 2014, the disbursement rate in this Programme has reached 93,26%. In 2014, the programme was amended to allow for an extension of the execution deadline of a number of individual contracts by 12 months. This represented the Addendum No 5 to the original Financing Agreement of March 2009.

With the Addendum to the contracting and execution deadline of the **2009 National Programme**, three different contracting and execution deadlines were set. All of the contracting deadlines has passed, the last one being on 29<sup>th</sup> December 2013. The contracting rate of 2009 IPA-I was realized as 90.3%. Under this programme with a total amount of 128,4 MEUR, 115,9 MEUR was committed by the CFCU through award of 416 contracts while 7,3 MEUR has remained unspent. 5,16 MEUR in total (€300.000+€4.750.000+€110.000) could not be utilized, due to the cancellation of the projects “*TR2009/0136.09-01- Technical Assistance for Empowerment of Women and Women NGOs in the Least Developed Regions of Turkey*” , “*TR2009/0326.01- Aligning Higher Education with the European Higher Education Area (EHEA)*” and “*TR2009/0136.06-02- Supply of Equipment on Strengthening Coordination of Anti-corruption Policies and Practices*”. As of 31<sup>st</sup> of December 2014, the disbursement rate in this Programme has reached 77,96%.

A 12-month extension was granted for the **2010 National Programme** and the contracting deadline was set as being 19.09.2014. Under 2010 IPA-I, 34 projects with a total amount of 156,9 MEUR is planned to be implemented by the CFCU after Commission Implementing Decision of 17.7.2013. 9,98 MEUR which was formerly allocated for the use of DIS was transferred for the use of joint management of the Syrian project. As of 31<sup>st</sup> of December 2014, 179 contracts were signed with a total amount of 133,57 MEUR, 19,75MEUR of EU contribution

was saved from the tenders as of 31.12.2014. The contracting rate and disbursement rate for this programme were 85.15% and 43.31%, respectively.

Under the **2011 National Programme part-1**, there are 9 projects, 7 of which are under the responsibility of the CFCU with a total amount of 23,7 MEUR and the contracting deadline with the 1-year granted extension was 26.12.2014. As of 31<sup>st</sup> of December 2014, 124 contracts were awarded for a total amount of 21,67 MEUR. The contracting and disbursement rates in this Programme has reached 91,56% and 31,57% respectively.

As regards with **2011 National Programme part-2**, there are 23 projects 22 of which are under the responsibility of the CFCU with a total amount of 165,21 MEUR and the contracting deadline will be 26.12.2015. As of 31<sup>st</sup> of December 2014, 338 contracts were awarded for a total amount of 66,37 MEUR. The contracting and disbursement rates in this Programme has reached 40,17% and 23,73% respectively. During the year 2014, an amendment of the programme was adopted in order to extend the contracting deadline by 12 months.

As for the **2012 National Programme**, the FA with a total amount of 173,3 MEUR has entered into force on 21.12.2012. 13 projects 12 of which are under the responsibility of the CFCU are currently being implemented. As of 31<sup>st</sup> of December 2014, 4 contracts were awarded with a total amount of 18,73 MEUR. The contracting and disbursement rates in this Programme has reached 10,81% and 33,64% respectively.

**2013 National Programme** was the first prepared according to the sectoral approach. This programme consists of 4 sectors, 4 projects, ESEI, CSF and Union Programmes with a total budget of 269,3 MEUR of which 152,3 MEUR under the responsibility of the CFCU. The FA for this programme was signed on 29.05.2014. No contract has been signed yet under this programme.

## 2. Progress in financial implementation:

**Table 3: Contracted Amounts per Years (MEUR)**

<b>Programme</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
IPA 2007 I	34,6	65,2	101,4	0,00	0,00	-
IPA 2008 I	2,2	65,3	57,1	48,7	0,00	1,3
IPA 2009 I	0,00	0,00	26,5	48,5	40,8	-
IPA 2010 I	0,00	0,00	5,5	17,0	28,2	82,6
IPA 2011 I-Part I	0,00	0,00	0,00	5,56	0,4	15,7
IPA 2011 I-Part II	0,00	0,00	0,00	0,00	6,4	60,2
IPA 2012 I	-	-	-	-	-	18,7

**Table 4: Disbursement Amounts per Years (MEUR)**

<b>Programme</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
IPA 2007 I	13,6	23,6	39,4	39,7	26,2	26,7
IPA 2008 I	0,9	20,6	37,9	39,2	34,2	28,4
IPA 2009 I	0	0	10,2	19,4	29,7	31,1
IPA 2010 I	0	0	0	10,6	14,8	32,5
IPA 2011 I Part I	0	0	0	1,5	4,0	3,3
IPA 2011 I Part II	0	0	0	0	5,8	9,9
IPA 2012 I	0	0	0	0	0	6,3

Generally recoveries arise from unused budget and/or ineligible expenditures. These kind of risks can be derived from the unpredictable reasons which is caused by contractors/grant beneficiaries.

The contracting rates in 2006 and 2007 National Programmes were 84,2% and 89.1% respectively. In 2006 NP, the allocated amount was 451,433 MEUR while the contracted amount was 379,991 MEUR. In 2007 NP, the allocated amount was decreased to 225,649 MEUR while the contracted amount was 202,622MEUR.

As it is well known, the original contracting deadline of 2008 NP was 31.10.2011 while there were some projects which the contracting deadlines were extended to 31.03.2012 due to their risky situations which were agreed with the relevant DIS actors previously. 2008 IPA-I budget of the CFCU was 184,912 MEUR and the contracted amount was 172,92 MEUR which means a 93,5% contracting rate as of 31.12.2014.

In 2009 NP, the allocated budget was 128,352 MEUR. The last deadline for contracting period for this program was 29.12.2013 and the contracted amount was 115,89 MEUR which means 90,3% contracting rate as of 31.12.2014.

For the 2010 NP the contracting rate was 85,15%, the allocated budget for the program was 156,86 MEUR and 133,57 MEUR was contracted as of 31.12.2014. The contracting rate for the 2011 NP(IPA-I Part Ia) was 91,56 % while the contracted amount was 21,67 MEUR and the allocated budget amount was 23,67 MEUR. The contracting rate for the 2011 NP (IPA-I Part II) was 40,17% while the allocated budget amount was 165,21 MEUR and the contracted amount was 66,37 MEUR. The contracting rate for the 2012 NP was 10,81% while the allocated budget amount was 173,31 MEUR and the contracted amount was 18,73 MEUR. The concrete figures for 2011 IPA I Part II and 2012 IPA I Programmes will be determined when the contracting processes are completed for the extended programmes.

It can be concluded that the contracting rate for the programmes in IPA-I (2007, 2008, 2009, 2010 and 2011 Part I) that the commitment deadline was realized is above 90% on average and it shows a high ratio in the recent years due to the efforts and the gained experiences of all DIS

actors. On the other hand, as it could be seen in the table for contracted amounts per year, sizable parts of the programme budgets are contracted in their deadline years (approx. 50% for 2007, 28% for 2008, 35% for 2009, 62% for 2010 and 72% for 2011 Part 1). This shows a tendency for last minute contracting, which creates a heavy burden and pressure for all relevant institutions.

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

Annual Statement of Assurance (ASA)<sup>1</sup> for the IPA Component I was submitted to the EC by the NAO on 28 February 2015 without any reservation. Based on the outcomes of the supervision activities carried out by the NAO Office throughout the financial year 2014 on the Management and Control System under the IPA Component I, it is concluded that;

- Management and control systems are functioning effectively. Despite some deficiencies which have been analysed in terms of the number, duration and specific factors for increasing the risk for the NAO, their impact is assessed and deemed manageable to be countered by a corrective action plan. Furthermore, irregularities and/or error rate calculated by EC audit or national audit are analyzed.
- Underlying transactions are legal and regular.
- Changes in the system are properly managed as required by the relevant regulations.

During the establishment of the ASA, the relevant EC guideline and procedures in place have been applied. All necessary documents, reports, information (which is also gathered through desk reviews, on-the-spot controls and supervision visits), the management declarations submitted by MEU and the CFCU have been received and analysed by the NAO Office to establish as the base for the NAO's ASA.

In order to enforce the NAO supervision capacity and monitor the outstanding issues in the management and control system properly, the comprehensive action plan (CAP) which contains all main findings set out in different audit reports, as well as the recommendations, has been established and updated biannually. According to this plan, 5 out of 27 findings have been closed. In order to implement appropriate actions and timetables and address open findings, NAO Office will monitor them which are specified in the Comprehensive Action Plan related IPA I bodies.

Considerable progress could be noticed as regards reinforced staff capacity at the NAO Office. The NAO's supervision capacity could be reported as improved since their active involvement in the on spot checks has been increased and they are following up of IPA contracting phase and monitoring activities more closely with their increased staff capacity. In addition to these, revision of the NAO Manual of Procedures (MoP) and reorganisation of the NAO Office (NAO Support Department has been divided into two new departments - Risk Management and Control Department and Monitoring and Coordination Department) have also helped them for better coordination and to have a more clear distribution of tasks. In spite of these, further measures are necessary regarding the analysis of reliability of the forecast for payments, analysis of roots of rejection rates and SPOs supervision.

Internal auditor was assigned by the PAO on 09.06.2014 permanently for CFCU. Also, Ministry of EU has established the internal audit unit at the fourth quarter of 2014 and 3 internal auditors

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<sup>1</sup> For the 2014-2020 IPA II Period, the term of "Annual Statement of Assurance" has been replaced by the "Annual Management Declaration".

have assigned to the Ministry. In this regard, an internal auditor was assigned to the NIPAC and therefore NIPAC will be receiving the internal auditor report for the year of 2015.

Within the scope of IPA I- II EDIS Roadmap, NAO Support Department requests the rejection rate reports including short analysis, training activities, horizontal measures from the bodies of IPA I- II Components for every quarter. In this regard, NAO Support Department has assigned a staff to analyse the final status of the rejection rates to develop its own capacity to conduct overall management based assessment about rejection rates trends. Relevant staff from NAO Support Department contacts with the bodies of IPA Component I-II to take measure in order to decrease overall rejection rates when the quarterly rejection rates are high.

Ex-post monitoring has been made a part of the monitoring system of the NIPAC with a more systematic inclusion to the ROM Phase-II project which will last till the end of September 2016. Having already included ex-post to ROM-II project, NIPAC monitors now carry out ex-post missions to the projects those that are deemed to be in need of ex-post monitoring in a structural manner.

The number of staff in the NIPAC services is in line with the workload analysis. It has reached a stable level without a change in 2014. All the monitoring and evaluation activities are conducted in close cooperation with the EC and EUD and also with other DIS actors in a timely manner.

High staff turnover of the CFCU has become another major recurrent systemic issue since the beginning of the DIS. The total number of staff is 102 as of January 2015. However, the staff needs for the year 2015 and 2016 are 10 and 15, respectively.

The controls developed by the CFCU to replace the SPO capacity review requirement and the measures taken to address his ad-hoc findings are not good enough to address the issue. Given the above, it is necessary that the supervision of the SPOs is strengthened, especially their capacity concerning performing the acceptance process. PAO-SPO meeting was carried out for the SPOs of 2013 programme as well as 2011& 2012 ESEI programme on 12th and 13th November 2014. The content of the meeting was extensive and the acceptance issues as well as the lessons learnt were shared with the SPOs without being restrictive of those information. Contract Implementation Guideline for Supply Contracts has just finalized and planned to be pressed and distributed to the Beneficiaries within the first quarter of 2015.

An improvement is visible in the rejection rate trend. However, it should be noted that the CFCU together with other DIS authorities (NIPAC and NAO) should focus on developing SPO's capacities for tender documents preparation. It is important that lessons learned are shared with beneficiaries. It is worth to state here that the overall rejection rate for the last quarter of 2014 has occurred as 11.43%, as reported to the NAO Office recently. However, the overall rejection rate for the whole year, 2014, is recorded as 17.55%. Nevertheless, it has been around 15% for the last 2 years, which proves the sustainability of the management of the rejections by the CFCU. It would be noted that targets for rejection rates for different categories were set in the Roadmap until the year, 2013. Therefore, no targets are set for the year 2014. Nevertheless, CFCU's success in management of the rejection rates and achievement of the targets (except for the problematic area of "Tender dossiers") has been appreciated by the EU services. As a result, CFCU received the letter dated 06.11.2014 (Ref.3694393) from the EU Delegation, informing the European Commission decision about waiving of the ex-ante controls in 2 years' time. This waiver will be in an increasing percentage each year and will be based on a risk assessment of the projects to be launched in 2015. Selected projects will be subject to ex-ante controls where the

others will be processed within the CFCU without ex-ante control of the EUD services. The risk assessment requested by the EUD from the CFCU was submitted in November and the decision of the Commission about the list of projects /components to be processed with/without ex-ante controls was received in April from the EUD.

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

A number of key personnel changes including NAO, Director of NF, Heads of NAO Office, NAO SD I and SD II, and PAO occurred throughout the 2014. Also, Dep. Undersecretary of the MEUA has handed over his tasks concerning NIPAC position to the newly appointed Undersecretary.

According to AA, both assignments to NAO and NF do not have any negative effect on accreditation criteria. Newly appointed people have strong backgrounds in public sector and they are experienced in their fields. Also legal base was established for these bodies and individuals in order for them to fulfil their functions and have full legal authority.

MoP change regarding the authorisation of signature in NAO was regarded as major by NAO and AA. This change is major in nature but does not have any negative effect on the accredited management and control system within NAO Services.

While AA's assessment of the key personnel change in MEUA (major) contradicts the NAO's assessment (minor), as mentioned above, these changes are not expected to have any negative effect on the implementation of the programmes.

Key personnel changes in CFCU are regarded as major both by NAO and AA. This change is major in nature but does not have any negative effect on the accredited management and control system within CFCU.

Change in version of MoP of CFCU is regarded as minor both by NAO and AA. This change is minor and does not have any negative effect on the accredited management and control system within CFCU.

DG NEAR system audit team, in agreement with all IPA line DGs, decided to carry out a mission in March 2015 to further assess if key staff changes occurred in 2014 have affected the compliance of the conferred IPA Management and Control Systems with the accreditation requirements. The conclusion was generally positive although adequate measures - including handover files, deputising arrangements and a stronger insight role fulfilled by the NAO Office - should be further developed to ensure the continuity of all activities and preserve the institutional memory.

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

##### **TAIEX Activities**

During the year 2014, Turkey has continued to use TAIEX tool efficiently. There were 145 workshops, study visits and expert missions held through TAIEX mechanism. Besides, Turkish officials attended 87 multi-country events.

On the other hand Regional Training Programmes has continued in 2014. Two regional workshops were realized on "processing and marketing of agriculture and fishery products" issue.

In total, 3145 Turkish officials participated to TAIEX activities held in Turkey or other countries. Via these events, institution building support to assist the process of transposition,

implementation and enforcement of EU legislation and policies was provided for our public institutions and their officials.

Within TAIEX Local Administration Facility (LAF), which was opened to participants from Turkey in 2012 to enhance the dialogue between local administrations and to improve the capacity and awareness of the Turkish local administration about EU accession process and its requirements, 15 multi-country events were held in the year 2014. Turkey was represented by 76 participants in these events.

### **Participation of Turkey to Union Programmes**

Turkey participated in 9 Union Programmes namely, FP7 for Research and Technological Development, Lifelong Learning Programme, Youth in Action Programme, Competitiveness and Innovation Programme, Progress Programme, Culture Programme, Customs 2013 Programme, Fiscalis 2013 Programmes and European Capitals of Culture between 2007-2013. Turkey is also a member of European Environment Agency.

Turkey has already signed agreements to participate in Horizon 2020, Erasmus+, COSME, Creative Europe, EaSI, Customs 2020, Fiscalis 2020 and Civil Protection Mechanism. Among these, the Agreement on the participation of Turkey in Civil Protection Mechanism is pending for approval. The Agreements for Turkey's participation in Erasmus+ and Horizon 2020 were effective as of beginning of the 2014.

Under the Erasmus+ Programme, more than 1300 projects selected in 2014? out of approximately 7000 submissions, received nearly 90 million Euros of funding and mobility of around 36.000 people was foreseen.

There are 828 project applications under Horizon 2020 in 2014, 102 of which have been retained for funding. Turkish partners received 23.4 million Euros and mobility of 12 researchers was also supported under Horizon 2020 MSCA Individual Fellowships.

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

In accordance with the related provisions of the IPA Implementing Regulation, TAIB Monitoring Committee was held on 8 July 2014. In the meeting following were decided upon:

- Considering the excessive workload and efficiency of the programmes, blanket extensions will be granted to the whole programme rather than the project-based extension.
- The interim evaluation which was initiated by the MEU to cover programming years 2010-2013 was decided in agreement to be postponed to 2015 in order to give time for implementation for the relevant programming years' projects.
- A working group comprised of the representatives of EC, MEU and relevant line ministries will be established to work on the details of monitoring in the new IPA period and evaluation to be carried out.
- A structured suggestion based on sharing a conciliation guideline or database to deal with the increasing conciliation requests will be decided and proposed by EC.
- Due to the lack of a concrete sector fiche amendment process, PF amendment requests will be handled on a case-by-case basis although sector fiche amendment procedure will be very similar to the PF amendment procedure already in use.



A single set of SMSC meetings were organised in the reporting year. The meetings took place between 24 September and 13 October 2014. As a reflection of the sector approach, since 2011 the structure of the SMSCs ensures more room to the sector related discussions and includes an agenda item assigned to state of play in the negotiations of the sectors concerned; while the project level discussions are mostly left to the Steering Committees.

The progress and monitoring reports related to the projects have been submitted to the internet based system introduced by CFCU. Four quarterly reports have been submitted for each project. The PMR system was modified by CFCU in accordance with the revised PMR template of which the final shape was given by a working group composing of the representatives from NIPAC, NAO, CFCU and the EUD in the third quarter of 2012. MEU, CFCU and EUD have spared efforts to increase the level of effective use of the system which would also lead to better reporting and monitoring accordingly.

The NIPAC, on the other hand, through Project Level Steering Committees and closer cooperation with the CFCU and other relevant players, has increased its level of involvement in the fund management structure. This has enabled the NIPAC and other DIS players, to better envisage possible risks of de-commitment and ultimately take actions in order to circumvent loss of funds to the extent possible.

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

The necessary measures are being taken to ensure the visibility of the European Union financing or co financing. These measures comply with the rules laid down and published by the Commission on the visibility of external operations: [http://ec.europa.eu/europeaid/sites/devco/files/communication\\_and\\_visibility\\_manual\\_en.pdf](http://ec.europa.eu/europeaid/sites/devco/files/communication_and_visibility_manual_en.pdf)

All projects /contract implemented under the programme comply with the **Visibility Guidelines for European Commission Projects in Turkey** also published by the EU Delegation to Turkey, at <http://www.avrupa.info.tr/eu-funding-in-turkey/visibility-guidelines.html>

These guidelines have been designed to complement part 2.3.5 of the Practical Guide to Contract Procedures for EU External Actions and the Communication and Visibility Manual for European Union External Actions and aim at ensuring that actions that are wholly or partially funded by the European Union (EU) in Turkey incorporate information and communication activities designed to raise the awareness of those actions, their purpose and impact in Turkey.

The provisions of the Communication and Visibility Manual for European Union External Actions and the complement are mandatory for all Beneficiary organisations/ institutions, contractors, public or private bodies and international organisations receiving EU financial support and any other entity carrying out an action funded or co-funded by the EU.

The relevant information stating that “the CFCU will be the main authority in charge of reviewing and approving visibility-related materials and activities” is provided within the Terms of Reference (article 9) and Technical Specifications. Before initiating any information, communication or visibility material and activity, consultants/contractors and implementing partners should seek the approval of the CFCU in writing.

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

The information regarding the timetables for tendering and contracting of ongoing programmes are given below:

**Table 5: Timetables for 2011 and 2012 NPs**

<b>2011 IPA-I</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Number of tenders launched* (service, supply, works)	-	7	15
Number of calls for proposals launched* (twinning, grants)	1	6	11
Number of direct grants without call for proposals	3	1	5
<b>2012 IPA-I</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Number of tenders launched* (service, supply, works)	-	3	5
Number of calls for proposals launched* (twinning, grants)	0	1	5
Number of direct grants without call for proposals	-	-	-

In the context of programming of the year 2014 for the sectors in which annual programming is applied, 2014 Action Documents (ADs) for the Civil Society, Judiciary, Fundamental Rights, Home Affairs, Energy, Agriculture, Civil Society, Jean Monnet Scholarship Programme sectors/subsectors were submitted to the EC in the last quarter of 2014, reviewed by the member states in the IPA Committee in December 2014 and received a positive opinion. A Financing Agreement is expected to be signed in the first half of the 2015.

### **III. Sectoral conclusions**

- Design and implementation of the programme

As of the current reporting year, in general terms, the implementation of the programme has been going on track. All the beneficiary institutions and as well as the responsible DIS entities have the necessary capacity and experience for smooth operation of the system. However, this does not guarantee the problem-free implementation of the system. The system is faced with permanent bottlenecks especially due to the long tendering phases of the projects.

The reporting year has been overwhelmed with the preparations of the IPA II period. Significant efforts have been utilised in determination of the new management structure of the funds under IPA II. All DIS institutions together with the lead institutions responsible for the implementation of actions as set out in the related Sectoral Planning Documents spent considerable efforts in shaping the structure of the new IPA period. In the meantime, discussions on the monitoring structures for the IPA II period were also made.

As to the monitoring activities, 2014 has been a transition period between the two phases of the ROM implementation in Turkey. The first ROM project, which was implemented from January 2011 to December 2013, has successfully introduced the ROM methodology to the monitoring system in Turkey. The outputs of the project not only created solid and comparable outputs

regarding the performance of the projects and sectors but also it has clearly increased the monitoring capacity of MEU with both theoretical and on-the-job trainings. Following its success, the second phase of the ROM project was started in September 2014, with the monitoring missions to start at the beginning of 2015. Ex-post monitoring will continue to be an integral part of the second phase project in which the role and responsibility of the monitoring experts from MEU will increase.

- Management and control systems

In order to ensure that the management and control system works effectively, NAO Office will continue to conduct on-desk reviews, on-the-spot controls and also supervision visits to the MEU and the CFCU. In addition to those, all outstanding issues will continue to be followed by the Comprehensive Action Plan regularly.

- Impact of the programme

Based on the findings of the ROM reports, the impact prospects of the programme are positive. The statistical data obtained from the cumulative ROM reports reveal that the impact prospects are promising in almost 75% of the monitored projects. Moreover, ex-post monitoring shows that impact of the projects are assessed higher after their completion.

Though the positive attitude in the impact prospects of the projects is a good indication, dissemination of these to the overall impact of the programme requires extra efforts. The synergy between the institutions working on the same domain has to be improved in order to amplify the impact of the individual projects to the overall programme level.

- factors imposing risk of non-implementation or delayed implementation

The factors negatively affecting the implementation stage exist for each DIS actor and need to be handled institutionally. In this regard, the most important points can be specified as:

- Despite the significant improvement in the past few years, considering the negative effect of the high staff turnover rate in the previous years and the high number of new recruits, the institutional know-how capacity of the DIS bodies still has space for improvement.
- Because of the long periods experienced in tendering stages in addition to the slow and complex exchange of comments and approval procedures resulting from ex-ante regime, the enthusiasm of the project beneficiaries at all levels seems to have been weakened. Due to the DIS system requirements together with national legislation on ratification necessary for Financial Agreements, time lapse may occur between programming and implementation of the projects. In most cases, because of these time lags the conditions in the programming period would vary during the implementation phase. Also it was experienced for some cases, that the beneficiaries seek different means other than the EU funds to implement their projects due to these factors.

## **COMPONENT II: Cross-Border Cooperation <sup>(2)</sup>**

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

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

- 1) Bulgaria-Turkey IPA CBC Programme
- 2) ENPI CBC Programme at the Black Sea Basin

#### **Bulgaria-Turkey IPA CBC Programme**

Bulgaria-Turkey IPA Cross Border Programme is one of the CBC programmes where the Ministry for EU Affairs acts as the National Authority (NA). The Programme is co-financed through the new target of 'European Regional Cooperation' of the European Regional Development Fund and Pre-Accession Instrument.

All 45 projects under the first call for proposals were already completed.

Under the second call for proposals 47 projects have started implementation, out of which 40 have already been completed as of December 2014.

The third call for proposals was launched on 11 December 2012 and the deadline for submission of proposals was set as 12 April 2013. Later, the deadline was extended to 29 April 2013. The indicative amount of third call for proposals was 5.570.857 Euros. 34 projects were approved for funding, contracts have been signed and implementations have started during 2014. Contracts with additional projects under the third call for proposals were signed as per the decision of the Joint Monitoring Committee on 18 June 2014, using the savings from projects.

Also the preparations for the 2014-2020 Program were realized in coordination with the Managing Authority and the European Commission.

Due to the fact that Bulgaria-Turkey IPA CBC Programme is being implemented under shared management, no further information on the Programme is given in the report.

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

ENPI Cross-border Cooperation at the Black Sea Basin Programme is one of the two cross border cooperation programmes in the context of financial cooperation between Turkey-European Union. This multilateral cooperation programme that involves eight countries, namely Armenia, Bulgaria, Georgia, Greece, Moldova, Romania, Turkey and Ukraine is jointly financed from ENPI and IPA funds. The Joint Managing Authority (JMA) has been established by the Romanian Ministry for Regional Development and Public Administration. The MEU has been designated as the NA while the Turkish Central Finance and Contracts Unit (CFCU) functions as the Implementing Agency in the Operating Structure (OS).

The EU financing for the Programme for the 2007-2013 period currently amounts to EUR 28.118.955 ENPI financing and to EUR 7.000.000 IPA financing (for Turkish partners). The total budget (including co-financing of the participating countries) amounts to EUR 38.466.383 (ENPI + IPA).

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<sup>2</sup>This section does not apply for CBC programmes with Member States implemented in shared management

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

### **Strategic Objective**

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

- Promoting economic and social development in the border areas,
- Working together to address common challenges,
- Promoting local, people-to-people cooperation.

### **Eligible Area in Turkey**

The Black Sea Basin eligible area involves 8 countries, some of which include the whole of their national territories (Armenia, R. Moldova and Georgia), while for others (Bulgaria, Greece, Romania, Turkey and Ukraine) the Programme is implemented in certain parts of the individual national territories. For Turkey, the eligible area comprises of 7 NUTS II regions and 25 provinces which are enlisted hereunder;

TR1 (İstanbul), TR2 (Edirne, Kırklareli and Tekirdağ), TR 42 (Bolu, Düzce, Kocaeli, Sakarya and Yalova), TR 81 (Bartın, Karabük and Zonguldak), TR 82 (Çankırı, Sinop and Kastamonu), TR 83 (Amasya, Çorum, Samsun, Tokat), TR 90 (Artvin, Giresun, Gümüşhane, Ordu, Rize, Trabzon).

The Programme (2007-2013) covers three priorities and a technical assistance component. Each of the three priorities is further broken down in a number of Measures, as presented in the following table:

#### **Priority 1: Supporting cross border partnerships for economic and social development based on common resources**

Measure 1.1: Strengthening accessibility and connectivity for new intra- regional information, communication, transport and trade links

Measure 1.2: Creation of tourism networks in order to promote joint tourism development initiatives and traditional products

Measure 1.3: Creation of administrative capacity for the design and implementation of local development policies

#### **Priority 2: Sharing resources and competencies for environmental protection and conservation**

Measure 2.1: Strengthening the joint knowledge and information base needed to address common challenges in the environmental protection of river and maritime systems

Measure 2.2: Promoting research, innovation and awareness in the field of conservation and environmental protection for protected natural areas

Measure 2.3: Promotion of cooperation initiatives aimed at innovation in technologies and management of solid waste and wastewater management systems

#### **Priority 3: Supporting cultural and educational networks for the establishment of a common cultural environment in the Basin**

Measure 3.1: Promoting cultural networking and educational exchange in the Black Sea Basin communities.

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

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

In the first call for proposals, 19 projects, 9 of which contain Turkish partners were selected to be financed. As of 31 December 2014, 8 out of 9 projects with Turkish partners have been completed from the first call for proposals. Contract of one project was terminated.

Under the second call for proposals, 45 projects, 30 of which contain Turkish partners were selected to be financed. As of 31 December 2014, 4 projects with Turkish partners have been completed while one project has been withdrawn.

The following can also be considered as the main activities of 2014 that were in line with the goals set:

Organisation of the Project Implementation Training: The MEU as the NA of the ENPI CBC at the Black Sea Basin Programme organised Project Implementation Training on 18-19 February 2014 for the Turkish beneficiaries and partners of the projects implemented under the first and second calls for proposals. During the training, participants shared their challenges in implementation of their projects with the representatives of the MEU and the CFCU, who in turn, provided guiding information in order to overcome these challenges. More than 70 participants attended the event.

Participation in the ENI CBC BSB - Working group on management, audit and control issues on 27 March 2014 in Bucharest.

Organization of the 4<sup>th</sup> Joint Monitoring Committee meeting of the Programme on 28-29 April 2014 in Şile/İstanbul.

Participation in the INTERACT Programming Workshop for IPA II Cross Border Cooperation Programmes on 7-8 May 2014 in Brussels.

Participation in European Territorial Cooperation Annual Meeting 2014 on 19-20 May 2014 in Brussels.

Participation in the Working Group Meeting on Control Contact Point for 2014-2020 under ENI Cross Border Cooperation at the Black Sea Basin Programme on 5 June 2014 in Bucharest.

Participation in the INTERACT Meeting with Participating Countries and Programme Bodies on ENI CBC 2014-2020 on 10 June 2014 in Brussels.

Participation in 5<sup>th</sup> Joint Programming Committee meeting of the Programme on 17-18 July 2014 in Brussels.

Participation in the project activity, a seminar titled “Financial and Non-Financial Support Mechanisms on Tourism Sector in Black Sea Region: Best Practice Approach” organised by the IPA Project Beneficiaries of the project no 354 on 22 September 2014 in Yalova.

Participation in the 5th AER Black Sea Summit on 3 October 2014 in Bucharest, Romania.

Participation in 9<sup>th</sup> Joint Monitoring Committee meeting of the Programme on 9-10 October 2014 in Tulcea, Romania.

Participation in 6<sup>th</sup> Joint Programming Committee meeting of the Programme on 17-18 November 2014 in Tbilisi, Georgia.

Within the scope of 2010 TA budget a Communication Officer was hired in order to ensure the visibility of the Programme. The details on the works done by the communication officer can be found at the section 7.

### **Monitoring of the Projects**

The MEU as the NA and the CFCU as the contracting authority forming together the OS in Turkey organize monitoring visits as well as spot visits as required, following a monitoring plan based on the risk analysis. The JMA and OS inform each other on the results of the visits by filling in monitoring visit reports.

In 2014, the NA and CFCU have conducted 33 monitoring visits to the projects under the first and second call for proposals. In addition to the monitoring visits, the IPA beneficiaries are assisted on daily basis by the NA and the CFCU with their implementation and also with contract modifications. While the reports and minor modification requests are subject to the CFCU approval, following the prior approval of the NA, the major contract modifications (addenda) are also approved by the EU Delegation to Turkey based on the established DIS Rules.

During this period, the CFCU concluded signature of 1 IPA contract under the second call for proposals. The list of the projects (including the number, title, name of the IPA-FLB, city, project website and objectives) was shared by the CFCU with all of the IPA Beneficiaries to ensure the communication among the IPA FLBs.

In addition to the monitoring visits, the IPA beneficiaries are assisted on daily basis by the NA and the CFCU with their implementation and also with contract modifications. While the reports and minor modification requests are subject to the CFCU approval, following the prior approval of the NA, the major contract modifications (addenda) are also approved by the EU Delegation to Turkey based on the established DIS Rules.

Regarding modifications incurred at the level of projects under implementation, during 2014, the ENPI Beneficiaries submitted 121 Notifications and IPA Beneficiaries submitted 80 Notifications, referring mainly to budget changes up to 15%, changes of legal representatives, bank accounts or updating the Action Plans.

As concerns major changes to the projects, 10 requests for addenda have been submitted by the ENPI Beneficiaries while 18 requests for addenda have been submitted by the IPA Beneficiaries in 2014, regarding change in partnership, duration extension or budgetary changes.

As regards the projects reporting, 178 progress reports / interim reports / final reports have been submitted by the ENPI Beneficiaries while 56 progress reports / 18 interim reports / 5 final reports have been submitted by the IPA Beneficiaries in 2014 by the Beneficiaries, according to their contractual obligations. The provided information revealed projects' activities implemented according to Action Plans presented within the approved Applications, with only minor delays mainly occurred due to procurement procedures and addressed in the updated Action Plans presented in the narrative and financial reports. In addition to these, during 2014, 21 tender dossiers and 16 tender evaluation reports of the IPA-FLBs were checked and processed by the CFCU.

In total, 119 notification requests, 20 addenda, 110 progress reports, 16 interim reports and 6 final reports were processed both by the NA and CFCU until 31.12.2014.

## 2. Progress in financial implementation:

**Table 6: IPA funds for the period 2007-2013**

Priorities	IPA contracted funds (Euro)	IPA transferred funds to the projects (Euro)	IPA transferred funds vs. IPA contracted funds (%)	IPA transferred funds to the finalised projects (with final payment) (Euro)	IPA transferred funds to the finalised projects vs. IPA contracted funds (%)
(0)	(1)	(2)	(3) = (2) / (1)	(4)	(5) = (4) / (1)
<b>Priority 1</b>	2,894,388	1,487,445	51.39%	293,245	10.13%
<b>Priority 2</b>	2,689,974	1,751,936	65.13%	0.00	0.00%
<b>Priority 3</b>	573,803	397,254	69.23%	11,175	1.95%
<b>Technical Assistance</b>	298,743	234,183	78.39%	99,268	33.23%
<b>TOTAL</b>	<b>6,456,908</b>	<b>3,870,818</b>	<b>59.95%</b>	<b>403,688</b>	<b>6.25%</b>

### The Financing Agreements (FAs)

Considering the possible extension requests of beneficiaries, a request letter was conveyed to EUD on 16 July 2013 regarding the extension of the execution and disbursement deadlines for 2008 FA (12 months), 2009 FA (12 months), 2010 FA (12 months) and 2011 FA (12 months).

However, it was noticed that there was no room to extend the execution and disbursement deadline of 2011 FA. On 17 December, EUD delivered the Commission Decisions regarding the 18-months extension of 2008 FA and 12-month extension of 2009 and 2010 FAs for execution deadlines. The addenda were signed on 4 March 2014 and the ratification process is on-going.

The addenda regarding the extension of the execution and disbursement deadlines of for 2008 FA, 2009 FA and 2010 FA were signed on 4 March 2014 by NIPAC. The cabinet decision regarding the extensions of the 2008 FA and 2009 FA were published in the Turkish Official Gazette dated 22 May 2014 and numbered 29007 (bis) while the cabinet decision regarding the extension of the 2010 FA was published in the Turkish Official Gazette dated 27 May 2014 and numbered 29012.

Accordingly, the enforcement date of the addendum regarding the extension of the execution and disbursement deadlines for 2008 FA was published as 29.05.2014 while the enforcement date for 2010 FA was published as 02.06.2014 in Turkish Official Gazette dated 6 August 2014 and numbered 29080.

A comment regarding the legality of the 2011 TA contract was noted by the EC side. The TA contract was rejected by the EU Delegation to Ankara for legality and regularity reasons, and the related Commission Decision could not be amended in due time. This TA for 2011 in fact



covered the Financing Agreements for the years 2011-2012-2013 with an amount of 300.000 Euros, which was supposed to be used for the management and implementation of IPA funds of the Programme and for assistance to IPA partners. This rejection is likely to jeopardize the management and implementation functions of the Operating Structure in Turkey. However the NA is working on precautions not to let any bottlenecks occur.

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

The MEU continues its role as the national authority and the CFCU as the implementing agency. Day-to-day implementation issues are communicated between these two management institutions and necessary revisions are made.

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

Since June 2010, the MEU has been carrying out the NA role. In this respect, in July 2010, additional staff was recruited for the Cross Border Cooperation Unit of the Financial Cooperation Directorate. In 2011, 2013 and 2014 more staff was recruited for the Unit in line with the workload analysis prepared to reflect the new duties and responsibilities. Also, the delivery of necessary trainings was conducted for new staff in the reporting period. As of end of 2014, there is no gap in the workload analysis of the CBC unit.

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

N/A

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

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

During the reporting period, the JMC had one meeting that took place in Tulcea, Romania on 9 – 10 October 2014 having the following subjects on the agenda:

- finalisation of the contracting process of the applications submitted under the 2nd call of proposals;
- implementation of the projects awarded under the two calls of proposals, achievement of indicators;
- financial implementation of the joint operational programme;
- programme closure;
- programming process of the ENI CBC BSB JOP 2014-2020.

In addition to this meeting, for ensuring the proper management of the programme, the JMA initiated written decision-making procedures to approve several documents. Following these written procedures, 11 JMC Decisions were adopted concerning annual work plan, TA budget, annual information and communication plan for 2014 and several extensions to the projects.

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

The MEU contracted a communication officer from IPA TA funds and developed a “Communication Plan” to ensure a sound promotion of the programme. Within this context, visibility and promotional materials like a video-clip, brochure (the brochure contains information on Programme and 37 projects from the first and second calls for proposals, with the facts, figures and visuals from the projects), banner, poster, roll-up, flag, map, block note, USB memory stick, desk calendar, mug, keychain, pen, wall clock, post-it, fabric bag, mouse pad have been developed for the promotion of the Programme.

Some of the materials have already been distributed to the intended target groups. Other promotional materials are to be disseminated during the Programme activities that will take place in Turkey. In addition, a video clip (with English subtitles) has been elaborated from the video interviews that were conducted during the training for beneficiaries held in February 2014, İstanbul with the beneficiaries of the first and second call for proposals of the Programme. The clip has been already shown at some of the activities and will be shown before the future trainings and conferences.

Furthermore, a sub-website was created under the MEU website specifically addressing CBC programmes in Turkey, with a special design and contents specific to CBC. The website will be fully operational and updated continuously. The costs for the maintenance and the costs of the web domain will be covered by the MEU. Focus of the updates will be documents, guidelines for applicants and beneficiaries, news, notices, publications and other relevant information about the Programme. The video clip and the electronic version of the brochure will also be uploaded into the website.

Apart from the centralized information activities, such as the establishment of Programme website, newsletters or press releases, the National Info Points, which provide information to potential beneficiaries in their own countries on the planned activities under the Programme, are established in each participating-country, except for Romania.

National Info Points (NIPs) in Turkey were determined as following;

- Middle-Black Sea Development Agency Çorum Investment Support Office
- Governorship of Karabük, EU Office and Project Unit
- Governorship of Trabzon

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

In the upcoming period, the implementation and the monitoring of the signed contracts from the second call for proposals package and the finalization of these projects will be realized.

## **III. Sectoral conclusions**

The Black Sea Basin Programme 2014-2020 is part of European Union’s Cross-Border Cooperation (CBC) under its European Neighbourhood Instrument (ENI). CBC under ENI extends the principles of CBC among EU Member States via the European Territorial Co-operation programmes. ENI CBC receives funding from ENI as well as from the European Regional Development Fund and the Instrument for Pre-Accession.

The programming process of the Black Sea Basin ENI CBC Programme 2014-2020 was initiated and led by the JMA/NAs and is based on partnership, involving all participating countries and with the support of the European Commission (EC) through Technical Assistance (TA) projects, for both EU member states and partner countries in the Programme.

Preparations for the new programme were launched in April 2013 with a first meeting of the Joint Programming Committee (JPC) in Bucharest, Romania.

The Romanian Ministry of Regional Development and Public Administration has been designated as the Managing Authority (MA) and Romanian Court of Audits as the Audit Authority (AA) of the Programme. The thematic priorities of the new period have jointly been agreed upon as:

TO1) BSB thematic objective A: Promote business and entrepreneurship within the Black Sea Basin;

- Priority 1: Jointly promote business and entrepreneurship in the tourism and cultural sectors;
- Priority 2: Increase cross-border trade opportunities and modernisation in the agricultural and connected sectors

TO6) BSB thematic objective B: Promote coordination of environmental protection and joint reduction of marine litter within the BSB;

- Priority 3: Improve joint environmental monitoring;
- Priority 4: Promote common awareness-raising and joint actions against river and marine litter.

The studies on the details of the 2014-2020 period are on-going. The Programme Document (JOP) is submitted to the EC in June 2015. Launching of the first call of proposals is planned to be conducted in the 2nd half of 2016.

A major problem in the BSB Programme (2007-2013) was that the Turkish entities were not permitted to be applicants. Meetings were held both between the JMA and Turkey and between the EC-JMA-Turkey, in order to resolve this issue. Further, this issue was disputed in the JMC meetings. As a conclusion, the Turkish entities will be able to be applicant in the calls for proposals during the 2014-2020 period.

The total budget of the Programme for the period of 2014-2020 is approximately € 49,038,597 (€39,038,597 ENPI contribution and 10 million Euro IPA contribution).

## **COMPONENT III: Regional Development**

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

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

The Environment Operational Programme (EOP) aims to (a) improve delivery of drinking water and wastewater services, (b) improve integrated solid waste management and (c) to provide technical assistance towards these aims.

The EOP has three priorities:

Priority 1 - Improved water supply, sewerage and wastewater treatment services

Measure 1.1: Improving the quality of the drinking water supply and receiving water bodies

Priority 2: - Improved integrated solid waste management

Measure 2.1: Increasing the quantity of recycled waste and improving final disposal

Priority 3: - Technical Assistance, has been designed to ensure effective implementation of the programme and efficient use of the IPA resources.

The Regional Competitiveness Operational Programme (RCOP) aims to increase regional competitiveness by supporting enterprises and improving business environment. Under this global objective, the specific objectives of the RCOP, which have been developed in the light of issues emerging from a socio-economic and SWOT analysis, came out as follows:

1-Enhancement of Physical and Financial Infrastructure

2-Increasing the Business Stock

3-Increasing Employment Creation Capacity of the Productive Sector

4-Enhancing Added Value of Production Base

In order to accomplish these overall and specific objectives, the RCOP was structured around three different Priorities:

Priority 1: Improvement of Business Environment

Priority 2: Strengthening of Enterprise Capacity and Foster Entrepreneurship

Priority 3: Technical Assistance

The overall objective of the TROP is “to improve the transportation infrastructure considering safety and intermodality on future TEN-T Network, while maintaining an efficient and a balanced transportation system.” In this context, the priority axes of the TROP are:

Priority 1: Improvement of railway infrastructure

Priority 2: Improvement of port infrastructure

Priority 3: Technical Assistance to support these priorities

## **II.a. Environment Operational Programme: Summary of the Sectoral Annual Report:**

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

The focus of activity during 2014 was on the development and generation of projects, on speeding up the project generation process and shifting the percentage of the total projects per stage from Programming, Preparation, Tendering and Contracting to Implementation, thus increasing the absorption rate of the Programme.

By the end of the 2014 reporting period, 39 projects had been nominated for IPA financing with a total indicative investment cost of €989,2 million and 25 projects had commenced their implementation phases. These projects are; Erzurum, Erzincan, Konya, Lüleburgaz, Manavgat, Doğubayazıt, Siverek, Diyarbakır(2), Ordu, Erdemli, Ceyhan, Balıkesir, Çorum, Akçaabat, Bulancak, Nizip, Amasya, Adıyaman, Erciş, Polatlı, Bartın, Seydişehir, Silvan and Soma.

No new IPA Application was made to European Commission during the reporting period. However, revised IPA Application Forms according to EC comments of Diyarbakır Solid Waste Management Project, Kars Wastewater Project, Kütahya Water and Wastewater Project, Şanlıurfa Wastewater Project and Sorgun Wastewater Project were submitted, thus 39 IPA project applications have been submitted before 31 December 2014 in total.

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

EOP disbursement amounts for projects that are being implemented for 2014 and total expenditure are given below:

**Table 7: Expenditure Incurred in 2014 for Projects in Implementation in EOP (EUR)**

<b>Priority Axis / Measure</b>	<b>Expenditure in 2014</b>	<b>Total expenditure incurred to date (03-09-2009-31.12.2014)</b>
<b>Total Disbursement</b>	<b>83.749.917,24</b>	<b>228.250.354,92</b>
<b>Priority Axis 1</b>	<b>77.652.130,81</b>	<b>205.154.084,82</b>
<i>Measure 1.1</i>	77.652.130,81	205.154.084,82
<i>Title of the Operation</i>		
Preparation of IPA Investment Packages – Water Sector	2.248.731,69	6.358.456,00
Ordu Waste Water Treatment Plant Project	2.262.907 ,07	11.292.299,42
Amasya Water and Wastewater Investment Project	6.101.705,44	11.157.170,58
Erdemli Water and Waste Water Project	661.389,21	5.315.315,36
Lüleburgaz Waste Water Project	69.719,07	10.999.335,13

Erzincan Water and Wastewater Project	3.808.231,88	11.673.596,70
Ceyhan Waste Water and Storm Water Project	6.643.140,25	14.075.298,61
Manavgat Drinking Water Supply Project	919.883,17	9.016.762,06
Doğubayazıt Drinking Water Supply Project	5.975.049,95	5.975.049,95
Diyarbakır Water and Waste Water Project	10.046.997,35	10.046.997,35
Erzurum Water and Waste Water Project	6.066.444,81	21.568.643,28
Adıyaman Wastewater Treatment Plan	5.254.885,77	8.826.075,59
Siverek Wastewater Treatment Plant Project	7.684.685,74	14.333.365,33
Nizip Water Supply System	3.091.707,03	5.474.372,40
Bulancak Wastewater Plant Project	2.640.943,45	4.716.740,68
Erçiş Drinking Water Supply Project	3.332.416,00	3.332.416,00
Bartın Water and Wastewater Project	1.471.628,36	1.471.628,36
Soma Waste Water Project	1.190.018,64	1.190.018,64
Polatlı Water and Waste Water Project	2.601.143,27	2.601.143,27
Seydişehir Water and Wastewater Project	915.600,00	915.600,00
Akçaabat Wastewater Treatment Project	3.360.481,55	4.134.239,05
Silvan Drinking Water Supply Project	1.304.421,11	1.304.421,11
<b>Priority Axis 2</b>	<b>5.355.044,40</b>	<b>19.010.262,21</b>
<i>Measure 2.1</i>	5.355.044,40	19.010.262,21
<i>Title of the Operation</i>		
Balıkesir Solid Waste Management Project	2.472.598,65	11.472.219,67
Konya Solid Waste Management Project	1.586.952,32	2.030.810,42
Çorum Solid Waste Management Project	525.700,00	525.700,00
TA to Prepare Integrated Solid Waste Management Projects	769.793,43	4.981.532,12
<b>Priority Axis 3</b>	<b>742.742,03</b>	<b>4.086.007,89</b>
<i>Measure 3.1</i>	742.742,03	4.086.007,89
<i>Title of the Operation</i>		
<i>TA for Supporting the Management and Implementation of the ENV OP/C2-SUB1</i>	62.509,04	96.162,40
<i>TA for Supporting the Management and Implementation of the ENV OP/C6</i>	289.132,98	429.432,98
<i>TA for Capacity Building and Training for IPA CI Center and End Recipients</i>	391.100,01	3.163.100,00
<i>Direct Contracts</i>	-	100.003,00

<i>Technical Assistance for Capacity Building and Trainings for MoEF IPA CI Center</i>	-	91.399,28
<i>Study for Compliance Assessment Audit of Ministry of Environment and Forestry</i>	-	76.095,00
<i>Supply of IT, Office Equipment and Furniture for MoEU department of EU Investments (LOT-1)</i>	-	114.882,00
<i>Technical Assistance for Organization of Sectoral Monitoring Committee Meeting in Adiyaman, Turkey /C3-SUB1Service</i>	-	14.933,23

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

An internal audit has been carried out by the Internal Audit Unit of Ministry of Environment and Urbanization, in March-July 2014 covering the issues; management of service contracts and procedures of financial management unit. Also a systems audit and an audit of operations under EOP covering the issues; procedures of programming unit and monitoring and evaluation unit has been carried out in June-December 2014.

Management Information System (MIS) is designed for improving the management capability of the Department of EU Investments. Establishment of MIS has been completed in the reporting period for MIS but still in development stage for efficient using and it is expected to increase the efficiency in management procedures. Data entry to MIS which is common to all Operating Structures under the IPA Components III and IV is being carried out by the end-beneficiaries of the projects that are being implemented under EOP.

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

There have been some changes in the management level in the reporting period. Murat ZORLUOĞLU was appointed as the Deputy Undersecretary of Ministry of Environment and Urbanization in 2014. Also Head of Operating structure has changed. Ferruh PARMAKSIZ was appointed as the Director of EU Investments Department on 29 April 2014.

In order to strengthen the administrative capacity of the Department of EU Investments (DEUI), recruitment of new staff has continued. In 2014, 19 Senior and Junior experts are recruited in scope of the Multi Annual Expenditure Plan and administrative capacity is increased by recruitment of 10 public employees from within the Ministry of Environment and Urbanization reaching to 60 public employees in DEUI. In this regard, the total number of the DEUI staff has reached to 79 as of end of 2014.

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

It is essential to ensure complementarities of interventions between the EOP and other OPs as well as the national and Community programmes and to avoid overlapping with a view to increase the impact of the interventions carried out under the EOP and ensure coherence and efficiency in the management of financial assistance.

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

During the implementation phase of the OPs, this coordination is ensured through the Sectoral Monitoring Committees. MoEU is also a member of the Sectoral Monitoring Committees for Environment, Transport, Regional Competitiveness, Human Resources Development and Rural Development OPs. Sectoral Monitoring Committee for the EOP also includes representation from the OSs responsible for the Ministry of Science, Industry and Technology (RCOP), Ministry of Labour and Social Security (HROP), Ministry of Transport, Maritime and Communications (TROP) and Ministry of Food, Agriculture and Livestock (IPARD) OPs. During the reporting period, the participation to the related Sectoral Monitoring Committees was ensured.

In this reporting period with the aim of fostering complementarity and synergies with other Programmes and cooperation with DIS actors, the Ministry has participated in a number of exchange platforms and coordination meetings.

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

During the reporting period, two SMC meetings were conducted on 25 June 2014 and 26 November 2014, respectively.

14th Sectoral Monitoring Committee meeting of the Environment Operational Programme was held on 25 June 2014 at Hilton Hotel in Ankara. In the meeting, lack of staff capacity is highlighted and agreed to be addressed as soon as possible. Outdated project indicators are planned to be updated to improve monitoring. The other issues discussed in the meeting upon are:

- The IPA closure guideline will be submitted to the Turkish Authorities as soon as possible (in 2015). The list of projects which are decided to be continued will be sent to the European Commission after 2014.
- An official letter will be sent to the Treasury to ask whether the advance money can be used in 2018 or not.
- The budget of the program will be prepared again by cutting the de-commitment from the solid waste priority and an explanatory note explaining the reason for change in each indicator and the revised indicator table will be sent to the EU Commission until the end of July.
- A Detailed replies will be provided to the questions addressed by DG REGIO on the new Metropolitan Municipality Law and the replies will be sent in the form of an official letter.
- A joint action will be taken with the EUD for the disposal of the sewage sludge to come out of the wastewater treatment plants and solutions will be generated for the problem.
- The draft version of the Sectoral Annual Implementation Report will be sent to DG REGIO by e-mail by the end of March at the latest and the qualitative analyses will be reflected on the report adequately.
- In the next SMCs, presentations where the program indicators are evaluated, the approved tender, contract and expenditure budgets are compared and the outcome and result indicators on project scale are assessed will be made.

The 15th Sectoral Monitoring Meeting was held at Hilton Hotel in Ankara on November 26, 2014 in order to monitor the Environmental Operational Programme. Lack of staff capacity and treatment of sludge issues were also discussed in this meeting. A workshop is planned to be



organized on that regard. It was also stated that updated project indicators are going to be revised according to the comments of the EU Commission. The other issues are:

- The closure guidelines of the Structural Funds given to the member states will be sent to the Management Authority by the Commission as an example.
- Project prioritization list will be sent to the Commission at the end of 2014 and a letter as to the withdrawal of the projects which are not on the list will be sent as well.
- The revised OIS's on the preparation of Integrated Solid Waste and Water projects will be completed and sent to the Commission.
- Both the Commission and the Delegation will be notified on the visibility events organized for the projects.
- The Tender Unit and the EU Delegation will hold a meeting as soon as possible on the inconsistent and varying comments of the EU Delegation on the tender documents.
- The Technical Implementation Unit will conduct a study as to how much budget they would use out of the contingencies and send it to the EU Commission via e-mail.

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

Effective communication activities is critical for the successful implementation and management of the EOP, and are required in order to ensure appropriate visibility and transparency regarding the allocation and expenditures of EU funds, and in order to encourage potential beneficiaries to take full advantage of the availability of EU funds for environmental projects. According to the abovementioned articles of the IPA Regulation, the OS should submit a draft of the Communication Action Plan (CAP) to the Commission within four months from the date of signature of the Financing Agreement which means until January 2010. In this regard, the MoEU is in charge of preparing and implementing her own particular Communication Strategies (CS) and Action Plans for the EOP.

Summary of Activities Realized & Latest Progress:

- The allocated budget for TA for Implementation of Communication Action Plan has been revised. So, the current budget is 1.000.000 €. This allocation is crucial for the IPA II (2014-2020) period activities.
- Contract Notice for this TA was published on October 25th, 2014 and tender evaluation process has been continuing.

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

DEUI has submitted thirty nine environmental infrastructure project applications to the European Commission. In total sixty seven contracts (works, service and supply) have been signed for until the end of 2014.

Implementation of works and service contracts for twenty five projects (Ordu, Erdemli, Manavgat, Doğubayazıt, Diyarbakır(2), Siverek, Erzurum, Erzincan, Lüleburgaz, Ceyhan, Balıkesir, Amasya, Nizip, Bulancak ve Adıyaman, Akçaabat, Erciş, Konya, Çorum, Polatlı, Bartın, Seydişehir, Silvan, Soma) continues. The construction of five contracts (Lüleburgaz, Ordu and Siverek Waste Water Treatment Facilities, Balıkesir Solid Waste Management and Doğubayazıt Potable Water Treatment Facility) has been completed and taking over certificates

have been issued, while the final admissions of two contracts (Manavgat Potable Water Supply, Erdemli Waste Water and Rain Water Lines) are completed.

Ten service contracts, six works contracts and five supply contracts were at procurement stage in 2014. Preparations for three service contracts, fourteen works contracts and four supply contracts has been started in the reporting period.

Preparation of twenty one water and wastewater projects and sixteen solid waste management projects continues for the next programming period.

## **II.b. Regional Competitiveness Operational Programme: Summary of the Sectoral Annual Report:**

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

As of 31st of December 2014, the RCOP operations' portfolio comprises 47 operations. This number was 63 in the year of 2013. Taking into account eligible implementation period for the RCOP and the amount of funds de-committed in the previous years, 11 projects were deferred to IPA II period and 4 projects were dropped from the project pipeline due to the weak ownership of their end-recipients.

47 operations with a total budget of around 503,5 Million Euros were decided to be implemented under RCOP in IPA I period and 46 out of them with a total budget of 459,977,500 Euros have been approved. Only Samsun Logistic Centre Project is under official approval process. Out of these 47 Operations, some components of 20 Operations are under implementation and components of remaining 26 Operations are under tendering and contracting phase.

Within the scope of the operations which are under implementation, 50 contracts with a budget of 225,8 million Euros have been signed and around 182,8 million Euros have been disbursed. When comparing the contracting and disbursement performance of the RCOP with the last year, amount of contracting performance increased around 74% and amount of disbursement performance increased 86%. This is a clear evidence of accelerating tendering and contracting and enormous effort of OS in this regard.

In this respect, as of 31st of December 2014, the contracting rate for the RCOP 2007-2013 is around 44%. Approximately 81% of the committed amounts have been disbursed, while disbursement rate vis-à-vis the total budget allocated to the RCOP is 36%. As a consequence, contracting and disbursement rate in 2014 were doubled comparing with 2013.

A brief summary of the progress made at 31st December 2014 under the Programme priority axis, is provided below.

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

The purpose of this priority is to create a better business environment, to increase the number of new enterprises, enhance the productivity and the competitiveness of the existing enterprises and contribute to the overall rate of employment, by improving physical infrastructure and creating a supportive environment for SMEs in the target regions.

During 2014, 9 projects in pipeline are planned to be deferred IPA II period and 3 projects were dropped because of the lack of ownership of respective ERAs. Within this Priority, after the deferred and dropped projects, there are 40 operations with a budget allocation of 454.141.260 €, submitted under the first, second, third and fourth packages. Out of 40 operations in the current project pipeline, 39 with a budget of 410.554.464 € were approved by the EUD until 31st of December 2014.

Under Priority 1 a total of 9 projects have been approved during 2014. Three out of these projects with a total budget of 66.046.932 € are considered for IPA I period and 6 out of them with a budget of 55.773.680 € have been deferred to IPA II period.

**Table 8: RCOP Priority 1 total projects per stage (at 31<sup>st</sup> December 2014)**

<b>Stages</b>	<b>No of projects</b>	<b>%</b>
1. Projects Under Programming	1	<b>2,5</b>
2. Projects Under Tendering and Contracting	23	<b>57,5</b>
3. Projects Under Implementation	16	<b>40</b>

*Progress on Priority 2: Strengthening of Enterprise Capacity and Foster Entrepreneurship*

This Priority aims to improve the efficiency and added value produced by enterprises, enhance their entrepreneurial capacity and increase the employment rate and overall competitiveness of the regions through the provision of basic information support and consultancy activities to SMEs, particularly start-ups and strengthening the clustering and networking activities in the target regions.

5 operations worth 21.499.711 € were submitted both under the first, second and fourth package within this priority and all of them were approved.

During 2014, 2 projects in pipeline are planned to be deferred IPA II period and 1 project were dropped because of the lack of ownership of respective ERAs.

Whole the projects under Priority 2 were approved and programming phase was closed for this priority. 3 out of 5 projects are under tendering and contracting phase and 2 out of 5 projects are still under implementation phase.

**Table 9: RCOP Priority 2 total projects per stage (at 31st December 2014)**

<b>Stages</b>	<b>No of projects</b>	<b>%</b>
<b>1. Projects Under Programming</b>	0	<b>0%</b>
<b>2. Projects Under Tendering and Contracting</b>	3	<b>60%</b>
<b>3. Projects Under Implementation</b>	2	<b>40%</b>

Concerning the 11 projects under two priorities that are planned to be deferred to the IPA II period, it should be noted that no pre-agreement has been reached between the Commission services to automatically transfer those projects to IPA II SOP. Commission services reserves the right to assess the projects on a case by case basis in line with their relevance with IPA II priorities, selection criteria and the programming discussions with the Turkish authorities, their maturity and feasibility according to the sector budget allocations.

**2. Progress in financial implementation:***Financial Status*

As it can be clearly deduced from the financial execution tables below, and fully coherent with the low levels of implementation of projects that the OP has achieved in 2014, the financial

execution of the Programme continues to be at an early stage, recording a total expenditure amount of 182,8 Million Euros and 84,6 Million Euros of it was disbursed during 2014. The table below provides a breakdown of financial execution by priority axis and measure.

**Table 10: Financial Execution up to 31st of December 2014**

	Exp. paid out by the bnf. included in payment applications sent to the EC by the NF	Total exp. committed and paid out by the NF	Corresponding public contribution	Corresponding private contribution	Total payments received from EC
<b>Priority axis 1</b>	<b>165.369.328</b>	<b>165.369.328</b>	<b>165.369.328</b>	<b>0.000</b>	<b>75,718,279.06</b>
Measure 1.1	13.537.242	13.537.242	13.537.242	0.000	7,152,438.36
Measure 1.2	128.207.895	128.207.895	128.207.895	0.000	57,339,210.53
Measure 1.3	16.711.295	16.711.295	16.711.295	0.000	8,427,120.86
Measure 1.4	6.912.896	6.912.896	6.912.896	0.000	2,799,509.31
<b>Priority axis 2</b>	<b>9.543.697</b>	<b>9.543.697</b>	<b>9.543.697</b>	<b>0.000</b>	<b>7,744,377.86</b>
Measure 2.1	5.761.958	5.761.958	5.761.958	0.000	4,871,959.91
Measure 2.2	3.781.739	3.781.739	3.781.739	0.000	2,872,417.95
<b>Priority axis 3</b>	<b>7.962.225</b>	<b>7.962.225</b>	<b>7.962.225</b>	<b>0.000</b>	<b>4,965,577.60</b>
Measure 3.1	7.194.140	7.194.140	7.194.140	0.000	4,632,139.60
Measure 3.2	768.085	768.085	768.085	0.000	333,438.00
<b>Total</b>	<b>182.875.250</b>	<b>182.875.250</b>	<b>182.875.250</b>	<b>0.000</b>	<b>88,428,234.52<sup>3</sup></b>

#### *Major Projects*

Until 31st of December 2014, the Operational Programme has only received two major project proposals. .

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

Under Measure 1.3 on “Improvement of R&D, Innovation, Technology and ICT Environment and Infrastructure”, TUBİTAK submitted a major project proposal called “Establishment of Innovation Centre for Food-Innofood Centre” with a budget of **29.887.254 €**.

<sup>3</sup> The advanced payment (EUR 80.627.156) is not included to the total amount.

**Table 11: Application steps of Inno-food Project until 31st December 2014**

<b>Steps</b>	<b>Date</b>
First Submission	25 February 2010
Admission by EC	15 July 2010
First Comments from EC	13 October 2010
Second Submission	29 July 2011
Second Comments from EC	22 March 2012
Meeting with TUBİTAK	12 April 2012
Submission of revised version to MoSIT by TUBİTAK	13 June 2012
Comments given by MoSIT	1 August 2012
Tri-partite Discussion Meeting (MoSIT-EC-TUBİTAK)	14 September 2012
Re-submission of revised second version	22 October 2012
Comments of EC to revised (second) version	11 December 2012
Third submission	24 September 2013
Comments to third version by EC	9 December 2013

Due to the uncertainty on the project revision process, “no progress” has been recorded in 2014 for the re-application. By taking into account the following:

Geographical coverage of the project (Gebze- Giresun-Gaziantep-Urfa)

Long implementation duration of the components,

Uncertainty on TA component,

Complexity of the project components (particularly supply) and,

Remaining limited eligible implementation time for IPA I,

“Establishment of Innovation Centre for Food-Innofood Centre” project was deferred to IPA II period by trilateral (EC-MoSIT-TUBİTAK) consensus.

*Samsun Logistics Centre Project:*

The second major project submitted to the RCOP under Measure 1.1 on “Development of Industrial Infrastructure” is Samsun Logistics Centre Project with a budget of 43.586.796 €.

The project was submitted by the Middle Black Sea Development Agency following the project generation workshop held by the Operating Structure on 27-29 April 2011 with a view to develop the 4th package of projects.

Project development studies for the Samsun Logistics Centre have been launched with the kick-off meeting held on 16th of March 2012.

Through the project a Logistics Centre, which will bring different transportation modes and all parties in the fields of storage and distribution in an organised and planned manner, where they are most effective, will be constructed within an area of 60 (ha) in Samsun for the common use of SMEs, and hence a better investment climate will be created both in Samsun and TR83 NUTS II region and contribution of the logistics sector to the competitiveness of enterprises in Samsun and the region will be increased.

A TA team has been recruited under the OS's TA Contract for the preparation of the feasibility study. As a result of this study Major Project Application Form (MPAF) and Annexes of the project were officially submitted to EC on 28th of August 2013 by the OS. Technical comments of the EC concerning the project application were conveyed to MoSIT via official letter dated 4th of February 2014. Thereon, MoSIT finalized studies and responses on the project documents. Afterwards, revised Major Project Application Form and its annexes were submitted to EC on 15th of April 2014. EC comments were conveyed MoSIT on 7th of July 2014 via official letter. After the revision of the MPAF according to the EC comments, final (third) version of Major Project Application Form and its annexes (including Feasibility Report, Cost Benefit Analysis, letters of commitment and other relevant documents) were sent to EC on 12th of September 2014 via official letter. Finally, EC responded that Samsun Logistics Project was adopted on 11th of December 2014 via e-mail.

While MPAF approval process was being continued, tender dossier preparation of the project components has been started simultaneously to catch up the eligible timeline for the implementation of the project and to ensure the effective implementation of the project in this period. In this regard, Prior Information Notice for supervision component was published on 11th of December 2013 and Contract Notice was published on 22nd of July 2014. Prior Information Notice for works component was also published on 19th of February 2014 and foreseen commencement date for this component is 27 January 2016.

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

Management Declaration of the RCOP which reflects the compliance of management and control systems with the relevant IPA regulations for the period 01.01.2014-31.12.2014 was sent to NAO by HOS on 15th of February 2014. Based on this Declaration and his assessment upon all information at his disposal, NAO presented the annual Statement of Assurance to the Commission in accordance with Article 27 of the IPA Implementing Regulation and Article 17 of the Framework Agreement.

In accordance with Article 4(2) (b) of the Implementing Agreement between the NAO and the HOS, the OS informs the NAO about any major or minor change in the management and control system and structures and obtains prior approval from the NAO regarding major changes. In this respect, the changes made in some chapters of the Programme Implementation Manual were reported to the NAO three times in 2014 respectively on 22.01.2014, 28.03.2014 and 16.10.2014.

Furthermore, several audit missions have been carried out in 2014 for assessing the effective and efficient functioning of internal management and control system in place and providing necessary assurance to the HOS, NAO, CAO and the European Commission.

Within this respect, Audit Authority (AA), Board of Treasury Controllers, has carried out subsystem audits aiming to assess the effective functioning of the management and control systems and audit of sample of operations under the RCOP aiming to verify the deliverables of the management and control systems, the Statement of Expenditure provided to the EC, for the period of 1 October 2013 – 30 September 2014. During 2014 AA have conducted two subsystem audits in the MoSIT, together with management and control systems changes audit, audit of operations and follow up of previous and current years' audit findings.

System-based audit included an examination of the design and operation of the management and control systems put in place by the OS to effectively manage the risks which threaten the production of reliable statements of expenditure presented to the Commission. Within this scope, Audit Authority has chosen Internal Audit and Technical Assistance & Human Resources sub-systems on the basis of a risk assessment, and has audited both the design and the functioning of these sub-systems by means of both documentary checks and walk-through tests of a sample of operations.

During these sub-system audits, 10 findings have been identified (2 from Internal Audit, 8 from Technical Assistance & Human Resources) and all findings are of minor level. Also 5 of the findings are related with the design of the system, 5 findings are related with the functioning.

As of 15<sup>th</sup> of June 2015, 4 findings have been addressed and closed.

Consequently AA qualified "Internal Audit", "Technical Assistance & Human Resources", systems established by OS effective and functioning, in all material respects, based on the accreditation criteria and requirements of IPA Implementing Regulation.

During the Management and Control Systems Audit; 2 findings have been identified, which are of intermediate level. One of the findings is related with too many and too often changes in accredited Management Control System, the other one is related with the determination of materiality level of Management Control System. As of 15th of June; these findings are still open.

Audit of operations were carried out for the selected 5 operations for which declared expenditure had been included in certified statements of expenditure submitted to the Commission during 2014.

For each of the selected operations, the contracting phase was checked as whether the contracting phase of the subject payment comply in all material respects with the applicable requirements of PRAG. In the second step, the payment phase was checked as whether the payment process was performed in line with the Contracting Authority's operational procedures regarding payment and related contractual obligations. Based on this examination, the Statement of Expenditure for the RCOP, for the period of 1 October 2013 – 30 September 2014 that was audited, has presented fairly in all material respects. Within this scope, for the 2014, AA audited 7.599.287,92 EURO expenditure (33.58% of the total expenditure declared to the Commission which was 22.624.525,41 EURO) ) and AA will decide whether there is any ineligible expenditure related with these findings after the follow-up.



Internal audit of the OS is carried out by the Internal Audit Unit of the Ministry of Science, Industry and Technology at least once a year. In accordance with 2014 Audit Plan, “processes regarding the implementation of the contracts” of the OS was subjected to the system and compliance audit between 14.07.2014 -03.11.2014. The aim of the mission was to audit and evaluate processes regarding payment and accounting transactions, letter of guarantees and bank account reconciliations of OS in order to check their conformity to the relevant international agreements, legislation and PIM/POG procedures. As a result of the internal audit mission, 1 high, 11 medium and 3 low level findings have been detected in relation to the implementation of contracts.

An Electronic Filing System (EFS) has been developed based on the Local File Server and is accessible to all OS staff via the Local Area Network in order to create a coherent structure for the enormous number of documents, to share them among the OS staff and to back-up them.

OS has also initiated a new contract which aims to establish its own monitoring and information system (MIS) by January 2014. MIS will increase the OS’s capacity to ensure data integrity and reliability for reporting and decision making. Utilization of the project is foreseen to start in the beginning of 2016. Technical Specification for the Supply of MIS project has been prepared and the procurement process is on-going. The supply items are expected to be installed by the first quarter of 2016.

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

There have been major changes within the OS in terms of re-organization of the sub-divisions. The OS decided to re-organize its structure due to the needs of the programme implementation and lessons learned. The new structure aims to facilitate the process for tendering and implementation.

In order to strengthen the administrative capacity of the OS, recruitment of new staff (3 EU Experts, 2 Engineer, 1 Civil Servant) and training and the provision of technical assistance to the OS’s sub-divisions have continued during 2014. In this regard, the total number of the OS staff has reached to 81 as the end of 2014.

To improve the capacity of the OS in the management, implementation, monitoring, evaluation and control of the RCOP and to support the operation development and management capacity of the central and local stakeholders in particular the end recipients of operations, several technical assistance contracts have been implemented by the OS.

The first service contract was the “Technical Assistance Contract on Institutional Building for the Implementation of Regional Competitiveness OP”. Within the scope of this contract, several capacity building activities to enhance the capacity of OS and end recipients have been carried out. Implementation of this contract was launched at the beginning of 2011 and was finalised by February 2014.

Another service contract prepared to further increase the capacity of the OS is the “Technical Assistance for Further Support to DoEUF in its Operations” whose budget is 4.645.600 EUR. This contract is a follow-up contract of previous TA project, started by September 2014 and has 30 months implementation period.

Within this TA project;

- capacity building activities such as training programmes, study visits, internships, workshops for OS,
- professional expert support to all OS departments and sectoral expert support for tender dossier revision of RCOP projects
- training and expert support for ERAs,

have been carried out.

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

In order to ensure complementarity and to avoid overlapping among the OPs, coordination mechanisms have been established between the MoSIT and relevant line Ministries responsible for other OPs both for the programming and implementation period of the OPs. During the implementation phase of the OPs, this coordination is ensured through the Sectoral Monitoring Committees. MoSIT is also a member of the Sectoral Monitoring Committees for Environment, Transport, Human Resources Development and Rural Development OPs. During the reporting period, the participation to the related Sectoral Monitoring Committees was ensured.

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

Following Article 59 of Commission Regulation (EC) No 718/2007 on IPA, and in order to establish the required infrastructure for the monitoring of the RCOP and to provide strategic guidance and advice to the MoSIT in the implementation of the programme, a Sectoral Monitoring Committee (SMC) for the RCOP was established at the outset of the Programme's implementation. The Committee is a collective body and consists of two co-chairpersons, as well as permanent members. The composition of the Committee was reviewed by the Operating Structure in agreement with the Commission in 2014 before the 15th SMC meeting in order to include the end recipients of operations that are under implementation and tendering.

In 2014, the 14th and 15th meetings of the SMC were held on the 25th of June 2014 and 27th of November 2014, respectively. During these meetings, the state of play in programming and implementation of four project packages, absorption capacity of the RCOP, procurement plans and disbursement forecasts under the programme, measures to prevent de-committment, technical assistance activities, monitoring and evaluation activities carried out by the OS and IPA II Programming were discussed.

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

Technical Assistance Contract for "Publicity, Information and Promotion of the Regional Competitiveness Operational Programme (RCOP)" which is prepared within the framework of the Communication Action Plan, was signed on 22nd of July 2013 with a budget of 1,961,400 €. The duration of the operation is 36 months. The main activities comprised in the OIS are: visibility, image building, dialogue and interaction with media. Information and publicity activities carried out during the year 2014 are presented below:

- The OP visual identity was developed and approved by the MoSIT and the EUD in 2014. Following that the OP visibility guidelines were prepared and widely distributed.
- 5 visibility and info days were organised (2-days), attended by 90 representatives from beneficiaries of 50 projects.
- Visibility trainings to Directorate staff were given on the 18<sup>th</sup> of June 2014.

- Photo shooting for projects in Hatay, Rize, Giresun and Kayseri were completed.
- Following the selection procedure of the contractor for the production of the promotional movie, shooting of promo movie had begun.
- Promotional materials were designed, produced and used/disseminated through the year.
- Preparatory work for the production of an OP specific media kit was realized.
- Content of info sheets for 10 projects both in Turkish and English were developed.
- The first issue of the OP Magazine (İvme Magazine) was developed and published.
- The current IPA website was reviewed, the needs for improvement were analysed and a comprehensive report for the website development was prepared. The new website user interfaces were designed. Within the scope of RCOP web site, necessary documents were uploaded, news and necessary content were updated and approximately 50 information requests were answered via e-mail and telephone.
- Media contact database and press bulletins for events were prepared.
- List of recipients of daily press coverage reports were regularly updated and updating the keywords against which media tracking is carried out.
- Specific articles were prepared for Anahtar Magazine which is pressed by Directorate General of Productivity – MoSIT for each month from April to December in 2014.
- Social media accounts (facebook and twitter) were created.
- OP specific contact management software (with functionalities such as generating e-newsletters, electronic invitations and follow up of recipients) was finalized. Design of the front end user interfaces, and a demo version was completed.
- Five trainings were organized for the OS staff. Preparatory Workshop related with Competitiveness Sectors Programme which will be implemented by the MoSIT in 2014-2020 period was held on 11<sup>th</sup> of March 2014, in Ankara.
- Competitiveness Sectors Programme was presented at TAIEX Seminar on 25<sup>th</sup> of March 2014, in Ankara.
- Competitiveness Sectors Programme had a stand on the 9<sup>th</sup> of May Europe Day which was held on 8<sup>th</sup> of May 2014, to inform about the Programme and the Projects which were financed under the Programme.
- Competitiveness Sectors Programme had a stand to inform about the Programme and to distribute brochures and promotional materials at the 7<sup>th</sup> Engineering and Technology Symposium which was held on 15<sup>th</sup> and 16<sup>th</sup> of June 2014.
- Within the scope of the promotional activities, Launch, Groundbreaking or Closing Ceremonies were held regarding the Projects implemented under Competitiveness Sectors Programme.

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

Considerable changes occurred during the year of 2014 in terms of programming approach. The number of projects was reduced to 47 from 63 when compared with the previous year by taking into account the eligibility period of the IPA I. 11 projects were planned to be deferred to IPA II period. As it was stated before, Commission services reserves the right to assess the projects on a case by case basis for financing them under the new programme. 4 projects were excluded from the project packages due to the lack ownership of respective ERAs.

If the projects in the pipeline are brought to the implementation phase and implemented on time, objectives and targets set in the RCOP are likely to be achieved by the closure of the programme.

## **II.c. Transport Operational Programme: Summary of the Sectoral Annual Report:**

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

In the Operational Programme there were 6 major projects for the first priority axis. On the other hand, the actual realization of all of these projects is not foreseen due to insufficient amount of IPA funds allocated to the programme, leading to further ranking of these projects in line with the contemporary needs. As a result, three railway infrastructure projects were selected for realization being, Rehabilitation and Re-Construction of Köseköy-Gebze section of Ankara Istanbul High Speed Train Project, Rehabilitation and Signalization of Irmak-Karabük-Zonguldak Railway Line Project and Modernization of Samsun-Kalın Railway Line Project. Others are not expected to be realized within IPA I period.

In that respect, as resumed, **by the end of 2014**, among the three planned projects two of them have been contracted, leading to 67% physical progress. In more detail, the total amount of IPA funds allocated to priority axis 1 is 556 Million Euros whereas the contracted IPA amount is 332 Million Euros by the end of 2014, 234 Million Euros IPA fund is paid, which means 70% of financial progress is achieved.

The amounts disbursed under priority 1 derives from the two projects' and four contracts' payment statements. First project is "Rehabilitation and Reconstruction of Köseköy-Gebze section of the Ankara-Istanbul High Speed Train Project" under this priority and there are two contracts for this project. The Works Contract was signed with the Consortium led by Salini Costruttori S.p.A. on 14 October 2011. Commencement for the Works was on 25 November 2011.

The accepted contract amount was 146.825.952,90 €, then in 2014 the amount of contract has increased to 200.952.422 €. The overall physical progress for this project is 89% by the end of 2014; while it was 63% by the end of 2013. Between 01 January 2014 and 31 December 2014, 40.898.236,75 (EU Contribution) and 12.277.510,72 € (National Contribution), totally 53.175.747,47 € payment was realized. Financial progress is 78,25% by the end of 2014 with the new increased amount of contract. It was 70,87% by the end of 2013.

The Service Contract was signed with ILF-Obermayer-Optim-Neti (ION) consortium on 31 October 2011 with an amount of 6.319.760 €. Commencement date of the supervision is 14 November 2011 and the total duration of the contract is 56 months including 24 months of DNP. In 2014 the amount of the contract has increased to 7.985.774 €. For the supervision contract, between 01 January 2014 and 31 December 2014, 755.136,04 € (EU Contribution) and 133.259,30 € (National Contribution), totally 888.395,34 € payment was realized. Financial progress for the end of 2014 is 71% with the new increased amount of contract. This rate was 76% by the end of 2013.

The second project realized under priority 1 is "Rehabilitation and Signalization of Irmak-Karabük-Zonguldak Railway Line Project" and two contracts are signed under this project. The Works Contract has been signed with Yapı-Merkezi-MÖN JV on 14 December 2011. Commencement for the Works is on 25 January, 2012. The accepted contract amount is 219,969,300 €.

The project is divided into two geographically separate sections: Ülkü-Zonguldak being Phase 1 and Irmak-Ülkü, Phase 2.

The physical progress for the civil works for the Phase I is 100% by the end of 2014, while it is 50% for civil works at Phase II by the same period. On the other hand, the ratio for signalization is 40% as a whole. Between 01 January 2014 and 31 December 2014, 33.417.722,33 € (EU Contribution) and 5.897.245,12 € (National Contribution), totally 39.314.967,45 € payment was realized. Financial progress is 49% at the end of 2014. This rate was 32% at the end of 2013.

The Service Contract is signed with Typsa-Eser-Safege Consortium on 04 January 2012 with an amount of 7,247,305 €. Commencement date of the supervision is 10 January 2012. By the end of the reporting period, the supervision contractor's team is fit for purpose and the physical progress rate is 59%. For the supervision contract, between 01 January 2014 and 31 December 2014, 904.888,75 € (EU Contribution) and 159.686,25 € (National Contribution), totally 1.064.575 € payment was realized. Financial progress by the end of 2014 was 78% while it was 23% at the end of 2013.

The second priority axis involves two port infrastructure construction projects: Filyos Port and Mersin Container Port. For Filyos Port project, MPAF of the project was submitted to the European Commission in March 2011 and then revised and re-submitted again in 2013. In the end, the last application file has been considered incomplete and the Commission's services decided not to resume the decision making process as a result unless and until all the outstanding issues would be addressed. Besides, it was found out that this investment could not realistically be fully implemented by the end of the eligibility period (31 December 2017). Consequently, the Commission asked for the replacement of this project by another one.

New Construction of Mersin Container Port project from the indicative list was not mature enough to replace the Filyos Port project. For this reason, it was decided to choose a more favorable railway modernization project in order not to go beyond the eligibility period. The Filyos Port project has been replaced by the Modernization of Samsun-Kalın Railway Line project after all. The Financial tables have been revised in order to ensure fully absorption of funds committed to Priority 2 and the allocated amount to this priority has been distributed to Priority 1 and Priority 3.

The total amount of IPA budget contribution for the third priority axis is 28.680.148 EUR, whereas the total amount together with national contribution is 33.741.351 EUR. There are two ongoing service contracts and one finalized service contract under this priority. The first ongoing project, being "Technical Assistance for Strengthening Capacities of MoT IPA Unit and End Recipients" has been contracted with Grontmij A.S. on 20 October 2011. Commencement for the services is on 15 November, 2011 and the accepted contract amount was 5.287.000, then in 2014 the amount of the contract has increased to 7.887.000 €. The overall physical progress for this project is 54% and the financial progress is %80 by the end of 2014. Financial progress was %56 at the end of 2013. There has been in total of 23 common (13 of which is in 2013) and 18 (3 of which is in 2013) dedicated trainings realized and two study tours with participation of in total 16 experts.

The second contract, being "Technical Assistance for Information and Publicity Activities" has been contracted with Diadikasia S.A on 01 November 2011. Commencement for the services is on 15 November, 2011 and the accepted contract amount is 1.866.100 €. The overall physical

progress for this project is 72% and the financial progress is 73% by the end of 2014. Financial progress was 56% at the end of 2013.

## 2. Progress in financial implementation

The implementation of the Transport OP is being financed by IPA resources amounting to 584.716.662 Euros for 2007-2013 period. The IPA contribution is 85% as per the article 17 of Commission Regulation (EU) No 80/2010. Consequently, the national co-financing for all projects is calculated 15%.

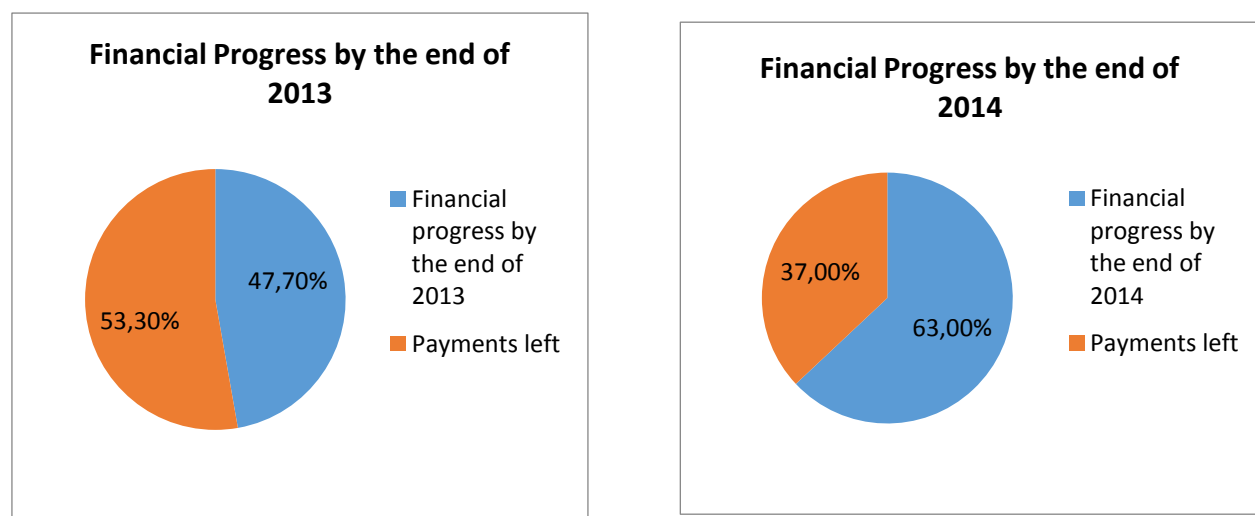
The EU financial contribution to the Transport OP is being implemented in line with the financial plan presented in the following tables for 2007-2013.

**Table 12: Summary of allocations for 2007-2013 in Euro for TROP**

<b>YEARS 2007 – 2013</b>	<b>Total Public expenditure (Euro)</b>	<b>Community Contrib. (IPA) (Euro)</b>	<b>National Public Contrib. (Euro)</b>	<b>IPA co-financing rate (%)</b>
<b><i>Priority Axis 1</i></b>	<b>654.160.605</b>	<b>556.036.514</b>	<b>98.124.090</b>	<b>85%</b>
Measure 1.1	654.160.605	556.036.514	98.124.090	85%
<b><i>Technical Assistance</i></b>	<b>33.741.351</b>	<b>28.680.148</b>	<b>5.061.203</b>	<b>85%</b>
Measure 3.1	26.875.251	22.843.963	4.031.288	85%
Measure 3.2	2.866.100	2.436.185	429.915	85%
Measure 3.3	4.000.000	3.400.000	600.000	85%
<b><i>Total Years 2007 - 2013</i></b>	<b>687.901.956</b>	<b>584.716.662</b>	<b>103.185.293</b>	<b>85%</b>

As a response to the Article 169(3)(c) of the IPA Implementing Regulation requiring the indicative breakdown of the allocation under the IPA regulation for information purposes in accordance with the detailed list included in the Financing Agreement.

**Figure 1: Financial progress by the end of 2013 and 2014 for TROP**



As it can be seen from figures, % 47.7 financial progresses had been shown in 2013 and 63% financial progresses had been shown in 2014 which is %15,3 more than that of 2013.

**Table 13: Financial Progress by the End of 2014 for TROP**

(€)	Project	Contract Type	Contract Budget			Total Realized Payment			Progress
			IPA	TR	Total	IPA	TR	Total	
<b>Priority 1:</b> Improvement of railway infrastructure	<b>Re-Construction of Köseköy-Gebze section of Ankara-Istanbul High Speed Railway Line</b>	Works			200.952.422,00	129.353.204,00	27.887.210,83	157.240.414,83	78%
		Supervision	136.000.000,00	72.938.196,00	7.985.774,00	4.834.616,4	853,167,60	5,687,784,00	71%
	<b>Rehabilitation and Re-Construction of the Irmak-Karabük-Zonguldak Railway Line Project</b>	Works			219.969.300,00	93.239.869,29	16.454.094,58	109.693.963,87	50%
		Supervision	188.309.000,00	38.907.605,00	7.247.305,00	2.345.677,85	413.943,15	2.759.621,00	38%
	<b>Technical Assistance for Strengthening the Capacities of MoT IPA Unit and End-Recipients</b>	Service	6.703.950,00	1.183.050,00	7.887.000,00	3.595.160,00	634.440,00	4.229.600,00	80%
	<b>Compliance Audit Project</b>	Service	61.412,50	10.837,50	72.250,00	61.412,50	10.837,50	72.250,00	100%
<b>Priority 3: Technical Assistance</b>	<b>Technical Assistance for Information and Publicity Activities</b>	Service	1.586.185,00	279.915,00	1.866.100,00	1.162.621,85	205.168,56	1.367.790,41	73%
<b>TOTAL</b>			<b>332.660.547,50</b>	<b>113.319.603,50</b>	<b>445.980.151,00</b>	<b>234.592.561,89</b>	<b>46.458.862,22</b>	<b>281.051.424,11</b>	<b>63%</b>

There was no de-commitment in 2014. More than 124.1 m € is planned to be disbursed in 2015 and no de-commitment is expected for 2015

## Major Projects

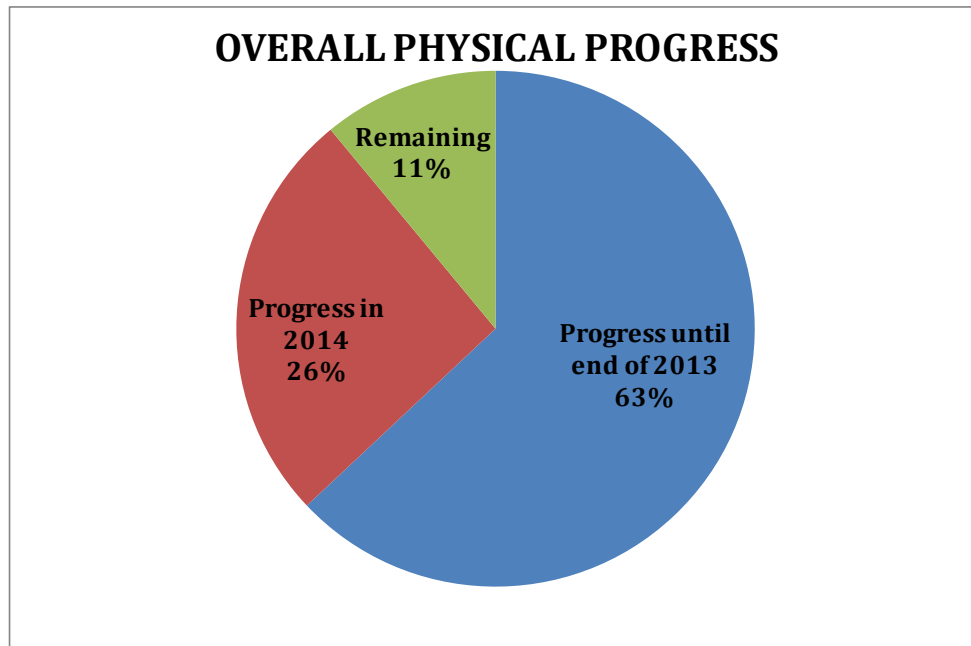
### *Rehabilitation and Re-Construction of Köseköy-Gebze section of the Ankara-İstanbul High Speed Train Project*

Two contracts were signed for this project; “Works” contract for construction works and “Service” contract for supervision of the project. Overall Physical Progress is 89% as of end of December 2014 which was 63 % by the end of December 2013.

**Table 14: Comparison of Completion Percentages for 2013 – 2014 for Köseköy Gebze Project**

Activity	Completion Percentage Achieved (End of 2014)	Completion Percentage Achieved (End of 2013)
Infrastructure Works	100%	100%
Super Structure Works	99,8%	84%
Electrification Works	99,8%	36%
Signalization and Telecommunication Works	92%	16%

**Figure 2: Overall Physical Progress of Köseköy-Gebze Project**



It is to be noted that 11% of the physical works continues the Commissioning & Handover at the completion of all the Works activities.

For the works contract, as of end 2014; 157.240.415 Euro (net payable amount after deductions including Advance Payment) is certified by the Engineer.



For the supervision contract, as of end of December 2014; 5.687.484 Euro (including Advance Payment) is certified by the Employer.

There is no deathly accident during the implementation period of the project.

- ✓ The infrastructure of the line is constructed in accordance with high speed requirements.
- ✓ All slopes are rehabilitated.
- ✓ The retaining walls are constructed.
- ✓ New under/over passes are constructed.
- ✓ All superstructure elements such as rails, sleepers, ballast and turnouts are renewed.
- ✓ Drainage systems are constructed/renewed.
- ✓ The line is being secured with installation of fences.
- ✓ The tunnels are rehabilitated.
- ✓ Electrification and signaling systems are being installed.
- ✓ New technical rooms (ESB Buildings) are constructed.
- ✓ The visibility of the project is enhanced with special EU-TR cooperation logos at the major locations.

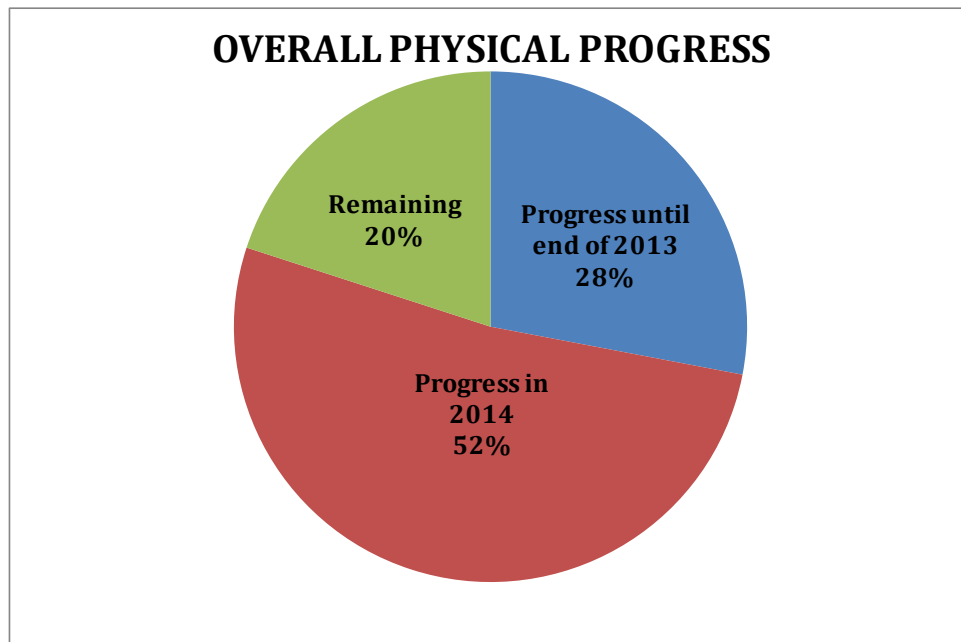
*Rehabilitation and Signalization of Irmak-Karabük-Zonguldak Railway Line Project*

- ✓ By the end of the reporting period, the works have been almost completed in station for phase I. In addition to that, track works have been completed for phase I section. Platform works have been completed in phase I. In total of 119 turnouts have been installed.
- ✓ Within the scope of the electromechanical works, the Contractor has installed 119 point machines, continued the construction of technical building (shelters) and cable duct works at the open line and inside tunnels.
- ✓ In summary by the end of 2014 the following progress is achieved:

**Table 15: Comparison of Completion Percentages for 2013 – 2014**

Activity	Completion Percentage Achieved (End of 2014)	Completion Percentage Achieved (End of 2013)
Surveying Works	100%	100%
Civil Works Design	100%	95%
Civil Works	80%	28%
Phase I: Ülkü-Zonguldak	100%	65%
Phase II: Irmak-Ülkü	50%	1%
Signalization& Telecommunication	40%	15%

**Figure 3: Overall Physical Progress of IKZ Project**



For the works contract, as of end of December 2014; 109.693.963 Euro (net payable amount after deductions including Advance Payment) is certified by the Engineer.

For the supervision contract, as of end of December 2014; 2.759.621 Euro (including Advance Payment) is certified by the Employer. By this means, the financial progress is 50 % for the works contract and 38% for the supervision contract. The infrastructure of the line is rehabilitated. The bearing capacity of the line has increased from 20 ton axle load to 22,5.

The drainage systems are rehabilitated. The slopes are rehabilitated. The retaining walls are rehabilitated. Further investigation has been realized for the needs of additional retaining walls.

The superstructure of the line is rehabilitated/constructed. The rails, sleepers, ballast and turnouts now are appropriate for forecasted transport volume. The signaling system integration is under way. Design is about to be completed.

New technical rooms (ESB Buildings) are constructed. Station platforms are renewed. Station safety is provided with the usage of fences. Traffic safety is upgraded. Overall operational speed of the line increased due to increased quality of the superstructure elements. The sidings and station roads are adjusted for higher efficiency. The visibility of the project is enhanced with special EU-TR cooperation logos at the major locations.

#### *Modernization of Samsun-Kalin Railway Line Project*

Modernization of Samsun-Kalin Railway Line Project is planned to be realized within IPA I period as a replacement of Filyos Port Project. The Project covers the rehabilitation of infrastructure and superstructure along with installation of signaling and telecommunication systems between Samsun-Kalin (approximately 377 km) and Samsun-Tekkeköy Logistics Center (approximately 17 km). The major concern is to finalize the project at least to the provisional acceptance stage before programme closure, 31st of December, 2017.

For both Works and Supervision Contracts, Prior Information Notice (PIN) has been published on 25.03.2014 and Contract Notice on 24.07.2014. For the Works Contract; tenders will be submitted on 20.01.2015 and after evaluation period the evaluation report has been submitted to EUD. Subsequent to the approval of the evaluation report, award notification period has started with the winner tenderer. Contract is planned to be signed within May 2015.

For the Supervision Contract; first phase of the evaluation has started on 02.09.2014. The evaluation report was sent to EUD on 13.11.2014 and rejected on 18.12.2014. After EUD comments, the evaluation process is going on as of 31.12.2014.

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

The Head of the OS is responsible for the effective and efficient management of internal control in the Transport OS. The HOS will be informed on the status of the Operating Structure and any control weaknesses and the performance of the EUID on a regular basis throughout the year.

The following measures shall be taken:

- Monthly management reports from Department for EU Investments include a section on internal control weaknesses and making recommendations
- The information and analysis deriving from the risk management exercises serve to regularly inform the Head of OS on the level and type of risks the EUID has to face and manage,
- The Head of the OS has access to audit reports whenever the OS is part of the scope of the audit and control reports prepared by EUID
- All internal control weaknesses and audit recommendations shall be followed up until final closure

Besides, in order to keep all staff informed about progress made in different projects implementation, to review and discuss problems and search for solutions and recommend activities to improve the implementation process monthly EUID meetings are held under the coordination of Quality Assurance and Control Unit (QACU).

An integrated part of the internal control system is the risk management which serves as one of the information sources to assess the systems and procedures and identify deficiencies and required improvements in Transport OS.

Within the risk management system, the Risk Management Panel chaired by the Risk Manager meets once a year. This Panel is composed of EUID sub-units, representatives from End Recipients, Internal Audit Unit, HR Department, IT Department and NAO.

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

Among these actors, Internal Audit Unit of MoTMC provides independent, objective assurance and consulting services designed to add value and improve the operations of the OS. Internal Audit Unit has carried out audits on programming sub-system and publicity activities within the year 2014. Follow-up of the findings of these audits will be done bi-annually.

On the other hand, systems audit on procurement and programming (with the follow-up of the previous year's audit findings) and audit of operations under TROP have been carried out by the

Audit Authority (Board of Treasury Controllers) for the period between 1 October 2013 and 30 September 2014.

Besides the audit activities and ensuring a proper risk management and reporting system designing and maintaining an irregularity management system is also crucial for the control environment. To that end, a staff member from QACU assigned as irregularity officer to timely report and effectively follow-up any potential case of irregularities and fraud. The irregularity officer reported 1 case to NAO through the irregularity reporting system (AFIS) within 2013 regarding the Rehabilitation and Signalization of Irmak-Karabük-Zonguldak Railway line project. No new case has been occurred within 2014. All necessary corrective measures have been taken for the reported case from the previous year.

In line with the objective of monitoring and evaluation of the programme, MoTMC is responsible not only for collecting data and establishing, maintaining and regularly updating reports and information system to gather reliable financial and statistical information on implementation, but also for monitoring and evaluation. For this purpose, a common working group has been established under the coordination of the Strategic Coordinator to develop an Integrated Monitoring Information System (IMIS) common to all Operating Structures under the IPA Components III and IV.

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

Ministry of Transport, Maritime Affairs and Communications (MoTMC) is identified as the Operating Structure responsible for the preparation and implementation of the Transport Operational Programme under the Component III of Instrument for Pre-accession.

Department for EU Investments (EUID) under DG for Foreign Relations and EU Affairs is the department responsible from the management of Transport OP in MoTMC.

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

In addition, a technical assistance project on the strengthening the capacity of EUID and End Recipients commenced on 15<sup>th</sup> November 2011. By this four-year Project, EUID has started to receive daily support of the full-time consultants on tendering, contract management and financial management as well as training issues. Besides, in any need for specific support under the area of work of the EUID, short term experts are mobilized.

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

The issue of complementarity and synergies among IPA components is important to ensure completed and integrated effect of IPA funds. In this context, from the outset, as other OSs MoTMC also established linkages between Transport OP and the other OPs by designating staff to the preparation team of other OPs. In terms of the content of OPs, Multi Annual Indicative Planning Document (MIPD) and Strategic Coherence Framework (SCF) lay down the basic principles by determining the priorities and key areas of intervention of OPs.

In general terms, Transport OP is mostly interrelated with Environment OP since it is concerned with the environmental friendly modes of transport. By promoting the use of rail and maritime transport the Transport OP would also contribute to lowering gas emissions and to the environmental sustainability of the country. As regards the Regional Competitiveness OP, the projects that will connect the national network to TEN-T will reduce disparities between EU and Turkey regarding transport infrastructure and increase interregional accessibility. This will, in turn, contribute to reducing regional disparities and increasing economic competitiveness. The Transport OP and the Human Resources Development OP, whose overall objective is “to support the transition to a knowledge-based economy capable of sustainable economic growth with more better jobs and greater social cohesion”, serve the common objective of increasing competitiveness even if from different approaches and perspectives.

In order to ensure the compliance of the Transport OP with other components, the OSs under IPA Component III - IV were defined as the voting members of the Sectoral Monitoring Committee.

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

14<sup>th</sup> SMC was held on 24 June 2014 at Hilton Hotel, Ankara. Main issues discussed and conclusions are:

- Information on TROP implementation has been presented by the Ministry.
- This was the first SMC after the literal end of programming period 2007-2013 and also in the “N” zone for automatic DE commitment rule N+3. As a consequence of this, it is necessary to utilize the necessary resources to absorb the available funds for the projects.
- It was mentioned that the total amounts that should be spent in 2014 was 88 M Euro and estimated to spend 136 M Euro so there was no DE commitment risk for 2014.
- About the issue on N+3 rule and closure of the programme it was mentioned that the expenditures must be incurred and certified before 31 December 2017 and the closure documents should be submitted in 2018 at the latest.

15<sup>th</sup> SMC was held on 25 November 2014 at Hilton Hotel, Ankara. Main issues discussed and conclusions are as follows:

- Information on TROP implementation has been presented by the Ministry.
- By the Commission it was mentioned that MoTMC has been successful in extracted the OP from the very difficult situation prevalent most of 2014.
- The Monitoring Committee reiterated the need to respect EU rules on the publicity and visibility of EU funding of projects, formulated shortly.
- The Operating Structure shall submit the supporting documents for the next SMC meeting two weeks in advance.
- The Commission advised bodies of the management and control systems which have high level horizontal responsibilities, first and foremost the Competent Accrediting Officer, the CAO, to take all necessary residual measures to satisfy the Commission that the requirements of Article 11 of Implementing Regulation 718 of 2007 are being fulfilled

following the replacement of key officers at the level of the NAO, the NAO's Office and the National Fund.

- The OS shall define and notify to the EU Delegation and to DG REGIO, in the immediate term, all residual financial needs for TA until the end of the 2007/2013 period. The OS shall submit a final revised proposal for OP modification through the Office of the Strategic Coordinator with a view to maximizing the absorption of available funds at OP level.

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

Knowing that the information and publicity activities are central to the EU funding mechanism, utmost importance is devoted to the publicity and visibility activities. Within the framework of the TA Plan especially the activities foreseen in the Communication Action Plan of the TROP will be carried out including but not confined to organization of conferences and seminars, organization of other tasks such as preparation, publication and distribution of promotional materials on the TROP (publications, brochures, folders, CDs and other possible formats) and etc and dissemination of information through web-site. Accordingly, the contract of "Technical Assistance for Information and Publicity Activities" Project was signed on 1 November 2011. The contract amount of the project is 1.9 million Euros and the duration is 36 months. Extension of the project of implementation for nine (9) months is requested by the contractor with the agreement of the Ministry of Transport, Maritime Affairs and Communications, as the Contracting Authority. Addendum related to this issue is approved by EU Delegation to Turkey and entered into force on 14 November 2014.

Media monitoring activities continues with daily monitoring and monthly reporting. News related to activities in order to issue on the web-site has been prepared.

Events schedule prepared for the upcoming interim period is shown below:

- Out of the indicative four (4) Inaugurations ceremonies referred to in the Project's ToR, 2 have been successfully realized and indicatively two (2) other could be implemented. This would enable us to organise inauguration ceremonies which is foreseen to take place within nine (9) months after the official project deadline. The first one would be used for the contract closing meeting for the Re-Construction of Köseköy-Gebze Section of Ankara-Istanbul High Speed Train Railway Project which would possibly be realized in first quarter of 2015. The second one would be implemented for the groundbreaking ceremony of the Modernization of Samsun Kalın Railway Line Project considering the tendering procedure for this project would be completed in second quarter of 2015.
- Out of the six (6) Info Days planned, four (4) have been realized. Another one will be used for the next Eurasia Rail Fair Event in March 2015. The other will be planned throughout the Project.
- Out of the four (4) Project Promotion Meetings, three (3) have been delivered. The last one would be used for the opening ceremony of the first phase of Rehabilitation and Signalization of Irmak-Karabük-Zonguldak Railway line Project which would possibly be realized in second quarter of 2015.
- Three (3) National-Scale Seminars are planned to be implemented as one large-scale Seminar in 2015. This would allow us to take the advantage of combining these three activities for an event with wider international visibility and prestigious guest attendance.

Training activities has started with the “Communication and Perception Management” training and will continue throughout the next period.

By the end of 2014, the ratio of the physical progress is 86% at the project.

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

Currently, three railway line projects exist in the TROP project pipeline for the next programming period:

1. New Construction of Halkalı-Kapıkule Railway Line Project
2. Modernisation of Alayunt-Afyon-Konya Railway Line Project
3. Modernisation of Malatya-Narlı Railway Line Project

New Construction of Halkalı-Kapıkule Railway Line Project; as an important axis of Kapıkule-Kars Railway Line Project which has been selected as European Interest project in Chapter 21-TEN-T Negotiations, New Construction of Halkalı-Kapıkule Railway Line Project is considered as the main major project for the next programming (2014-2020) period. The EIB consultation taken place in 2012 concluded that the major changes regarding the feasibility study; especially the lack of substantial data for traffic demand analysis and the consideration of freight transport would be updated and upgraded under the Technical Assistance Contract. Within this frame, a new project implementation team has been organized at the final quarter of 2013 under the TA. This team involves a team leader (transport economist), 2 infrastructure experts, 2 experts for demand analysis, 1 expert for signaling and 1 expert for electrification. This core team will be supported by short term additional experts if necessary. It is planned that the closure of missing information and supporting numbers would be finalized in 2014. The Project's scope will be derived from the feasibility study. The Cost/Benefit Analysis, Environmental Impact Assessment and Design works in addition to Tender Dossier preparation are to be realized within the scope of the Project.

To enhance the project pipeline and have mature reserve projects for the Halkalı – Kapıkule Railway Line Project, Terms of References for the Technical Assistance Service Contract to prepare the Feasibility Study, CBA, EIA as well as Tender Dossiers for both Works and Supervision Contracts of Modernization of Alayunt-Afyon-Konya Railway Line Project and Modernization of Malatya-Narlı Railway Line Project are prepared. The TA Projects are envisaged to be contracted in 2015.

### III. Sectoral conclusions

Regarding this component, within the course of the reporting year a steady implementation with increasing contracting and disbursement rates had been observed under each component. Along with the implementation of the OPs for the first period of IPA, the preparations of sectoral OPs for IPA II (2014 – 2020) were also carried out by the relevant authorities in 2014. In addition to these, Ministry of Development, as the Strategic Coordinator, has continued to take initiative for effective coordination and close cooperation among all key stakeholders under IPA Components III and IV by the help of the “Technical Assistance for Capacity Improvement in the Economic and Social Cohesion (ESC) Policy Project (Phase II)”. Lastly, all three OPs have strengthened their administrative capacities by hiring new staff and continuation of internal training activities.

The de-commitment under this component was 62,4 MEUR in total, 46,3 MEUR of which is coming from Environment OP and 16,1 MEUR from Regional Competitiveness OP. These de-commitments are mainly due to delays in tender and contracting procedures, difficulties in managing high number of contracts some of which are correlated and loss of time from ex-ante procedures and high level of workload.

**Environment OP:** Apart from the TAs, the number of projects under implementation has increased from 18 to 25 and disbursed amounts has increased by 12,5% from 2013. The construction of five contracts has been completed and taking over certificates have been issued, while the final admissions of two contracts are completed. There were important staff changes in the managerial level and necessary notifications were done to the NAO. Audit activities were also conducted throughout the year.

**Regional Competitiveness OP:** In the year 2014, the programme has steadily progressed to reach its final targets by accelerating the operation and tender dossier preparation and approval processes. As of 31st of December 2014, the RCOP operations’ portfolio comprises 47 operations. This number was 63 in the year of 2013. Taking into account eligible implementation period for RCOP and the funds de-committed in the previous years, 11 projects are planned to be deferred to IPA II period and 4 projects were excluded from the project pipeline because of the weak ownership of ERAs.

The number of projects under implementation rose to 20 at the outcome of 2014, which meant an increase of a 25% compared to the previous exercise of 2013. In 2014, proportion of the projects under implementation in the project portfolio increased to 43%. Besides, the projects under programming were almost finished but the proportion of the projects under tendering and contracting has not changed significantly.

The contracting rate for the RCOP 2007-2013 is around 44%. Approximately 81% committed amounts have been disbursed, while disbursement rate vis-à-vis the total budget allocated to the RCOP is 36%. As a consequence contracting and disbursement rate in 2014 were doubled comparing with 2013.

Although the implementation levels of RCOP’s operations have been gradually increased in the year of 2014, generally the progress in the implementation of the Programme can be assessed as modest. Because of this, there are limited grounds to report on physical progress and target indicators’ achievement. Nonetheless, improvements have been made resulting in an increased number of projects under implementation as well as projects approved.



Tendering and contracting procedures have to be accelerated for the sake of the operations which were creating great expectation in the region. For this purpose, a new approach should be put into effect in close cooperation with EU/D. Otherwise, the absorption capacity of the OP will not reach 60% of the existing budget until the closure of the Programme.

**Transport OP:** Throughout 2014, 2 works and 2 service contracts related with large infrastructure investment projects have been performed diligently and there is no de-commitment occurred in this year. Furthermore, this demonstrates that the de-commitment risk for the other years of 2007-2013 period is minor. In addition, 2 Technical Assistance service project within the scope of 3rd Priority has been conducted effectively in this year. Both project had influence on the capacity of EUID.

Disbursement rate of the total funds has been increased from 47,7% to 63% resulting an increase of 15,3% when compared to the previous year.

Internal control procedures and the risk management system described in the related chapter of the Manual of Procedures were applied in 2014.

External control mechanisms were run in 2014 such as audits and follow-up audits carried out by Internal Audit Unit of MoTMC, Audit Authority and NAO Supervision.

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

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

The HRD OP sets out five priority axes: *employment, education, lifelong learning, social inclusion, technical assistance*. There are several Measures under each Priority axes, which are indicated under the following section.

### **II. Summary of the Sectoral Annual Report**

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

##### **Increasing the Quality of Vocational Education and Training-I**

One of the most remarkable activities of the project, in which the implementation was finalized in December 2014, is the development of a National Quality Assurance System (NQAS). Under this component, development strategy and action plan was prepared. The recommendations cover all education functions which have an effect on quality. They are mapped against the National Strategy actions.

Another important concrete development, which will help secure sustainability, is the setting up of the Department of Quality Development within the MoNE VET Directorate.

Under the training component 91 occupational analyses were prepared across 22 fields. The Teacher Training and Development Working Group was established and all activities were completed, also covering manager and teacher training. The workshops were used to inform a wider audience about the quality processes and reinforce the QA Component's work. During the extension period, piloting of the new and revised curricula was carried out. Three workshops have taken place where the curricula was revised according to feedbacks taken during the pilot implementations.

Training functions have also been made sustainable. Newly developed /revised outcome-based curricula were approved by the Board of Education and implementation of all curricula, except the ones in the health sector, was launched by MoNE and the CoHE at the start of the 2014 – 2015 school year. The setting up of the Department of Quality Development within MoNE was identified at the outset of the project as the single most important action to help sustainability. With a workable NQAS in place at institutional and national level, there are solid foundations and sufficient good practice on which to build.

##### **Increasing the Adaptability of Employers and Employees in Tourism Sector (ADAPT - TOURISM) (TUYUP)**

One of the most remarkable activities of the project is the implementation of 34 awareness raising activities (ARAs) throughout Turkey promoting the project generally, and Green Star/Voucher training scheme. A key message delivered during the ARAs was that the tourism sector is a 'service' industry and any investments in the construction of hotels or other real estate assets cannot be maximised without trained staff. Utilizing the voucher scheme to train employees and supporting access to national qualifications would contribute to business profitability.

The Tourism sector was provided with Training Providers under the Voucher programme to ensure that training provided under the voucher programme will be well linked to real market needs. The LFA, pilot voucher scheme and the ARAs, have served to inform the Training of Trainers curricula as well as the Terms of Reference to recruit ToT under Establishment of Networking among Training Providers and increasing their Training Capabilities Component. The ToT programme, related curricula and trainer list were finalised in December 2014.

By December 2014, the project received 40 valid Green Star ‘Centre of Best Practice’ Applications (CoBP). A list of 15+5 hotels was finalised. Under Development of an On-line Database Component, the focus was on balancing the complexity of ensuring the system provided an open interactive platform (for labour force analysis, data collection, client support applications, access to training, monitoring) with user friendliness and accessibility. The project implementation underlined the demand and need of trained employee in the tourism sector and the beneficiary is declaring its willingness to support the sector through a new IPA II project.

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

One of the most remarkable activities of the project is the preparation of training modules for Employers and Employees. An Overall Training Strategy and Action Plan to implement the training strategy were developed according the analysis of training needs submitted to the Beneficiary. The Training Strategy defined the objectives of training, the targeted groups of training, and the approach.

The prepared modules are essential for strengthening the capacity of SME employers’ and employees to increase their adaptability to changes in the global economy. The level of knowledge and skills of employers and employees will be increased to raise their adaptability via these modules. Training Modules for Employers and Employees were delivered at the end of May 2014.

The relevant modules were used in the trainings of the employers and employees.

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

Under HRD OP, contracts which were signed from the beginning of the Programme until 31.12.2014 amounted to € 306.880.148 in total (EU + national contribution). Grant contracts took the biggest share from contracted operations. The table below shows the contracted amounts together with the shares in total as per contract type

**Table 16: Contracted projects per types (cumulative amounts up to end 2014)**

<b>Contract Type</b>	<b>Total Contracted Amount (EU + national contribution) (€)</b>	<b>Share (%)</b>
Grant Contracts	232.446.447	75,75%
Service Contracts	64.989.823	21,18%
Supply Contracts	9.443.878	3,08%
<b>Total</b>	<b>306.880.148</b>	<b>100,00%</b>

*Summary of financial information for the expenditures declared to the Commission in 2014*

In 2014, two payment applications have been submitted to the Commission for reimbursement. The expenditures certified by the NAO in these payment applications for the whole year 2014

amounted to € 57.9 million in total, with an EU contribution amounting to € 49.2 million (€ 6.8 were certified in the interim payment application number 13 and € 42.4 were certified in the interim payment application number 14). Besides, the financial correction of 3,5 % which was imposed in 2013 for the 5 grant schemes implemented under the responsibility of the CFCU, has been applied in the statement of expenditure # 14.

The following table shows the expenditures declared to the Commission in 2014 including flat rate correction under the grant schemes:

**Table 17: Total Expenditure Incurred by Final Beneficiaries and Certified Eligible in 2014**

Priority Axis and Measures		<b>Total public expenditure</b>	<b>Community contribution</b>	<b>National public contribution</b>
<b>2014 TOTAL</b>		<b>57.934.223</b>	<b>49.244.090</b>	<b>8.690.133</b>
<b>Priority Axis 1</b>		<b>5.371.613</b>	<b>4.565.871</b>	<b>805.742</b>
m1.1	Direct Grant "Women in Business Programme"	879.359	747.455	131.904
m1.2	Promoting Youth Employment (Grant)	22.892	19.458	3.434
m1.2	Promoting Youth Employment (Grant) - Flat Rate Deducted (3,5 %)	22.091	18.777	3.314
m1.2	Technical Assistance for Promoting Youth Employment	375.180	318.903	56.277
m1.3	Promoting Registered Employment through Innovative Measures (Grant)	1.218	1.035	183
m1.3	Promoting Registered Employment through Innovative Measures (Grant) - Flat Rate Deducted (3,5 %)	1.175	999	176
m1.3	Technical Assistance for Promoting Registered Employment	-2.950	-2.508	-443
m1.3	Technical Assistance for Promoting Registered Employment Through Better Guidance and Inspection	1.273.881	1.082.799	191.082
m1.3	Supply of Equipment for Promoting Registered Employment Through Better Guidance and Inspection	1.240.000	1.054.000	186.000
m1.4	Technical Assistance for Improving the Quality of Public Employment Services	1.582.877	1.345.446	237.432
<b>Priority Axis 2</b>		<b>36.345.302</b>	<b>30.893.506</b>	<b>5.451.795</b>
m2.1	Increasing Enrollment Rates Especially For Girls (Grant)	45.390	38.582	6.809
m2.1	Increasing Enrollment Rates Especially For Girls (Grant) - Flat Rate Deducted (3,5 %)	43.802	37.232	6.570
m2.1	Technical Assistance for Increasing Enrollment Rates Especially For Girls	52.287	44.444	7.843

m2.1	Supply of Equipment for Increasing Enrollment Rates Especially for Girls	2.736	2.326	410
m2.1	Supply of Equipment for Increasing Enrollment Rates Especially for Girls II	1.427.885	1.213.702	214.183
m2.1	Facilitating Access of Disadvantaged Higher Education Students to Labor Market Including Scholarship Support	13.751.935	11.689.145	2.062.790
m2.2	Technical Assistance for Improving the Quality of VET in Turkey	1.714.927	1.457.688	257.239
m2.2	Supply of Equipment for Improving the Quality of VET in Turkey	353.120	300.152	52.968
m2.2	ing the Quality of Vocational Education and Training, and Vocational Skills of Young People	18.998.610	16.148.818	2.849.791
<b>Priority Axis 3</b>		<b>2.359.711</b>	<b>2.005.754</b>	<b>353.957</b>
m3.1	Technical Assistance for Promotion of Life Long Learning	4.600	3.910	690
m3.2	Technical Assistance for Increasing Adaptability of Employers and Employees to the Changes in Global Economy	1.588.791	1.350.473	238.319
m3.2	Supply of Equipment for Increasing the Adaptability of Employers and Employees to the Changes in Global Economy	588.326	500.077	88.249
m3.2	Supply of Equipment for Increasing the Adaptability of Tradesmen and Craftsmen	177.993	151.294	26.699
<b>Priority Axis 4</b>		<b>10.163.959</b>	<b>8.639.365</b>	<b>1.524.594</b>
m4.1	Facilitating Access of Disadvantaged Higher Education Students to Labor Market Including Scholarship Support	7.764.359	6.599.705	1.164.654
m4.1	TA for the Operation 'Employment and Social Support Services Coordination and Implementation Model for the Integration of Disadvantaged Persons'	2.399.600	2.039.660	359.940
<b>Priority Axis 5</b>		<b>3.693.639</b>	<b>3.139.593</b>	<b>554.046</b>
m5.1	Technical Assistance for Implementation of Human Resources Development Operational Programme	776.291	659.848	116.444
m5.1	Recovery 'Supply for Implementation of Human Resources Development Operational Programme'	-437	-371	-65
m5.1	Direct Expenditure 2010 (Direct Grant with Ministry of Labor and Social Security)	1.557.521	1.323.893	233.628

m5.2	Technical Assistance for Potential Operation and Grant Beneficiaries (HRD OP 5.2), Information and Publicity (HRD OP	769.676	654.224	115.451
m5.3	Technical Assistance for Potential Operation and Grant Beneficiaries (HRD OP 5.2), Information and Publicity (HRD OP	590.588	502.000	88.588

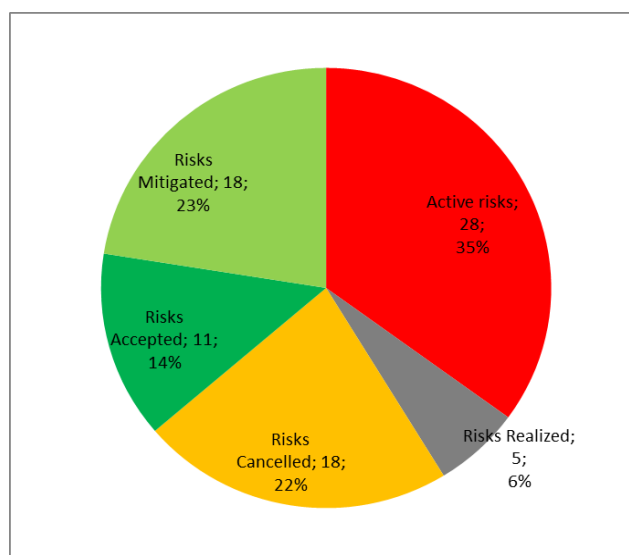
**Table 18: De-commitments for HRD OP**

Year	HRD OP Allocation (EU Contributions)	Potential De-commitment Risk (in case of not enough expenditure declared to the Commission) (A)	Annual Certified Expenditure (B)	De-commitment (B)-(A)+Surplus from the Previous Year
2007	50.001.409			
2008	52.900.000			
2009	55.600.000			
2010	51.169.479	2.590.000	2.391.409	-198.591
2011	77.600.000	41.530.000	41.960.363	430.363
2012	83.188.000	38.993.477	42.062.132	3.499.017
2013		63.400.000	47.670.462	-12.230.521
2014		77.600.000	49.252.941	-28.347.059

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

Within the framework of the risk management system based on COSO Enterprise Risk Management System, the HRD OS identified its own strategic and operational risks in 2014 as well as determined the relevant risk responses to manage those risks and achieve its objectives. The OS also defined the responsible staff and the deadlines for the implementation of each control activity and risk response.

**Figure 4: Summary of Risks of HRD OP**



In 2014, the Internal Audit Department conducted a system audit on Project Management Process. Within this framework 71 audit tests were completed in the Project Management Unit and 38 findings (6 low, 30 intermediate and 2 high risky) were determined. Delays in work flow for the approval of inception report and excluding the amendment or minor change requests from the project management meeting were the findings classified as high risky. For findings of internal audit an action plan was prepared and all findings were closed since all necessary measures were completed by 31 October 2014. Related sections of manual of procedures including PIM, POG and annexes were updated and new version of the manual was approved by the NAO on 29.12.2014.

In accordance with Annual Audit Work Plan for the period of 1 October 2013 – 30 September 2014, AA conducted two sub-system audit (Information Technology (IT) Sub-system and Selection of Programme and Project Subsystem) in the OS, together with audit of operations and follow up of previous years audit findings

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

EU Coordination Department possesses 95 permanent staff (1 Head of EU Coordination Department (Director of HRD OS), 3 Heads of Department, 74 EU Experts and EU Assistant Experts) plus 25 contracted staff and 1 temporarily assigned as KOSGEB Expert at the end of 2014. 2 EU Experts and 1 tender expert were resigned from their duty while additional 16 experts were recruited.

In 2014, implementation of technical assistance projects were continued in order to provide the OS as well as the potential and actual operation and grant beneficiaries support for the programming, implementation and monitoring of the HRD OP.

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

The OS preserved its understanding of complementarity through 2014. The prepared operations were linked to other IPA components, mostly to IPA III RC OP. However no specific operation was explicitly designed to ensure the coherence with IPA component III. A more coherent approach, common design of operations, synchronized launch of calls, specific selection criteria for operations may be considered for the IPA II programming period with the guidance of the EU Services.

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

In 2014, two SMC Meetings were held. 14<sup>th</sup> SMC was held on 22 May 2014 in İstanbul and 15<sup>th</sup> SMC on 26 November 2014 in Ankara.

At the 14<sup>th</sup> SMC meeting, the schedule was composed of presentations of OS on the implementation, and debates on the new ideas on programming, implementation, monitoring of the HRD OP and also on possible cooperation with other national IPA parties. Debates increased participation and let all relevant stakeholders, such as representatives of NIPAC, Strategic Coordinator, other Operating Structures and Operation Beneficiary institutions took the floor to express their remarks.

Additionally, in the meeting information was provided about;

- Annual Audit Activity Report for the period 1/10/2012 – 30/09/2013

- progress in the implementation of ongoing Operations,
- the outputs and results of the finalised grant schemes, including methods of effective implementation of operations and actions to avoid de-commitment,
- preparations for upcoming operations,
- programming activities and preparations for 2014-2020 Sectoral Operational Programme

In the opening session of the 15<sup>th</sup> SMC meeting, the achievements of the projects since previous SMC meeting, the positive impact of the negotiation process between the EU and Turkey on the projects and certain existing problems were mentioned briefly. The crucial importance and full ownership of the HRD OP by relevant institutions and organisations and importance of jointly continuing to make all efforts throughout the remaining years of the programme in order to avoid de-commitment risk were also emphasized.

In the context of agenda, information was provided about;

- Transition from IPA I to IPA II and Project Pipeline Activities
- absorption of funds and the de-commitment risk,
- ongoing tender procedures
- progress in the implementation of ongoing operations, the state of play in grant, service and supply contracts,
- the preparations for upcoming operations and possible future operations.

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

Information and Publicity Activities to be carried out mainly under the Technical Assistance priority axis has been launched by the Information and Publicity Project (5.3). Under this TA Project, following activities were completed in 2014:

- 15 Information days for Social Inclusion Call for Proposals were organized in Adana, Ankara, Bursa, Diyarbakır, Edirne, Gaziantep, Hatay, İstanbul (2 times), İzmir, Konya, Sivas, Trabzon, Van and Zonguldak with the participation of 1933 participants.
- Social Inclusion and Employment in Turkey Conference was held on 11<sup>th</sup> March 2014 in Ankara with 206 participants.
- Publicity and Consultation Meeting was held with the participation of 50 high profile attendees of journalists, academics, private sector and relevant NGO representatives on 23<sup>rd</sup> May 2014 in İstanbul.
- A conference on Employment Policies in Turkey was held on 25<sup>th</sup> June in Ankara with 350 participants.
- 100 copies of HRD OP Glossary were published.
- A specific brochure for promoting Social Inclusion Call for Proposal was published as 2.500 copies.
- The generic poster of HRD OP has been completed and printed as 1.000 copies.
- The Social Inclusion Poster has been completed and printed as 1.000 copies.
- HRD Magazine IV. Issue has been completed both in Turkish and English, approved, printed as 500 copies and, distributed in Social Inclusion Conference on 11 March 2014.



- Social Inclusion flyer has been prepared and printed as 500 copies and distributed in Social Inclusion Conference on 11 March 2014. Soft version is available online.
- The Turkish version of the HRD OP Compendium (Achievements Book) has been printed as 1.000 copies.
- Visibility and Procurement flyers designed and printed as 200 copies.
- IPA and European Union Funds Brochure (HRD OP Overview Brochure) printed as 2000 copies.
- HRD OP promotional film was prepared.

Activities after the completion of the Information and Publicity Project (5.3);

1. In total 8 information days for LLL II Call for Proposals were organized in Ankara, Samsun, Malatya, Eskisehir, Izmir, Istanbul, Antalya and Gaziantep with 1945 participants.
2. A specific brochure for promoting LLL II Call for Proposal printed as 200 copies.

Awareness of HRD OP increased considerably. The information days are conducted in nationwide. Potential beneficiaries were informed about HRD OP and trained on project preparation. In total nearly 4000 people participated in the information days. The quantity and quality of the grant applications are increased. New operation and project beneficiaries are informed about the EU Funds in the field of Human Resources Development. In addition to publicizing of HRD OP, European Union financial aids and other supports were familiarized by citizens. More people were informed about scope of EU funds for Human Resources Development.

### **III. Sectoral conclusions**

In the reporting period, although a total amount of 57,9 MEUR has been disbursed (49,2 MEUR of which is EU contribution) which was slightly more than the previous year (56 MEUR – 47,6 MEUR EU contribution), the de-committed amount has increased from 12,2 MEUR to 28,5 MEUR from the previous year. This issue is identified in the Risk Management System of the HRD OS along with reduction of rejection rates or delays in the revision and approval processes with mitigation plans.

Within the concept of IPA II period, drafting the Employment, Education and Social Policies Sectoral Operational Programme (HRDSOP) which set out the priorities in relevant sectors was resumed under the coordination of Ministry of EU Affairs and with the participation of relevant institutions and organizations.

First draft of HRDSOP was sent to EC on 31 March 2014. Upon the comments and opinions of relevant institutions, the document was revised and second draft was submitted to EC on May 2014. Preparation of final draft was completed on November 2014 and submitted to EC. Commission Implementing Decision about adopting a multi-annual Action Programme for Turkey on HRDSOP was approved on 11 December 2014. Adoption of the programme, financial contribution of EU regarding the 2014-2016 period of 2014-2020 HRDSOP, implementation modalities was determined and approved in this implementing decision.

## COMPONENT V: Rural Development

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

The IPA Rural Development Programme (IPARD Programme) of Turkey developed in order to support candidate and potential candidate countries during accession process (also constituting the 5th Component, Rural Development Component of IPA, the Instrument for Pre-Accession Assistance), was approved by the European Commission on February 25, 2008, and by the Higher Planning Council in Turkey on December 30, 2009.

On the basis of the strategic framework set forward by the EU's Multi-annual Indicative Planning Document (MIPD), basic policy objectives targeted under IPARD implementation are as follows:

- To contribute to the sustainable modernization of the agricultural sector through targeted investments
- Encouraging the improvement of EU acquis related to food safety, veterinary, phytosanitary, environmental or other standards,
- To contribute to the sustainable development of rural areas.
- To undertake preparatory actions towards the implementation of local development strategies and agri-environmental measures.

### II. Summary of the Sectoral Annual Report. The points of reflection should include, inter alia, information on the following:

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

The output indicators identified for the IPARD programme are given in Table where only the available figures are indicated.

**Table 19: Progress of the programme (in euros)**

Output Indicators		Realised in 2011-2012	Realised in 2013	Realised in 2014
Agricultural holdings supported for restructuring and/or upgrading to relevant community standards	Number	61	527	939
	Total volume of investment (€)	24,058,579.94	205,446,763.53	360,885,266.99
Enterprises supported to restructure and/or to upgrade to relevant community standards	Number	8	95	126
	Total volume of investment (€)	4,209,865.47	64,580,142.63	85,142,638.45
Micro enterprises	Number	23	1695	3906

<b>supported to diversify and develop their economic activities</b>	<b>Total volume of investment (€)</b>	2,106,433.02	60,805,468.51	143,528,090.81
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During the reporting period, total number of supported projects is 4,971 and total volume investment is € 589,555,996.25. When compared with the number of projects and budgets of 2013 for each measure, 2 fold increase in measure 101, 1/3 fold increase in measure 103, and 2.5 fold increase in measure 302 was observed in 2014.

Priority axes in the Programme and progress for each measure is presented below:

**Priority Axis 1: Improving market efficiency and implementation of Community Standards.**

*101 Investments in Agricultural Holdings to Restructure and to Upgrade to Community Standards*

Under 101 Measure; as of December 31, 2014, the total estimated investment value of the projects of which the contracts were signed (EU + National Contribution + Beneficiary Contribution for eligible expenditures + ineligible expenditure amount) was €1,090,287,895. Commitment of the IPARD Programme to the 1,791 contracted projects was €568,722,824. The IPARD Programme contribution to 977 completed projects and to the ongoing ones was €357,230,849. 1263 of the supported projects belong to young farmers.

As per the Commission Implementing Regulation C(2014)5688 dated 5 August 2014 transmitted with Commission's letter dated 10 September 2014, € 96,056,510 Euro from the budget allocated for measures where spending cannot be made (102,201, 202, and 501) was transferred to this measure.

*102 Support For The Setting Up of Producer Groups*

Due to difficulties in implementation, the measure concerning "Support for the Setting up of Producer Groups" was removed from IPARD Programme Conferral of Management Decision process with the letter of the Commission dated August 29, 2011.

Given this, the Commission considered that two options exist, to cancel the measure and transfer its budget to other measures or to continue preparations for the accreditation of the measure but to transfer its budget to other measures while preparing financial tables.

As a result, based Commission Implementing Regulation C(2014)5688 dated 5 August 2014 transmitted with Commission's letter dated 10 September 2014, € 45,407,325 Euro allocated for the measure was transferred to measure 101.

*103 Investments in Processing and Marketing of Agricultural and Fishery Products to Restructure those Activities and Upgrade Them to Community Standards*

Under Measure 103, as of December 31, 2014, the total investment value of the contracts signed was €295,021,511. The IPARD Programme commitment to 232 projects which the contracts was signed is €128,093,730. The IPARD Programme contribution to 134 completed and ongoing projects was €75,791,547.

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

### 201 Preparation for Implementation of Actions Relating to Environment and the Countryside

Twinning Project entitled “Environment and Countryside under IPARD” was implemented by a consortium formed of the Netherlands, Estonia and Spain (12 January 2011-09 January 2012). Under the scope of the project, current legal and institutional structure concerning agri-environment was analysed; payment calculation and monitoring-evaluation principles were set, and technical measure fiche was revised in the light of the information collected. Under the scope of the project, Beypazarı district of Ankara was selected as pilot area for soil erosion related sub-measure practices; Polatlı district of Ankara was selected as pilot area for biodiversity related sub-measure practices and Şereflikoçhisar district of Ankara was selected as pilot area for water related sub-measure practices.

All actions needed to be finalised the measure fiche and to get accreditation for the sub-measure “Management of soil cover and soil erosion control” under “201: Preparation for Implementation of Actions Relating to Environment and the Countryside / Agri Environment” measure of the IPARD programme have been conducted in cooperation with the Commission. In addition, with the participation of university representatives, agricultural economists, agronomists and erosion experts, a study group was formed for executing the revision activities of the sub-measure. As of July 2014, the sub-measure fiche was submitted to Commission and approved. After the approval of the measure fiche, ARDSI started the necessary activities for conferral of management. The implementation of this measure is expected to start in 2015 Autumn.

An awareness raising meeting on “management of soil cover and soil erosion control” sub-measure in Beypazarı on 15 December 2014. The sub-measure is promoted with the participation of District Governor, Mayor, District Director of MoFAL and locals.

Due to expectancy of delay in the conferral of management and in order not to lose unused funds, € 15,284,302 Euro from the budget allocated for this measure was transferred to measure 101 as per the Commission Implementing Regulation C(2014)5688 dated 5 August 2014 transmitted with Commission’s letter dated 10 September 2014.

### 202 Preparation and Implementation of Local Rural Development Strategies (Leader)

Managing Authority implemented the Twinning Project entitled “Support for the Implementation of LEADER Measure under IPARD” between November 2, 2010-May 12, 2011. Under the scope of the Project, draft measure fiche included in the IPARD Programme was revised. As a result of the deliberations held with the European Commission on October 6-7, 2011 and March 29, 2012, it was agreed to implement the sub-measure involving support to “Acquisition of skills, animation and supporting the development of local development strategies”. Within this scope, the sub-measure fiche was approved by the European Commission on September 7, 2012.

An information seminar on the Preparation and Implementation of Local Rural Development Strategies Measure (LEADER) was organised in the conference hall of the Ministry of Food Agriculture and Livestock on 25 November 2014. Relevant units in the ministry, relevant public organisations as well as non-government institutions participated in the seminar.

Draft Local Development Strategies of the pilot districts, İskilip and Birecik were completed in December 2014.

A Strategic Action Plan for the activities to be conducted for the implementation of the LEADER measure by the Managing Authority has been prepared.

Leaflets and brochures for the promotion of the LEADER measure has been prepared and distributed to pilot districts.

For the training of the animators “Strengthening Institutional Capacity for LEADER” SEI project proposal was submitted to the CFCU in 2013. The project includes introducing the LEADER approach at local level and identification of training needs, preparation of training plans and performing of training activities. Selection of the animators for encouraging the local action groups are planned to be undertaken from the technical assistance measure.

Since the conferral of management is not yet completed, € 27,814,883 Euro from the budget allocated for this measures was transferred to measure 101 as per the Commission Implementing Regulation C(2014)5688 dated 5 August 2014 transmitted with Commission’s letter dated 10 September 2014.

### **Priority Axis 3: Development of the rural economy.**

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

Under Measure 302, as of December 31, 2014, contracts were signed with a total investment value of €287,597,054. The commitment of the IPARD Programme contribution to 5,991 project owners which the contracts signed is €130,985,352. The IPARD Programme contribution to 5,589 completed projects and ongoing projects is €102,994,693. 3,788 of the supported projects were located in mountainous areas or forest villages, 412 belong to women and 1,879 belong to young farmers

#### ***501 Technical Assistance***

9th Mission Accreditation Meeting (501 Technical Assistance Measure) was held on 07-09 January 2014. In 16-18 April 2014, a total of 20 persons working in the Technical Assistance Measure in MA and ARDSI received PRAD training from CFCU. The measure was accredited on 26 August 2014. Following the accreditation two projects were approved and their implementation has started.

Based on the Commission Implementation Decision dated 5 August 2014 attached to Commission Letter C(2014)5688 dated 10 September 2014, 7,550,000 Euro allocated for this measure was transferred to the budget of measure 101 due to delay in the conferral of management.

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

As of December 31, 2014, approximately 14% of the projects contracted in the first twelve calls were under implementation. Table below presents detailed data for the projects under implementation for each sub-measure. Sub-measure 101-2 constitutes the most budget committed among the ongoing projects, followed by sub-measures 101-1 and 302-1. 92% of the budget of the ongoing projects are under the first priority axis.

**Table 20: Status of Projects under Implementation in IPARD (as of 31.12.2014)**

Under implementation				Finalised			
Priority/ Measure	(no)	Budget (EUR) <sup>4</sup>	% from allocated budget	(no)	Budget (EUR)	% from allocated budget	
<b>101-1</b>	164	81.294.919,25		364	116.496.814,80		
<b>101-2</b>	543	165.844.901,82	43,69	613	153.481.677,35	47,72	
<b>103-1</b>	24	19.480.809,46		58	23.894.835,91		
<b>103-2</b>	21	20.720.875,09		31	12.285.178,16		
<b>103-3</b>	30	14.350.050,84		36	14.848.980,71		
<b>103-4</b>	4	2.754.176,32	23,35	9	3.724.236,22	22,31	
<b>Total PA 1</b>	<b>786</b>	<b>304.445.732,78</b>	<b>37,54</b>	<b>1111</b>	<b>324.731.723,15</b>	<b>40,04</b>	
<b>Total PA 2</b>	-	-	-	-	-	-	-
<b>302-1</b>	161	2.196.780,09		5425	80.673.313,86		
<b>302-2</b>	62	9.707.297,91		91	10.119.121,72		
<b>302-3</b>	90	15.742.191,24		65	7.054.395,28		
<b>302-4</b>	3	467.199,84	12,30	8	488.524,21	43,03	
<b>Total PA 3</b>	<b>316</b>	<b>28.113.469,08</b>	<b>12,30</b>	<b>5589</b>	<b>98.335.355,07</b>	<b>43,03</b>	
<b>501</b>	2	30.236,05	0,29	-	-	-	-
<b>Total 501</b>	<b>2</b>	<b>30.236,05</b>	<b>0,29</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1104</b>	<b>332.589.437,90</b>	<b>31,59</b>	<b>6700</b>	<b>423.067.078,22</b>	<b>40,18</b>	

Allocation values are extracted from the Call for proposals. Budget values include national contribution.

**Table 21: Payments (Euro)**

Priority / Measure	Payments in 2012 (EU + TR)	% of allocated budget	Payments in 2013 (EU + TR)	% of allocated budget	Payments in 2014 (EU + TR)	% of allocated budget	Total Payments (as of 31.12.2014) (EU + TR)	% of allocated budget
<b>101-1</b>	9.822.163,27	2,58	65.134.126,06	20,68	67.842.762,72	39,89	142.799.052,05	63,15
<b>101-2</b>	4.780.938,84		51.855.863,40		157.794.995,39		214.431.797,63	
<b>103-1</b>	1.206.342,30	0,86	12.807.523,05	12,68	16.307.813,78	17,35	30.321.679,13	30,89
<b>103-2</b>	299.755,63		10.149.982,75		8.916.858,45		19.366.596,83	
<b>103-3</b>	0		5.543.046,20		15.147.458,28		20.690.504,48	
<b>103-4</b>	598.834,81		2.614.743,44		2.199.188,53		5.412.766,78	
<b>Total PE 1</b>	<b>16.708.034,85</b>	<b>2,06</b>	<b>148.105.285,90</b>	<b>18,26</b>	<b>268.209.077,15</b>	<b>33,07</b>	<b>433.022.397,90</b>	<b>53,39</b>
<b>Total PE 2</b>	-		-		-		-	
<b>302-1</b>	239.924,76	0,46	25.078.350,74	13,20	55.355.038,43	31,40	80.673.313,93	45,07
<b>302-2</b>	491.259,76		1.622.159,60		9.243.268,22		11.356.687,58	
<b>302-3</b>	240.186,78		3.288.715,36		6.947.264,36		10.476.166,50	
<b>302-4</b>	81.845,21		188.205,12		218.473,87		488.524,20	
<b>Total PE 3</b>	<b>1.053.216,51</b>	<b>0,46</b>	<b>30.177.430,83</b>	<b>13,20</b>	<b>71.764.044,86</b>	<b>31,40</b>	<b>102.994.692,20</b>	<b>45,07</b>
<b>Programme Total</b>	<b>17.761.251,37</b>	<b>1,69</b>	<b>178.282.715,73</b>	<b>16,99</b>	<b>339.973.122,04</b>	<b>32,40</b>	<b>536.017.089,14</b>	<b>51,08</b>

Source: ARDSI

Based on the data provided by ARDSI Accounting Unit. TR contribution is included in the budget values. Budget allocation ratios are calculated by the ratio of the 2007-2013 (EU+TR) budget measures on the basis of contracts and based on the payment figures.

Public contribution of € 339,973,122.04 was made in 2014 (Table above). Approximately 66% of this contribution was under the 101 Measure, approximately 21% was under Measure 302, and approximately 13% was under Measure 103. Approximately 55% of the contracted total budget was paid by the end of 2014.

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

#### **Internal Audits of MA and ARDSI**

The purposes of the audits are to evaluate the functionality and efficiency of the Management and Control Mechanisms, to control whether the practices comply with accreditation criteria and to make suggestions on problematic issues. In order to carry out the internal audits of Managing Authority, two auditors are assigned by the Ministry of Food, Agriculture and Livestock Internal Audit Unit Directorate. In order to do the internal audit of Agriculture and Rural Development Support Institution, internal audit coordination unit was established.

The responsibilities of Agriculture and Rural Development Support Institution's Internal Audit Coordination unit is defined as carrying out the internal auditing of Agriculture and Rural Development Support Institution in accordance with national and international audit standards, working towards improving internal audit system, controlling whether the accounts and procedures are done properly, totally and on time and reporting.

In 2014, Project Assessment, Selection and Contracting, Payment and Monitoring Processes Audits of 22 projects in total was conducted by 3 different Audit teams of the Internal Audit Coordination Unit within the scope of Annual Audit Plan which was revised with Annual Audit Plan. In accordance with the instructions given by ARDSI Presidency Office, other issues which were not foreseen in the Annual Audit Plan such as; evaluation of On the Spot Control Units of Provincial Coordinating Units, pre-evaluation of PCU's to be audited by DG AGRI J4 and J5 were conducted. Internal Audit Coordinating Unit accompanied to the EU Commission Auditors during Conferral Audits, DG AGRI J4 and J5 Auditors during their visits to Turkey and the studies they conducted. Moreover, opinions were expressed related to a total of 27 Procedure Modifications and Exception Requests planned by ARDSI. In addition to the planned internal audits, 15 different examination, pre-examination and discipline investigation reports were prepared on 15 different dates within the scope of "Unplanned Audits" by the Internal Audit Coordination Department between 01.01.2014 and 18.11.2014. 13 other examination / investigation processes are still in progress and their reports have not yet been prepared.

The activities, transactions, procedures and internal control system of the Managing Authority were audited by MFAL Internal Audit Unit in 2014. 6 findings were detected at the end of this audit and action plan was prepared by the Managing Authority.

**Table 22: External Audits conducted in 2014**



No	Auditing Institution	Audit Type / Title	Audited Institutions	Audit Dates	Action Plan Submission Date
1	EU Agriculture and Rural Development DG AGRI (J.5)	Verification Audit. 10th Conferral of Management Mission (501- Technical Assistance TA Measure)	IPARD OS, NAO Office	07-09 January 2014	16 June 2014
2	EU Agriculture and Rural Development DG AGRI (J.4)	Clearance of the Accounts 2013	IPARD OS, NAO Office	24-28 March 2014	21 August 2014
3	EU Agriculture and Rural Development DG AGRI (J.5)	Verification Audit 10 <sup>th</sup> CoM Mission (on conditionally conferred 6 PCUs)	IPARD OS, NAO Office	02-06 June 2014	N/A
4	Audit Authority (Inspectors Board of the Treasury)	Financial Audit 2013	IPARD OS, NAO Office	January – May 2014	22 May 2014
5	Audit Authority (Inspectors Board of the Treasury) (J5)	MCS Audit 2014	IPARD OS, NAO Office	04-30 November 2014	January 2015 (Planned)

As seen in table above, three audits of the IPARD Units and NAO Office were performed by EU Agriculture and Rural Development DG (J5) in 2014. The first one for conferral of management for M501; the second one to cover the effectiveness and efficient functioning of the MCS in place for the 6 provisionally conferred PCUs following the implementation of the Action plan included in the Annex of the Commission Decision C(2013)3984 dated 28.06.2013 and the third one to assess the administrative and on-the-spot controls performed by the AA on a sample of projects during FY2013 and/or FY2014.

The DG for Agriculture and Rural Development (J4) performed one compliance audit. Regarding the follow-up process of the findings observed by external bodies on ARDSI Management and Control System, the process is closely followed by both Technical Coordination Units and Coordination Unit of Internal Audit of ARDSI. Corrective actions to be taken on the findings are planned by relevant Coordination Units immediately after the audit missions and action plans are prepared for each audit report including deadlines for corrective actions. In addition, during the planning process of annual internal audit activities, major findings of the European Commission auditors are taken into consideration. The actions taken by relevant Coordination unit for the reasonableness of cost checks are summarised below.

The procedure to check the independency of offers (checklist 2002-7) has been modified according to the recommendations of EU auditors. These modifications were also presented to J-5 Auditors during bilateral meetings and they accepted efficiency of these modifications in their

reports. A special Excel worksheet is created to check price relations between the offers of construction works. Through this control, none of the offers is allowed to exceed the prices of the Ministry and none of the constructors were able to use the reference prices as ceiling. Market research process has been transferred from the PCU's to the HQ and Reference Price Procedure (2118) has been prepared to improve efficiency and reliability of market research. Besides, modification on eligible expenditure lists and Reference Price Procedure (2118) have been submitted to the Commission in order to improve the procedure and increase the efficiency of the controls.

The assessment of Coordination Unit of Internal Audit on the implementation of reasonableness of costs is given in paragraphs below.

The findings of external audit bodies are the findings which are stated as “major” in their report and ARDSI needs to take actions to improve the controls for the related areas. On the other hand, all these “major” findings are the findings which could not be classified as blocking factors on the operating of the Internal Control System. The internal control system of ARDSI has been continuously improved by considering the observations, findings and recommendations of the Coordination Unit of Internal Audit of ARDSI, NAO, AA and different European Commission Units since the first conferral of management decision was received with the Commission letter numbered C(2011)6079 and dated 29 August 2011. It has been already noted that the way in which a control procedure operates is perfectible is not in itself sufficient grounds for accepting a finding as blocking for whole Internal Control System. ARDSI has accepted the perfectible aspects in the current system and also taken further actions or continues to develop its controls in related areas.

Regarding the controls performed for ensuring the reasonableness of cost related to construction works and machinery and equipment, by considering the audit findings as a key control process for determining the eligibility of prices submitted by beneficiaries, ARDSI revised the procedure and improved the controls on the independency of offers collected regarding the expenditure items to be supplied within the scope of investment. An additional control list was brought into the procedures to determine the price relations between different offers. Moreover, by means of aforementioned additional control on the price relations, the prices of construction works items are not allowed to exceed the prices announced by the Ministry.

As the auxiliary control points established by ARDSI for supporting three offers procedure, the reference price database and market research activities are also used. By means of the three-offers procured being implemented together with these auxiliary controls the outcomes improved in line with the assessments made by audit bodies. All possible controls that can be implemented with the current system have been introduced and included into the Internal Control System. On the other hand, ARDSI continuously performs improvement works on the price database for machinery and equipment since 2010. The price database used between 1st and 10th calls was improved with necessary tunings. By the 11th call, additional improvements were also made on the database according to the assessments done on the results of the implementations as well as the recommendations of audit bodies. Moreover, updating activities were simultaneously carried out during this period. By means of these improvements and taking into consideration the recommendations of Coordination Unit of Internal Audits, the market research activities were centralized. Additional improvements were made for price updating and the number of experts assigned for market research teams was increased in order to strengthen the market research process. Currently, the market research activities are carried out by a team within the

Coordination Unit of Project Management while recording of prices is carried by a team within the Coordination Unit of Information Systems. By centralizing market research activities at the headquarters, it is aimed to avoid price differences and ensure the consistency and uniformity among the prices to be taken into account by different Provincial Coordination Units for deciding whether the price for a machinery/equipment is reasonable. By this way, it can be expected not to have different implementations and assessments upon the reasonableness of expenditure items cost. Furthermore, during the negotiations performed on the removal of three offers procedure for controlling the reasonableness of cost due to the amendment in the Sectoral Agreement, to improve the controls on the expenditure items in line with collecting one offer system, "Reference Price Procedure" has been revised and further improved as version 10.6. During the technical meeting with the Commission held on 17th of October 2014, the modifications made on the procedures for controlling the prices of machinery and equipment expenditure items were discussed. After roll over decision is finalized, the procedure for Reference Price will be revised by considering the improved controls brought under version 10.6.

#### *Control Activities of NAO*

The controls implemented by NAO Support Unit II in 2014 during the contracting and before payment periods are presented below.

In the second quarter, on the spot controls of 5 projects were conducted and the controlled total payment is 2,740,866 Euro.

In the third quarter, desk reviews were made for 7 projects and the controlled total payment is 1,659,716 Euro. Most of these controls were copy and manipulation controls of the projects supported in 11th call for proposals.

In the fourth quarter, on the spot controls of 16 projects were conducted and the controlled total payment is 9,396, 808 Euro. Projects were selected among the 11th and 12th calls for proposals and the controls were focused on copy / manipulation, market research, Business plan analysis and eligibility of payments.

A significant deficiency regarding the continuation of the accreditation criteria was not observed as the result of the controls. Findings of the controls were shared with ARDSI and will be followed by NAO.

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

The "Department of Managing Authority for EU Structural Adjustment" was established on December 19, 2013 with the approval no 39 for the more efficient elaboration of IPARD-II programme and more effective implementation of current IPARD Programme. The main tasks of the Department are; carrying out the secretarial works of the Monitoring Committee, preparing the rural development programme, management, monitoring, evaluation, reporting, coordinating and promoting of the activities in the programme, carrying out the activities related with the modifications in the programme. Contribution to the efficient implementation of the programme was made with restructuring the Managing Authority.

Permanent accreditation decision for 6 Provincial Coordination Units of ARDSI (Ağrı, Burdur, Karaman, Manisa, Mardin, Mersin) which are among the EU Instrument for Pre-Accession-Rural Development (IPARD)'s second phase provinces and have previously been accredited conditionally, has been given in August 2014.

Although the MA and the ARDSI have increased their institutional and administrative capacity to some extent, further improvements would surely benefit the overall implementation. In that regard, a project has initiated between France Agriculture Food-Industry and Regional Policy General Directorate and General Directorate of Agricultural Reform for “Improvement of the Strategy Management of IPARD Programme Project”. The project contains improvement of strategic management of IPARD Programme and increasing capacity of the Management Authority.

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

Digitisation of the Land Parcel Identification System project was started under EU funding within the component I of IPA Programme. Preparatory works for electronic identification and registration of sheep and goat are completed. Two project proposals to be supported under ESEI, ”Impact Assessment for Segregated Agricultural Supports” and “Agricultural Consequences of Ecosystem Based Adaptation to Climate Change in Steppe Ecosystems” is pending final approval.

In 2014, four technical assistance projects to be supported under UNIBE is submitted to CFCU.

Projects Financed by External Resources other than the EU are as follows: Anatolian Water Basins Project, Diyarbakır- Batman-Siirt Development Project, Ardahan-Kars-Artvin Development Project, Çoruh River Basin Rehabilitation Project . These projects target, prevention of rural migration, provision of sustainable management of natural resources and participative planning, decreasing the pressure on natural resources, embracing environmental friendly agriculture and forestry activities, policy development related to water and nutrients during EU compliance process, diversification of income generating activities for agricultural and non-agricultural areas by achieving an increase in agricultural productivity and level of income. By contributing positively to sustainable development of rural areas and prevention of rural migration, these projects are complementary to the implementation of the IPARD Programme.

Bulgaria – Turkey Cross Border Project and Black Sea Basin Cross Border Project is being implemented under Component II of IPA. Latter of these projects cover some of the IPARD provinces. Even though these projects do not provide direct support to agricultural activities or directly linked with rural development, they have indirect impact on IPARD applications from the perspective of convenience of social and physical infrastructures.

Under the Regional Competitiveness Operational Programme (RCOP) of Component III, 17 projects having complementary nature to the IPARD programme are supported. Out of these 17 operations, 3 operations are under Implementation, 12 operations are under tendering and contracting phase, and 2 operations are under programming phase. The projects aim to meet common needs of agri-food industry in terms of improving capacities and efficiencies in compliance with the EU standards. Under Environment Operational Programme which is again under component III, preparatory works were carried out for the 21 projects regarding improved water supply and 16 projects regarding solid waste. Within the Transport Operational Programme under Component III of IPA, rehabilitation of railroad and ports infrastructure is under progress.

The component IV of IPA, Human Resources, is implemented under a single operational programme, namely Human Resources Development Operational Programme, HRD-OP. The operational programme mainly focuses on employment and education and gives special emphasis on women’s employment and education of girls. Actions for disadvantaged groups are implemented under the social inclusion.

Although IPARD is implemented in a setting where several other interventions, directly or indirectly targeting and affecting the scope of the programme, are financed, mechanisms are in place in order to, on the one side, avoid double financing and, on the other side, to ensure coordination between these interventions. In order to further eliminate the possibility of double finding, national supports for investments in machinery and equipment are totally eliminated in IPARD provinces by the end of 2014.

At the strategic level, the priorities, the measures and in most cases the eligible applicants have been clearly defined in the programming phase. At the operational level, during the implementation stage, ARDSI ensures that double financing is prevented and the Monitoring Committee oversees the implementation of the programme from complementarity point of view.

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

Monitoring Committee convenes at least two times a year with a view to ensuring that determined strategy, objective and targets of the Programme are achieved. Monitoring Committee meetings for 2014 were held on 11th April 2014 and 4th December 2014.

In the 11th Committee Meeting, it was stated that the IPARD Programme has achieved the targets successfully in the last three years. Additionally, necessity for attracting smaller scale investors located in rural areas has been stressed. Among the topics discussed was the conditions forcing investors for acquiring high cost items due to obligation of contracting the supplier which was contacted at the proposal stage, avoiding investors not obtain competitive prices after their contract has been signed and therefore this requirement has to be modified.

In the 12th Monitoring Meeting it was stated that budget allocated to measure 101 is almost utilised and transfer of funds from measures with unused budgets has been recommended. Transfer of funds from unused budget of technical assistance and agri-environment measures to the budget of measure 101 is accepted. It was stated that after exchange of memoranda and internal approval procedures, the agreement which modifies the 2013 allocations of the Multi Annual Financial Agreement has been effective since 2 July 2014. It is mentioned that Turkey will be the first IPARD country concretely negotiating and will be implementing the Agri-Environment measure. It was stressed that the measure depends on the seasons therefore its implementation should not be delayed. It was recommended to start at small scales and expand the coverage based on the experience gained. The necessity of speeding up the internal and external accreditation procedures of the Agri-Environment measure has been emphasised. It was stated that an IPARD like funding mechanism, to be funded from national resources, will be launched in 39 provinces which are not covered by IPARD. It is suggested promoting success stories among the IPARD I beneficiaries will contribute to the promotion activities implemented by the MA. Within the promotional activities, TAIEX regional workshops conducted in 2014 will continue in 2015. Action plans for technical assistance and promotion activities prepared for 2015 were not approved and it was agreed to revise the action plans.

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

*Publicity Activities Undertaken by ARDSI*

According to the promotion action plan, 75,500 application guidelines, 173,680 information cards presenting important notes and summary information about each sub-measure, 78,320 information cards on official documents to be presented at the application stage for each sub-measure, 17,200 tendering guidelines, 17,200 application process guidelines, 17,200 business plan preparation guidelines and 2,800 booklets compiling best practices in 42 IPARD Provinces were printed and disseminated. An up-to-date promotion video covering good project samples and interviews with the project owners was prepared in 2014.

By the Provincial Coordination Offices a total of 1,341 promotional-informational activities and approximately 5,504 media activities were realized. 35,754 persons participated in these activities and were informed about the programme. a total of 301 panels were organised throughout the country. 9 of these panels were for wider audience and a total of 6,494 persons received project preparation training free of charge.

In the context of the IPARD programme, meeting the demand on knowledge of the subject for supporting the citizens and providing more quick and efficient solutions to the problems through the help of the Project Help Desk (PHD) system (web based) a good amount of applications were received in 2014. Besides through 444 8535 (444 TKDK) phone line questions were directly answered to owners and they were more quickly and effectively informed.

Frequently asked questions (FAQ) section on the web page includes the titles which are general issues, measures related issues, spot checks, accrual and ARDSI help desk asked questions. Every month e-newsletter published on a web page about ARDSI activities, giving the programme information and announcements. English e-newsletter is published twice a year.

#### *Publicity Activities Undertaken by MA*

Under the 2014 Promotion Action Plan approved by the 10th Monitoring Committee the following activities were planned: Printing of 75,000 brochures, and 500 posters; construction of an internet web site, visits to 42 implemented projects, delivery of 6 training programmes, organization of 42 information and 2 evaluation meetings, making of 2 tv programmes. A total of 656,000 euro budget was foreseen for these activities. Due to late accreditation of the technical assistance measure some of the activities in the plan were implemented utilising the national budget. A total of 107,000 TL (approximately 40,000 Euro) was spent from national and technical assistance budget for promotion activities. Among the activities stated in the plan, those that were realised in 2014 are described below.

In the context IPARD programme, trainings were organized for consultants and consultancy companies in Afyon between dates 24-26 February 2014 and in Ankara between 25-26 December 2014. 250 persons participated in the training in Afyon and 91 persons participated in the training in Ankara. Within training information was given to the 341 consulting firm representative about IPARD Programme, sub-measures, ARDSI application package content, business planning and technical project and purchasing rules.

Beneficiary visits were conducted in Erzurum, Erzincan, Karaman and Aksaray between 10 – 14 March 2014, and in Elazığ between 26-27 August 2014. A total of 60 beneficiaries who signed a contract with ARDSI were interviewed. During these interviews, beneficiaries' opinions about applications were received. Issues expressed by beneficiaries are evaluated and considered in the programme modifications in 2014, in sectoral studies, in the preparation of the IPARD II programme and in trainings.

An informative meeting on IPARD programme application agri-environment measure was conducted in Beypazarı on 15 December 2014. The agri-environment measure was presented to 300 farmers in Beypazarı and the objectives of the measure, outcomes and benefits were presented. Farmers were invited to participate in the measure. A field study for aquaculture and for identification of potential beneficiaries of machinery parks was conducted in Nallıhan, Ayaş and Güdül between 17-18 September 2014. Interviews were held during these visits.

An informative meeting about LEADER Programme Implementation was held in Ankara on 25 November 2014. 60 persons participated in the programme.

Within the protocol signed between the GDAR (MA) and Department of Training Extension and Publications in order to take active roles in the promotion and publication of the IPARD programme. Publicity and extension activities at provincial and district levels by TARGEL staff employed under the Provincial Directorates of the MFAL continued in 2014. The TARGEL staff is taking part in organising meetings. The publicity activities conducted are quarterly reported by the TARGEL staff to the Department of Training, Extension and Publications. The data on the activities carried out are conveyed to the Managing Authority by the Department of Training Extension and Publications. In that regard, a total of 583 meetings for the publicity of the IPARD Programme were held in provincial and district levels and a total of 14,906 people participated in the meetings.

With the help of the promotion action plan, publicity/information activities in 2014 are considered to be sufficient and effective compared with the previous years. Number of applications were increased significantly along with the awareness in the IPARD regions. However, under ongoing evaluation of the IPARD Programme, a field study was scheduled for 2015 to identify the reasons behind low applications for several sub-measures, in which the effectiveness and sufficiency levels of these activities would also be questioned.

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

The rate of utilisation of IPARD funds which was very limited in the beginning increased in 2013 with the changes in the programme and, with the support of the Commission and the rate remained high in 2014. Implementation of the programme was expanded from 20 to 42 provinces and with emergence of successful projects, confidence for the IPARD Programme was improved in the rural areas. The promotion and training activities had positive effect on the Programme by reaching a wider audience and thereby increasing the number of acceptable project applications.

### **III. Sectoral conclusions**

Following the modifications in the IPARD Programme of which the usage rate was low because of the reasons like late accreditation in 2012, low interest/demand and which is considered to raise the risk of serious fund loss, demand for the programme is increased to a great extent in 2013. High level demand for funding was maintained in 2014 as well.

The demonstration effect of the projects implemented is increasing gradually. The examples of successful projects have assured the interest to Programme supports in rural area and reliability to ARDSI. The meetings/seminars/training organised in cooperation with vocational organizations and NGO's have positive contribution to the implementation. Potential beneficiaries are now aware of the IPARD Programme and the number of enterprises in EU standards in rural area has increased more and more.

By analyzing the reasons for low usage rates of previous years, several problems were identified and immediate measures were designed to overcome those. First of all, under sub-measure 302-2, not many applications are received from phase two provinces since the local products list is limited. To solve this, the local products list is revised to be based on the requests received from phase two provinces. Also, in that regard, construction or renovation of greenhouses and purchase of their equipment for medicinal and aromatic plants and seedling and saplings are also included among the eligible expenditures to increase the applications. Likely, under measure 103-2 processing and marketing of meat and meat products, not many applications are received since cutting plants for red meat and poultry are not included under specific eligibility criteria. So, coverage is expanded to cover above items with the modification in the programme.

Moreover, in the initial design, small farmers have competitive disadvantage since they have difficulties in preparing project proposals. On that issue, ranking criteria for sub-measures 101.1 and 101.2 were revised to favour small scale full time farmers. Also, financial tables were revised and budgets of some measures (especially those belonging to measures not yet accredited) were transferred to the budget of measure 101 to increase the funds to be allocated.

Another important issue was the obligation to collect three alternative proposals and their controls. As required by the existing procedures of ARDSI, applicants have to collect price proposals from three different suppliers while preparing their project budget. This requirement causes problems when applicants cannot find three alternative suppliers and while ARDSI is checking all these proposals. In order to solve this issue, it was recommended to modify the Sectoral Agreement to remove the requirement for three proposals but to check the project costs with an effective market survey system. The proposal was accepted by the Commission and the sectoral agreement was modified as of 12 November 2013 to exclude the three proposals requirement among eligibility criteria. But it remains one of the methods for assessing the costs reasonableness. Proposals for changing procedures within the framework of the Sectoral Agreement amendment are prepared. Proposals on this issue were discussed with the Commission during technical meeting on 17/10/2014. Negotiations on the subject have not been completed. A consolidated version of this significant procedural modification will be submitted by the Turkish authorities after the roll over exercise.

With the help of above mentioned measures, the practices in 2014 exceeded expectations in comparison with the 2013 in terms of the number of project application, number of signed contracts and money spent. In 2014, utilised budget has become higher than the allocated budget for that year.

M101 has achieved 89% and 454% of the targets for upgrading to or introducing Community standard in the milk and the meat sector respectively. M103 has achieved considerably higher results in the achievement of the target for Number of establishments introducing Community standards for the whole establishment when compared to previous year. The rates are; 38% in the milk sector, 29% in the meat sector, 44% in fruit and vegetable sector and 45% in the fish sector. M302 is achieving faster most of the result targets set in the “on-farm activities” subsector, where significant number of the projects are carried out by young people and hence already 118% of the target set for “number of projects presented by youth” achieved; in addition, because most of the projects are implemented in mountainous regions, the target for “number of projects in mountain regions” is overachieved at 201%.



Concerning the rejections, the main rejection reasons for the projects in 2014 were copying and manipulation followed by rejection after the administrative check and rejection after the eligibility check. The other reasons for rejection are; the three offers in the scope of the project were received by the applicant were not in compliance with the rules, inconsistency among the offers, detection of interest relation among the suppliers and manipulation doubt in the procurements, lack of timely delivery of the documents missing in the project folders requested from the applicants and the applicants cannot meet the eligibility criteria defined in the IPARD Programme. As of the end of 2014, out of 11,718 applications received in the 12 calls for proposals, 303 were rejected.

The rejection rates are very low because many beneficiaries simply withdraw projects before they are officially rejected. In this way, it is also possible for them to re-submit their projects.

## CONCLUSIONS, RECOMMENDATIONS AND CORRECTIVE ACTIONS

The assessment of overall performance of IPA in Turkey in this reporting year could be summarized under three main titles:

### Implementation of Programmes

When compared to the earlier years, overall implementation of IPA in 2014 could be distinguished from previous periods by an evident shift of operations from project preparation and tendering towards an intensified project implementation. Under all programmes, number of projects under implementation (e.g. 20% to 40% in RCOP, 46% to 65% in EOP) and disbursement amounts (e.g. %20 to %55 in IPARD, 47% to 63% in TROP) have clearly increased, especially in Component V. Although there is a back-log of projects from the previous years to be contracted and implemented, increase in the number of projects being implemented shows that the de-committed amounts in the future could be reduced.

In addition to these, despite an acceptable level of administrative capacity has already reached for IPA Implementation Units; since there is still room for progress in terms of number of experienced staff and physical conditions, all relevant authorities continued to improve their managerial capacity in the reporting period by hiring new staff. Both system and operational audits were conducted by the Audit Authority and the internal auditors of all authorities.

On the other hand, as the closure of IPA I programmes is approaching, to minimize the loss of funds and avoid last minute problems in contracting, it is crucial to speed up the tender dossier preparation processes of remaining projects which are still not contracted, finalize the tenders without delays and continue the close monitoring of implementation in terms of contractual rules, EU regulations and eligibility issues. In this regard, given that lengthy ex-ante control and approval procedures could also hinder the implementation, waiver of ex-ante controls for all programmes, which is gradually being realized under first component, would also be beneficial to reduce the delays.

### De-committed Funds

The de-committed amounts in all components in the reporting period are given below:

**Table 23: De-committed Funds in IPA 2007 – 2013**

Component	De-committed Amount in 2014	Total De-committed Amount
<b>IPA I</b>	56	107,3
<b>IPA II</b>	0,1	0,2
<b>IPA III</b>	62,4	172,0
<i>EOP</i>	46,3	100,9
<i>TROP</i>	0	7,5
<i>RCOP</i>	16,1	63,6

<b>IPA IV</b>	28,4	40,8
<b>IPA V</b>	0	64,9
<b>TOTAL</b>	<b>146,9</b>	<b>385,2</b>

According to the table, approximately 38% of the total de-commitment in 2014 is coming from the first component, and 42% of it is coming from the third. There was no fund loss in the fifth component, as this was the case in the previous year.

Although the main reason for the de-commitments are tender and contract savings and delays in tendering; delays originating from ex-ante procedures, frequent changes in EU PRAG rules, after effects of lengthy accreditation procedures are also increasing loss of time, thus creating problems on respecting the deadlines. In addition to these, difficulties in finding staff having expertise in PRAG rules and EU procedures and challenges on carrying out the preparation of programmes and projects and implementation at the same time could be considered as the indirect causes for de-commitments.

Despite the fact that an amount of 147 MEUR has been de-committed in the reporting year, in order to minimize de-commitment risks under the III and IV Components of IPA I, a task force was established with the contributions of the EUD to take immediate actions and significant progress has been achieved in a short time span. A total amount of approximately 500 Million Euros de-commitment risk was declined to 90,6 Million Euros in Components III and IV by the end of 2014. In this sense, taking the possible future de-commitments into account (which are expected to be around 82 to 117 MEUR for Components 3 and 4 for 2015), continuing with a similar approach could help to minimize loss of funds.

On the other hand, in order to achieve a more structured solution, a way to transfer these de-committed amounts to EUTF to be used for the humanitarian aids for Syrian crisis is sought by the NIPAC services and consultations with relevant authorities has been commenced.

## **Programming of IPA II**

In the reporting year, extensive studies had been conducted for the programming of the funds for the IPA II period for 2014 – 2020. In this period, IPA II Regulation, Rules for Application and Indicative Strategy Paper for Turkey were published. With the newly adopted sectoral approach, priority sectors and lead beneficiaries were identified and by the responsible authorities, both annual and multi annual programming documents were prepared.

Following internal consultation process and the documentary preparations, official ratification process for the Framework Agreement has started.

The preparatory studies for the Prime Ministry Circular which will be the legal basis of the structure in IPA II period in Turkey continues.

In conclusion, although delays, long tendering periods, time consuming ex-ante procedures and de-commitments were still relevant issues in the reporting year, with the increased experience and administrative capacity of all institutions in the DIS system, by enhancing communication and coordination between relevant parties and using a more flexible approach to be able to adapt changing conditions could result in a more effective and smoother implementation in the second term of IPA.

## **ANNEXES**

**Annex 1:** Monitoring Activities

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

**Annex 3.1:** Annual IPA implementation progress

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

**Annex 4:** Financial progress