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1 Legal Framework

1.1 *Budget planning and implementation mechanisms at national, regional and local level*

1.1.1 What is needed to your legislative framework to allow for multi-annual budget programming with a view to provide national co-financing for the regional policy funds assistance?

Current legislative framework allows multi-annual budget programming and co-financing for the EU funded programs and projects. We are capable, under the current legislative framework of, envisaging the need for co-financing and taking it into consideration in the multi-annual budget programming.

The legal framework that governs the Turkish budget system consists mainly of the Constitution and the Public Financial Management and Control Law (PFMC) No. 5018 (Official Gazette: 24 December 2003, no 25326). This law regulates, for the public institutions that fall into the general government category, the preparation and implementation of budget; accounting, reporting and financial control of all financial transactions. The law is in conformity with the international standards and EU applications.

Without prejudice to the provisions of international agreements, the utilization and control of European Union funds and domestic and foreign resources allocated to public administrations are subject to the provisions of the PFMC Law No. 5018.

The multi-annual budgetary system, which is capable of adequately foreseeing the co-financing needs, is composed, with regard to legal framework, of following items (PFMC Law No. 5018 Art. 16):

- **Medium-term programme** which is prepared by the Undersecretariat of State Planning Organization (SPO) is a 3 year rolling programme. It sets out basic macro policies, principles, and economic figures as targets and indicators in line with the development plans and strategic plans of the relevant institutions and the requirements imposed by general economic conditions.
- **Medium-term fiscal plan** is prepared by the Ministry of Finance (MoF) consistent with the medium term program. It includes deficit and borrowing positions targeted, total revenue and expenditure projections for the following three years and the ceilings of appropriation proposals of the public administrations.
- **Three-year budget** is prepared within the framework defined by the medium-term programme and the medium-term fiscal plan. This budget is definite for the first year whereas indicative for the last two years. The 2006 budget that covers 2006-2008 period is the first application of three-year budgeting.

There is also another provision in the PFMC Law No. 5018, which requires almost all public institutions to have multi-annual view and resource allocation mechanisms. It is now an obligation for these institutions to prepare and adopt their institutional strategic plans in participation of all employees and, if possible, in consultation with stakeholders. This strategic management method helps public institutions to gain and adopt a multi-annual resource allocation and budgeting perspective covering co-financing requirements as well.

1.1.2 Which implementation mechanisms exist or are planned at national, regional and local level to ensure the proper functioning of the budgetary system?

In Turkey, at national and local level, the budgetary system is implemented under the mechanism defined in the PFMC Law No. 5018. In Turkish administrative system, there is no regional administrative structure; therefore there is no regional budgeting process.

The budgets of the administrations within the scope of general government are prepared and implemented in the form of central government budget, social security institution budgets and local administration budgets. No budget under any name other than the foregoing shall be prepared by the public administrations.

Budgets in Turkey are prepared and implemented according to international standards.

Institutions prepare their budgets according to budget call, budget preparation guide, investment circular and investment programme preparation guide within the standards set. After the approval of the budget, the annual expenditure programming is done by the institutions to constitute the basis for implementation.

Reallocation of appropriations within or between the budgets, undertaking following year or multi year commitments, pre-payment, final payment, accounting, control and reporting mechanisms are in the scope of budget implementation.

Efficiency in budget implementations is ensured by the following measures:

- Implementing budget and accounting code structures in compliance with international standards,
- Applying accrual-based accounting system,
- Preparing and issuing financial statistics of central government and general government,
- Realizing and monitoring budget and accounting operations by utilizing electronic systems,
- Preparing activity reports including budget implementations and announcing them to public,
- Monitoring and evaluating the system with internal control and internal audit mechanisms.

The budget preparation process of local authorities is set in their respective legislation and is also subject to the above mentioned implementation mechanism.

In the framework of international best practices, improvement on the budget implementation mechanisms will be carried on.

1.2 Co-financing mechanisms at national, regional and local level

1.2.1 How will national co-financing (at central, regional or local level) in the framework of EU assistance be secured?

Current Situation

Co-finance at central level

The national co-financing for the EU funded projects is secured by the provisions set out in Annual Budget Laws and Annual Programme Decree.

According to 2006 Central Government Budget Law No. 5437/Art. 18 (Official Gazette: 31 December 2005, no 26040); co-financing commitments for the EU funds are being included in the institution's budget for the central government agencies and they have to be transferred to the National Fund in 30 days latest upon the request of State Minister responsible for Treasury. Additional appropriation requirements, which may arise in the implementation of the projects, can be met by transferring from the budget of the MoF.

According to Article-17 of "Annual Programme Decree" and Article-65 of "the Guide for 2007-2009 Investment Programme", the projects which will be financed in the framework of EU Financial Assistance are submitted to SPO (responsible institution for the preparation of Investment Programme in Turkey) with the appropriation request for national co-financing to associate with Investment Programme by the project owner institution. By this way, complementarity of national co-financing with Investment Programme is ensured.

In addition, according to Article-18 of Central Government Budget Law and Article-7 of the Annual Programme Decree, the funds allocated as national co-financing for the projects in the framework of EU financial assistance can not be transferred to any other projects.

Co-finance at local level

The co-financing of the projects whose beneficiaries are local authorities is provided from the budgets of relevant authorities. Thus, any co-financing requirement foreseen must be placed in the budget of the relevant authorities. Following provisions constitute the legal base for co-financing by local authorities;

- Metropolitan Municipality Law No. 5216 (Official Gazette: 23 July 2004, no 25531) Article-24 Expenditures of Metropolitan Municipality: "(n) Expenditures for services and projects which will be realized with the partnership of domestic and foreign public, private sector and NGOs to realize public benefit"
- Municipality Law No. 5393 (Official Gazette: 13 July 2005, no 25874) Article-60 Expenditures of Municipality: "(m) Expenditures for services and projects which will be realized with the partnership of domestic and foreign public, private sector and NGOs"
- Special Provincial Administration Law No. 5302 (Official Gazette: 4 March 2005, no 25745) Article-43 Expenditures of Special Provincial Administration: "(l) Expenditures for services and projects which will be realized with the partnership of domestic and foreign public, private sector and NGOs"

In addition to own resources and budget allocations of the local authorities Iller Bank (Bank of Provinces), which was established to deal with the development and construction of urban infrastructure of local authorities, provides loans for the investment projects of local authorities, which are in compliance with the Bank's evaluation criteria.

For example, 25 % national contribution for the Çanakkale and Kuşadası Solid Waste Management Projects which are the first investment projects in the framework of 2005 Financial Cooperation Programme will be financed by İller Bank.

On the other hand, By-Law on the Local Administrations' Budget and Accounting (Articles 17, 36 and 39) includes measures to prevent the utilization of appropriations allocated as provisional/earmarked grants and aids for different purposes.

Provisions for Future

As already stated above, necessary mechanisms to secure national co-financing are already in place to a great extent and being used in implementing pre-accession funds. However, current mechanisms might need to be improved and reinforced for future needs.

Technical studies are underway for designing more systematic mechanisms to secure co-financing needs of local authorities, based on objective criteria, in particular financial capacity of the project beneficiaries.

1.2.2 How are the regional and local authorities financed? Do they have some autonomy for borrowing funds? What share of their budget comes from own fiscal resources/transfer from state budgets?

Local authorities have their own budgets and they finance their expenditures by local taxes, tax share, grants, other local sources (fines, penalties, charges etc.) and borrowing.

Incomes

Current Situation

- **Tax Revenues**

Local Taxes

Local authorities are entitled to directly collect special taxes according to the Law on Municipal Revenues No. 2464 and Law on Property Tax No. 1319. Municipal taxes are;

- Property Tax
- Announcement and Advertisement Tax
- Entertainment Tax
- Communication Tax
- Electricity and Gas Consumption Tax
- Fire Insurance Tax and
- Environment Cleaning Tax

According to the Constitution, Article 73, "Taxes, fees, duties and other such financial impositions shall be imposed, amended or revoked by law. The Council of Ministers may be empowered to amend the percentages of exemption, exceptions and reductions in taxes, fees, duties and other such financial impositions, within the minimum and maximum limits prescribed by law." Therefore, local authorities cannot introduce new types of taxes, and they are not free to fix the rate or percentage of taxes. And also there is no tax levied in addition to state taxes.

Tax Share from General Budget

This is the most important revenue item for local authorities.

Tax share distributed to municipalities and special provincial administrations according to the Law on Transfer of Tax Revenue of General Budget to Municipalities and Special Provincial Administration No. 2380 (Official Gazette: 5 February 1981, no 17242). After deduction of some revenue items (special consumption tax on petroleum products, 28% of special consumption tax on motor vehicles, 60% of special consumption tax on tobacco and alcohol, special communication tax, lottery tax and tax rebates), 6% of general budget tax revenues is transferred to municipalities while 1.12% of tax revenue of general budget tax revenues transferred to special provincial administrations.

Metropolitan Municipalities have different tax share system. According to Metropolitan Municipality Law Art. 23;

- 5% of the general budget tax revenue collected within the metropolitan municipality area
- 35% of tax share of municipalities within the metropolitan area

Tax shares calculated by Ministry of Finance (MoF) and transferred to Iller Bank as revenue collection realized on monthly basis. Iller Bank distributes these shares to municipalities and special provincial administrations on per capita basis depending on last census. The usage of tax shares is not dependent on any certain condition. On the other hand, tax shares of metropolitan municipalities are distributed by MoF on a basis of special formula, set out in Metropolitan Municipality Law.

- **Non-Tax Revenues**

- Citizen's contribution to urban infrastructure expenditures (fixed share of local investment in road construction, water supply and sewage services paid by citizens who benefit from them)
- revenue from properties of municipalities,
- revenue from municipal duties,
- fees, (building permission, business permission etc.)
- fines,
- Grants; Grants allocated by ministries are special aids and special funds. Some ministries (such as Ministry of Environment and Forestry, Ministry of Transport, Ministry of Public Works and Settlement) have funds according to their organizational acts and for their particular field of activity.
- others.

Tax and non-tax revenues (except fines and grants) mentioned above are collected only by municipalities.

- **Factor Income**

Factor incomes cover sales revenues and profits of enterprises and utilities owned by local authorities.

The breakdown of incomes of local authorities in 2004, 2005, 2006 are presented in Table-1. Table-2 shows the percentage share of incomes of local authorities in GNP. Table- 3 shows the percentage of local authorities' incomes coming from general budget.

(Million Euro)

Table-1 Consolidated Operations of Local Authorities

Years	2004*	2005**	2006***
	Incomes	Incomes	Incomes
1.Tax Revenues	5 727	7 277	8 218
2.Non-Tax Revenues	1 732	2 341	2 494
3.Factor Incomes	2 333	2 667	2 966
TOTAL	9 792	12 285	13 678

* *Provisional*

** *Estimate*

****Program*

Source: 2006 Annual Program

Table-2 Consolidated Operations of Local Authorities (Percentage Share in GNP)

Incomes/Years	2004*	2005**	2006***
1.Tax Revenues	2,20	2,48	2,51
2.Non-Tax Revenues	0,67	0,80	0,76
3.Factor Incomes	0,90	0,91	0,91
TOTAL	3,77	4,18	4,18

* *Provisional*

** *Estimate*

*** *Program*

Source: 2006 Annual Program

Local Authorities' budgets are heavily dependent on transfers from general budget. Most of the transfers are in the form of tax share revenue from general budget.

Table-3 Tax Share as a Percentage of Total Revenues ⁽¹⁾ (2005)

Municipalities	45,6
Metropolitan Municipalities	73,9
Special Provincial Administrations ⁽²⁾	68,1

(1) excluding borrowing

(2) including tax share plus transfers from central budget to cover the services of abolished General Directorate of Rural Services

Source: 2006 Annual Program

There is a draft law, which is under consideration in Parliament, to regulate the incomes of local authorities. Besides revising the tariffs in some taxes and fees, this draft regulation will give an opportunity to increase the tax revenue for municipalities and special provincial administrations. Some of the changes in the draft law are listed below:

- Allocation of tax revenues between central and local administration are going to be redesigned. Tax share from the general budget are going to be raised, in addition to the population criterion; based on standards such as the performance of local administrations, the ratio of own resources to total resources, the level of development, the population of rural areas
- Amount of transfers from general budget to local administrations are going to be increased
- Rates and amounts of local taxes and fees are going to be increased

- Transfers from local administration revenues to various central government units are going to be eliminated

As a result, local administration revenues are going to be expected to increase by 35 percent.

Borrowings

Local authorities have limited borrowing autonomy. Following procedures stated in the laws of local authorities must be complied with:

- Borrowing decisions must be taken by the council of local authorities.
- Foreign borrowings would only be used for the projects in Investment Programme in accordance with the rules in the Law on Public Finance and Debt Management No. 4749 (Official Gazette: 9 April 2002, no 24721). Local authorities can obtain foreign borrowing only with the permission of Undersecretariat of Treasury.
- Issuance of Bonds is only possible for projects in Investment Programme in accordance with the related legislation (The Law on Public Finance and Debt Management No. 4749 and The Law on Capital Market No. 2499 (Official Gazette: 30 July 1981, no 17416)).
- Domestic borrowings up to 10% of the revaluated value of the last year budget revenues can be realized with decision of local council. Domestic borrowing, which exceeds this amount, must be approved by Ministry of Interior. (Law No. 5393 and No. 5302).
- Local authorities, which use investment credit and cash credit from Iller Bank, should submit a repayment schedule to the Bank.
- Domestic and foreign debt stock (including interest) of local authorities and their related institutions and the companies of which more than 50% of capital belong to local authorities can not exceed the revaluated value of the last year budget revenues (one and half times for metropolitan municipalities). These limits do not apply to the infrastructure projects approved by Council of Ministers.

Development Agencies (DAs)

The Law on the Establishment, Coordination, and Duties of Development Agencies at NUTS II level No. 5449 (Official Gazette: 8 February 2006, no 26074) entered into force on February 8, 2006.

In this regard, Izmir Development Agency (TR31 NUTS II Region) and Çukurova Development Agency (TR62 NUTS II Region) were established with the Cabinet Decision (No. 2006/10550 and dated 06.07.2006).

Incomes and the funds to be managed by the Development Agencies stated in the law are as follows;

- share of the 0,5% of the previous year general budget tax incomes after deduction of tax refunds and share of local authorities and funds. The share for each agency determined by the Cabinet according to population, development level and performance of the agencies,
- resources to be provided from the EU and other international funds (to be managed by DAs),
- operating incomes,

- Over the budget revenues of the previous year, appropriation to be transferred from the current year budget at the rate of 1% for special provincial administrations excluding borrowing, allocated revenues and aid items received from the organisations having general, additional and private budgets; for municipalities; appropriation to be transferred from current year budget at the rate of 1% excluding borrowing and allocated revenue items.
- 1% of the previous year budget income of the Chambers of Commerce and Industry in relevant region,
- donations and aids to be made by the national and international organizations (to be managed by DAs),
- incomes transferred from previous year,

Estimated resources to be allocated to Development Agencies are as follows;

Table-4 Incomes of DAs

2005, million Euro, (estimation based on 2005 figures)

Resource	Contributions (%of Revenues)	Total Budget Revenues	Resource to be allocated to DAs	Share in the total Agency Resources
General Budget Tax Revenues	0,5	64,630	323	75 %
Special Provincial Administrations	1	1;141	11	2.5%
Municipalities	1	9;603	96	22 %
Chamber of Commerce and Industry	1	181	1.81	0.5 %
TOTAL (26 Agencies)			431.81	100
AVERAGE (per Agency)			16.60	

1.2.3 Which mechanisms are foreseen to take account and attract private co-financing? Is there a legal framework for PPP or concessions?

Current Situation

Both at central and local level; several models such as Build-Operate-Transfer (BOT), Build-Operate (BO), Build-Lease-Transfer (BLT) and Transfer of Operating Rights (TOR) are used to attract private co-financing for investments.

Public Private Partnership is regulated through the following laws:

- The Law on the realization of certain investment and services in the framework of build-operate-transfer model No. 3996 (Official Gazette: 13 June 1994, no 21959) (General BOT Law)
- The Law on Granting Authorization to Institutions Other Than The Turkish Electricity Authority for Generation, Transmission, Distribution and Trade of Electricity No. 3096 (Official Gazette: 19 December 1984, no 18610) (BOT and TOR Law in Energy Sector)

- The Law on the Establishment and Operation of Electric Energy Production Plants and Regulation of Energy Sales No. 4283 (Official Gazette: 19 July 1997, no 23054) (BO Law in Energy Sector)
- The Law on the Basic Health Services (as amended by the law No. 5396) - Prepare the way for Build-Lease No. 3359 (Official Gazette: 15 May 1987, no 19461) (BLT Law in Health Sector)
- The Law on Granting Authorization to Institutions other than the General Directorate of Highways for Construction, Maintenance and Operation of Motorways. No. 3465 (Official Gazette: 2 June 1988, no 19830) (BOT Law for Highways)
- The Law on Privatization Applications No. 4046 (Official Gazette: 27 November 1994, no 22124)
- The Law on the long term leases of the airports and the passenger terminals to the private sector No. 5335 (Official Gazette: 27 April 2005, no 25798) (TOR and Long Term Lease Law for airports and terminals)
- Article-15 of Municipality Law No. 5393 and Article-10 of Special Provincial Administration Law No. 5302 on concessions.

Major infrastructure projects are conducted through BOT and BO models. BL model has recently been introduced into health sector.

As already introduced above, there are many laws to realize major infrastructure projects with PPP models. Many airport terminals, ports, dams, hydro-electric power plants, natural gas plants etc. projects were realized with current the PPP laws.

However, technical studies to diversify models and the content of PPPs are being carried out.

1.2.4 What provisions are foreseen in the national budget, which allow transferring budgets of national co-financing between programs, funds and years?

Current Situation

As it is stated in section 1.2.1, the national co-finance is already secured in the current legislation with the Central Government Budget Law No. 5437, PFMC Law No. 5018 and Annual Programme Decree.

According to the provisions of current budget law, transfer of the co-finance budget of EU projects to other programmes is not allowed. Annual Budget Law No. 5437/Art.18 specifies that “Appropriations in the budget of related institutions as the equivalent of the financial assistance to be provided in the framework of EU-Turkey Financial Assistance could not be appropriated to other services or actions”.

However, the current budget system includes certain regulations allowing transfers between appropriations and years for certain cases. These regulations are mentioned below:

Appropriation transfers from the central government budget

PFMC Law No. 5018 regulates the appropriation transfers from the central government budget in the Article-21.

In the Article-21, which regulates appropriation transfers, it is ruled that “Appropriations transfers among the budgets of the public administrations within the scope of central government shall be carried out on the basis of law. However, public administrations within the scope of central government are entitled to perform appropriation transfers within their

budgets up to the amount of five percent of the appropriation in the item from which the appropriation will be transferred, unless a different ratio is defined in the budget law of pertaining year. Such kind of transfers shall be notified to the MoF in following seven days. No transfer to other items shall be carried out from personnel expenditure items, items to which transfers have already been made, and items to which transfers have been made from contingency appropriations.”

Commitments Carried Over to Subsequent Years

According to PFMC Law No. 5018 Art.28- (Amendment: 22.12.2005 – No. 5436/ Art.10/c.) Public administrations within the scope of central government may undertake commitments carried over to the subsequent years for the investment projects that cannot be completed in one fiscal year. It is also possible to undertake commitments carried over the subsequent years for the current expenditures upon the positive opinion of the MoF.

1.3 Specific financial control legal provisions

1.3.1 What is the legal framework related to financial control and audit? Are all public bodies, at national or local level, required to set up financial control and independent internal audit structures?

Legal Framework

Legal framework of Public Financial Control and Audit System consists of related articles of the Constitution, PFMC Law No. 5018 and other related laws.

Related Articles of the Constitution

Provisions of Articles 161-165 are related to preparation, debate and implementation of the central government budget, budget amendment principles, final account and audit of state economic enterprises. Article 160 is related to Turkish Court of Accounts.

Public Financial Management and Control Law No. 5018

PFMC Law No. 5018 which is prepared with the aim of harmonising Turkish Public Financial Control and Internal Audit System with international standards and EU practices was adopted at the end of 2003 and was put into force on 1.1.2006 with all of its provisions.

PFMC Law No. 5436 was adopted at the end of 2005 in order to improve the implementation efficiency of PFMC Law No. 5018 and to provide the formation of administrative structure in institutions.

24 legislations obligatory for the implementation of the Law, 20 of which are secondary and 4 of which are tertiary, are prepared and put into force.

The studies on preparation of secondary and tertiary legislation for improving the implementation are continued.

Other Related Laws

Other related laws arranging financial control and audit system are:

- The Law on the establishment, organisational structure, tasks and authorities of Turkish Court of Accounts which is responsible for external audit No. 832 (Official Gazette: 27 February 1967, no 12538)
- Municipality Law No. 5393 related to the aim, scope and types of internal and external audit in Local Administrations, Metropolitan Municipality Law No. 5216 and Special Provincial Administration Law No. 5302
- The Law on Rearrangement of Public Finance and Debt Management No. 4749

Public Internal Financial Control System (PIFC)

All public administrations within the scope of general government are included in PFMC Law No. 5018. In accordance with the international classification, general government consists of central government, social security institutions and local administrations. Central government is divided into three as general budget administrations, special budget administrations and regulatory and supervisory agencies.

The provisions of Articles 55-67 of PFMC Law No. 5018 are related to the internal control system (fifth part “Internal Control System”). All public administrations within the scope of this Law are subject to establish financial control and internal audit structures. From the beginning of 2006, in all public administrations, financial control structures are established

and put into operation. Internal audit structures are also established and the appointment procedure is going on.

- Tasks, authorities and responsibilities of all of the actors in PIFC system are clearly defined and within the framework of managerial responsibility, the initiative of public administrations related to the budget preparation, implementation and control process is increased.
- Internal control structure is formed in public administrations, ex-ante, ongoing and ex-post control mechanisms are included.
- A functionally independent internal audit system is established in public administrations.
- All public administrations within the scope of general government are taken into the scope of external audit.
- The scope of the audits to be carried out by the Turkish Court of Accounts is enlarged
- Accounting unity in general government is ensured and it is foreseen that financial statistics are prepared according to international standards and declared to public.
- By this law public administrations are subject to prepare annual activity report and make them public.

Public internal financial control system is composed of (i) financial management and control, (ii) internal audit and (iii) central harmonisation units. Central harmonization function is performed by the MoF in the field of financial management and control, and by the Internal Audit Coordination Board in the field of internal audit.

The standards and procedures related to the financial management and internal control process shall be defined, developed and harmonized by the MoF and those related to internal audit by the Internal Audit Coordination Board. These bodies shall at the same time ensure the coordination of the systems and provide guidance to public administrations.

Public Internal Financial Control System depends on the managerial accountability principle. Based on the managerial accountability, segregation of duties and sound financial management principles, managers are in charge of establishment of financial management and control system, establishment of internal audit system, clear description of duties, competencies and responsibilities, taking necessary precautions, supervision of operations and reporting results.

In this framework, ministers are politically responsible for the financial management and control system. Head of public administrations are obliged to establish financial management and control system, to ensure its effective operation, to control and take the necessary corrective measures.

Financial management and control systems of public administrations are formed by spending units, financial services unit and internal audit.

External Audit

The purpose of the ex post external audit to be performed by the Court of Accounts is to audit, within the framework of the accountability of public administrations within the scope of general government, the financial activities, decisions and transactions of management in terms of their compliance with the laws, institutional purposes, targets and plans, and to report their results to the Turkish Grand National Assembly.

The external audit is performed in accordance with the generally accepted international audit standards by carrying out the following:

- On the basis of public administrations' accounts and relevant documents, to perform financial audit on the reliability and accuracy of financial statements, and to determine whether the financial transactions related to revenues, expenditures and assets of public administrations comply with the laws and other legal arrangements.
- To determine whether the public resources are used in an effective, economic and efficient way, to measure the activity results and to evaluate them as to their performance.

The Court of Accounts shall prepare the External Audit General Evaluation Report by taking into account the audit reports and replies given thereto, and present it to the Turkish Grand National Assembly.

The finalisations of accounts by the Court of Accounts means taking a decision on whether the revenue, expenditure and asset accounts and related transactions of the public administrations within the scope of general government are in compliance with the legal provisions.

Other issues on the finalisation of external audit and accounts shall be stipulated in the relevant law.

1.3.2 Are there legal requirement with regard to segregation of duties, in particular between payment and authorizing functions?
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Legal Framework

Segregation of duties principle which is an important component of internal control is included in PFMC Law No. 5018.

The PFMC Law No. 5018 defines the authorities at each stage for expenditure and payment under the titles of authorising officer, realisation officer and accounting officer.

According to the PFMC Law No. 5018, duties as authorising officer and accounting officer shall not be entrusted to the same person. Those carrying out the duty of ex ante financial control in strategy development units shall not be entrusted any duty during the stages of preparation and implementation of financial decisions and transactions such as the preparation of approval document, annexes thereof and draft specification and contracts, documentation of financial decisions and transactions, receipt of goods and services and they shall not be the chairman or member of Tender Commission, Examination and Admission Commission.

1.4 Compliance with Community policies

1.4.1 What adaptations are necessary to your legislative framework to ensure compatibility of future operations by the Structural and Cohesion Funds with the EU Rules on competition (state aids), public procurement, environment (in particular environmental impact assessment, application of the polluter pays principle and definition of the Natura 2000 areas) and equality of opportunities between men and women?

Competition (State Aids)

In the field of state aids, the principles governing the granting of state aid in Turkey are currently regulated by various legal acts which determine criteria and conditions of eligibility for aid. In this framework, with a view to ensure alignment to the EU state aid acquis, a preliminary draft law regarding the establishment of a State Aid Monitoring Authority has been prepared and submitted to the Prime Ministry. It is expected that the draft law will be submitted to the Parliament by the end of 2006.

Above mentioned draft framework law foresees the establishment of a State Aid Monitoring Authority and the state aid monitoring and supervision system comprising the definitions, eligibility criteria, notification, investigation, recovery and reporting procedures in line with the EU rules. Accordingly, any state aid scheme or individual aid will require prior notification to the Authority in order for compliance with the state aid rules. It is foreseen for the State Aid Monitoring Authority to fulfil the tasks of developing state aid inventory in the framework of the feedbacks received from implementing institutions, establishing database for monitoring the financial dimension of the aids and ensuring the harmony considering the thresholds of the aid concentrations designated in the EU regulations on regional aid. It is also foreseen for the state aid implementing institutions to design their aid programs considering the NUTS based regional aid map and the thresholds designated in the EU regulations on regional aid. Meanwhile efforts are concentrated on the preparation of a preliminary inventory of the state aids currently being implemented in Turkey.

As for the implementation of the pre-accession assistance, the principle of compliance with state aids rules is respected accordingly during the implementation of the projects. For the future programming, afore mentioned principle will continue to be respected.

Public Procurement

Turkish public procurement regime underwent a major reform in 2002. The new system is designed according to the international standards, especially with the UNCITRAL Model Law and the EU directives on public procurement.

In this regard, the Public Procurement Law (PPL) No. 4734 (as amended lastly by Law No. 4964), incorporated the basic principles of the Council Directives 93/37/EEC, 93/36/EEC, 92/50/EEC and 89/665/EEC. The existing PPL provides many of the elements required of a procurement system such as; transparency, competition, equality of treatment, impartiality, accountability, economic efficiency, public supervision, predictability, confidentiality.

The Public Procurement Authority (PPA) was established by the Law No. 4734 as a financially and administratively autonomous regulatory body responsible for regulating and monitoring the public procurement system. The organizational and human resource infrastructure of the Authority necessary to implement the acquis is functioning and capable of meeting the obligations.

The secondary legislation for the implementation of the Law has been prepared and put into force by Public Procurement Authority and being used by stakeholders.

In light of the screening process, a preliminary draft law on utilities sector is being prepared by taking into consideration the Council Directive 2004/17/EC, and further studies have been undertaken in order to upgrade the existing legislation particularly in terms of novelties brought by the Council Directive 2004/18/EC.

Environment

Environmental Impact Assessment (EIA)

The By-law on Environmental Impact Assessment (BEIA) entered into force on 7 February 1993 and has been revised three times since then. The last BEIA (Official Gazette: 16 December 2003, no 25318) is the main national legislation regarding the assessment of the effects of public and private projects on the environment. The By-law, is in compliance with the provisions of the EIA Directive (85/337/EEC), particularly in its procedural aspects.

The list of projects subject to the EIA is given as Annex I of the BEIA. Under no circumstances the projects listed in Annex I receive any incentive, approval, permit, license (construction and utilization), credit or financial support unless the decision “EIA Positive” for projects that are subject to EIA; or “EIA is not Required” for projects that are subject to preliminary EIA, is obtained from the Ministry of Environment and Forestry.

According to Article 27 of the 2007-2009 Investment Programme Preparation Guide (Annex of 2007- 2008 Investment Circular published in the Official Gazette no 26234 dated 20 July 2006), new projects that lack of detailed feasibility report and “EIA Positive Certificate” if required by legislation, can not be proposed to be included in the Investment Programme.

Natura 2000

Technical studies for drafting a law about nature and biodiversity protection have been initiated by the General Directorate of Nature Protection and National Parks of the Ministry of Environment and Forestry with the contributions of all related parties. These studies take into consideration the provisions of the relevant EU Directives on habitats and wild birds and international conventions signed by Turkey.

In addition, determination of potential NATURA 2000 areas and preparation of management and protection plans are among the targets of the draft EU Integrated Environmental Approximation Strategy of Turkey for 2007-2023, which has been prepared by the Ministry of Environment and Forestry in coordination with State Planning Organization.

Polluter Pays Principle

According to the Article 2 of the Law on Environment No. 2872 (Official Gazette: 11 August 1983, no 18132) as amended by the Law No.5491 (Official Gazette: 13 May 2006, no 26167), polluter is defined as “the natural and legal persons that cause either directly or indirectly to the deterioration of the ecological balance and environment and to the pollution of the environment during or after their operations”.

Article 3 of the Law states that “the expenses incurred for preventing, limiting, eliminating the environmental pollution and deterioration and improving the environment shall be paid by the polluter or whoever causes the deterioration”.

According to the Article 11 of the Law, “investment, operation, maintenance, repair and rehabilitation expenses” of wastewater and landfill facilities are to be collected from the current and future users of these services. Accordingly, this is a system in which “polluter pays principle” is applied not only to the industrial installations but also to each of the individual being. The parties, which are using and/or will be using the wastewater

infrastructure systems/solid waste disposal facilities, shall contribute to the expenses that will be incurred by the administrations that are responsible of the treatment systems, for investments in, operating, maintaining, repairing, improving and cleaning of the subject matter systems in proportion of their share in pollution independent of whether they have a connection system or not. From those who benefit from these services a fee for collecting, treating and disposing of waste water/solid waste is collected at the rate determined by the municipal commission and the other administrations that are authorized.

In addition to the above-mentioned provisions of the Law, polluter pays principle is included in By-laws on Water Pollution Control, Control of Waste Oils, Solid Waste Control and Control of Used Batteries and Accumulators, and is among the basic principles of the draft EU Integrated Environmental Approximation Strategy of Turkey for 2007-2023.

On the other hand, EU rules and policies in the field of environment are followed for all EU funded investment projects, and the experience gained contributes to the building of required implementation capacity.

Sustainable Development

The purpose of the Law on Environment No. 2872 (Official Gazette: 11 August 1983 no 18132) as amended by the Law No. 5491 (Official Gazette: 13 May 2006 no 26167) is to protect the environment, which is the common asset of all the living beings, in line with the principles of sustainable environment and sustainable development (Art. 1).

Article 2 defines the sustainable development as the development and progress that pursues a balance between the environmental, economic and social targets in order to ensure both current and future generations live in a healthy environment.

According to the general principles pertaining to the protection and improvement of the environment and the prevention of the pollution, which are set out in Article 3;

- The authorized agencies, which decide on the land and resource utilization and conduct project evaluation, observe the sustainable development principle in their decision making process (Art. 3.c).
- The benefits of the economic activities to be performed and their effects on the natural resources are evaluated on a long term basis according to the sustainable development principle (Art. 3.d).

The concept of the sustainable development is also included in the draft EU Integrated Environmental Approximation Strategy, which will be a guidance map for resolving the national environmental problems.

The project of “Integration of the Sustainable Development into Sectoral Policies”, which is financed under 2004 EU Pre-Accession Financial Assistance and started in 2006, aims to enable Turkey to integrate the sustainable development principles into national and regional development planning, both at the micro economic and sectoral levels. The project has three components; national capacity, grant programme and advocacy and capacity building.

Equality of opportunities between men and women

Equal opportunities for men and women are basically guaranteed in the Constitution (Art. 10) “All individuals are equal without any discrimination before the law, irrespective of language, race, colour, sex, political opinion, philosophical belief, religion and sect, or any such considerations. Men and women have equal rights and the State is responsible to implement these rights (Art. 10).

As required by the acquis, the principle of equal pay for women and men is guaranteed by law. The principle of equal pay pertains to all employees covered in the scope of Labour Law No. 4857 as well as Civil Servants Law No. 657.

As regards access to employment, vocational training and promotion, working conditions and social security, there exist provisions in various laws focusing on equal treatment. The relevant laws are:

- Labour Law No. 4857: No discrimination based on language, race, sex, political thought, philosophical belief, religion, sect and similar grounds can be made in the business relation. The employer can not treat a worker directly or indirectly in concluding the labour contract, establishing the conditions thereof, implementation and termination thereof due to sex or pregnancy, unless biological reasons or those pertaining to the work qualifications oblige.
- Law on Social Insurance and General Health Insurance No. 5510: All employees irrespective of gender and form of working are insured by this law.
- Law on Vocational Training No. 3308: General provisions on training and working conditions as well as social security are set regardless of sex.
- Law on Civil Servants No. 657: General provisions on access to employment, promotion, training and working conditions as well as social security are set regardless of sex. There are general and specific (like entrance exams) requirements for recruitments of civil servants, these conditions are the same for men and women.

In pre-accession programmes, equal opportunity principles and practices in ensuring equitable gender participation in the projects are guaranteed. Also, in projects, participation of men and women are based on EU standards and assured by official announcements published to recruit the necessary staff for the projects. The main criteria for recruitment are relevant qualifications and experience in similar projects, not sex or age.

Bilateral Screening Meetings on relevant chapters were held on the following dates:

- ***Competition Policy***; 1-2 December 2005
- ***Public Procurement***; 28 November 2005
- ***Environment***; 29 May-2 June 2006
- ***Social Policy and Employment***; 20-22 March 2006

1.5 Territorial Organisation

1.5.1 Please explain briefly the relevant territorial organisation of your country. Are there ministerial/inter ministerial deconcentrated structures?

According to Article 123 of the Constitution, “The organisation and functions of the administration are based on the principles of centralization and local administration”.

Further, Article 126 of the Constitution states that “In terms of central administrative structure, Turkey is divided into provinces on the basis of geographical situation and economic conditions, and public service requirements; provinces are further divided into lower levels of administrative districts”.

In this framework, Province Administration Law No. 5442 details this division and indicates that “Turkey is divided into provinces; provinces are divided into sub-provinces (districts) and districts are divided into towns on the basis of geographical situation and economic conditions and public service requirements”

Provincial Administration

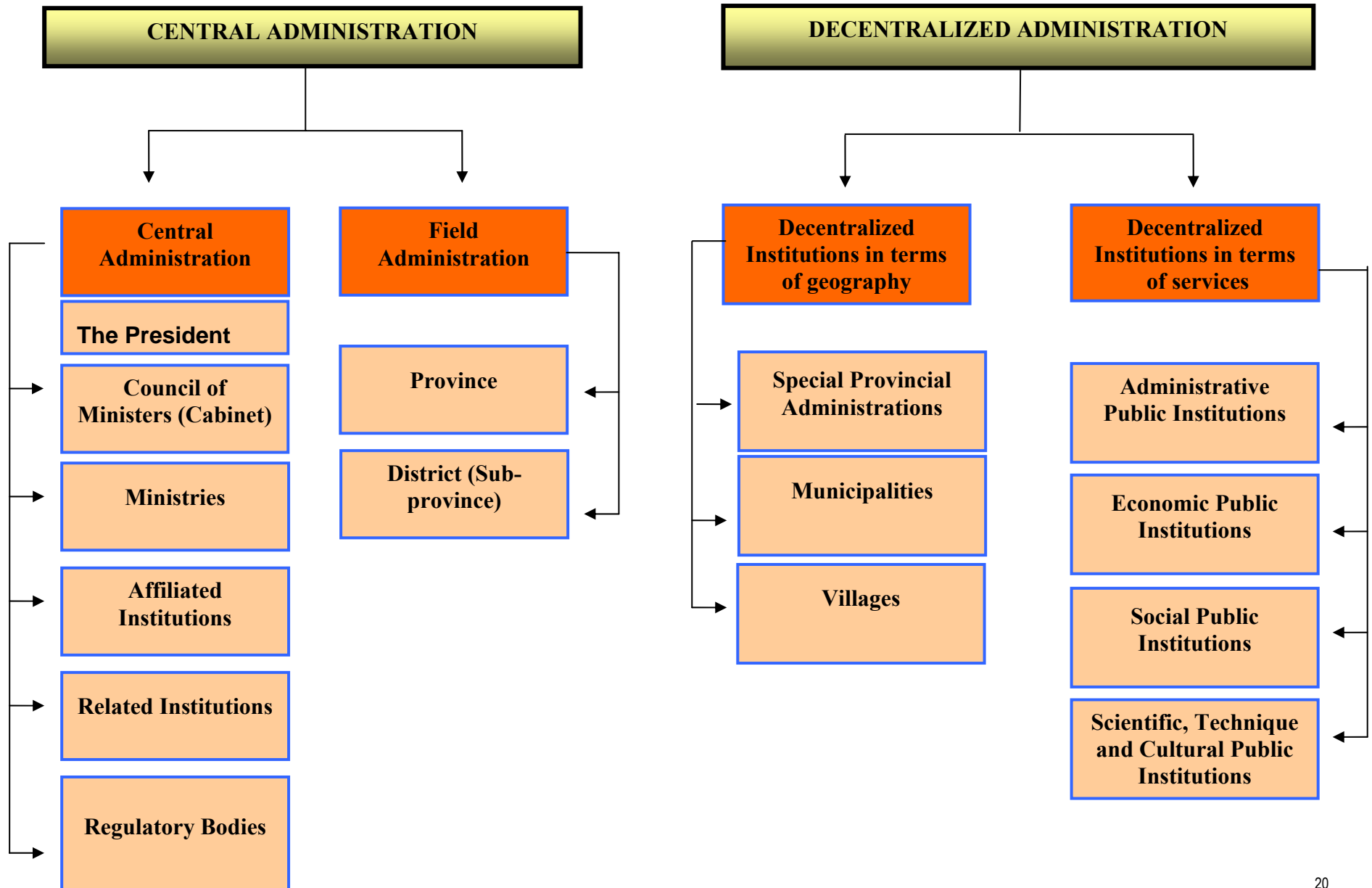
It is comprised by provinces and districts established to take and implement decisions on behalf of the Centre. These units are headed by provincial and district governors. The provincial administration, as stated by the 126th Article of the Constitution, is based on the principle of deconcentration. Currently, there are 81 provinces and 850 districts (sub-provinces) in Turkey.

Provincial Administration is composed of three parts:

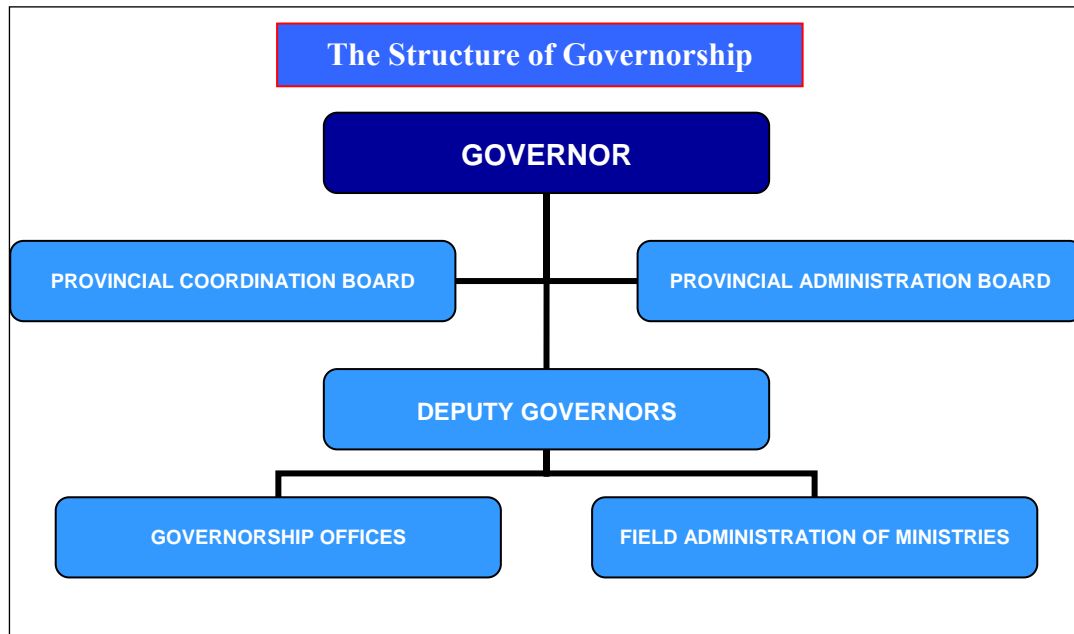
- Governor
- Provincial Directorates and
- Provincial Administration Board

Governor: Appointed by the Cabinet, governor is the head of provincial administration and the coordinator of line ministries at provincial level. Deconcentration principle, upon which the provincial administration is based, is defined in the Constitution and exercised by governor. Governor is both the representative of the state and the government in the province and of each ministry at the same time; therefore s/he is both administrative and political executive agent of the government and ministries. Governor is responsible and authorized for executing the decisions of both the government and ministries. All the decisions taken by the government and ministries are executed by means of governor. Because of this situation governor is responsible to each minister. In this sense, governorship institution can be conceived as an inter-ministerial deconcentrated structure.

TURKISH PUBLIC ADMINISTRATION



Provincial Directorates: Provincial directorates are services of main central ministries or affiliated institutions of them in province. Almost every ministry has a service in province like Ministries of Finance, Health, Industry and Trade, National Education, Labour and Social Security.



Provincial Administration Board: Under the presidency of governor or by whom the deputy governor assigned, it is composed of director of legal affairs, province treasurer, and directors of national education, public works, health, and agriculture. Principally, the board takes administrative and consultative decisions.

In parallel with provincial administration, there is a similar organisation under the head of district governor at district level.

Regional Organizations of Ministries

Regarding ministerial deconcentrated structures, regional directorates of several ministries such as Ministry of Labour and Social Security, General Directorate of State Highways (affiliated institution of Ministry of Public Works and Settlement), General Directorate of State Hydraulic Works (affiliated institution of Ministry of Energy and Natural Resources), General Directorate of Forestry (affiliated institution of Ministry of Environment and Forestry) etc. can be conceived as the ministerial deconcentrated structures.

Article 126 of the Constitution states that “Central administrative organisations comprising several provinces may be established to ensure efficiency and coordination in public services. The functions and powers of these organisations shall be regulated by law”.

According to Province Administration Law “for the purpose of performing certain public services, deconcentrated structures covering more than one province can be established”. In addition, Law on the Establishment of Ministries No. 3046 allows ministries and their affiliated institutions to establish regional organisations covering more than one province.

Local Authorities

The 127th Article of the Constitution defines local authorities as follows: “Local administrative bodies are public corporate entities established to meet the common local needs of the inhabitants of provinces, municipal districts and villages, whose decision-making organs are elected by the electorate described in law, and whose principles of structure are also determined by law. The formation, duties and powers of the local authorities shall be regulated by law in accordance with the principle of decentralisation.”

Accordingly, following laws, which were enacted recently as part of decentralisation trend, regulate the local authorities:

- The Law on Special Provincial Administrations Law No. 5302
- The Municipality Law No. 5393
- The Metropolitan Municipality Law No. 5216
- The Law on Local Authority Unions No. 5355

There are three types of local authorities in Turkey:

1. Special Provincial Administrations (SPAs)

SPAs are legal public entities established to meet the common local needs of inhabitants of province, whose decision-making bodies elected by electorates and having administrative and financial autonomy. SPAs are field administrations established to carry out tasks in the area beyond municipal boundaries, within their respective provinces. Once a province, which is the agent of the central government, is established, the SPA, which is a local authority, is automatically established, too. Therefore, there are 81 SPAs in Turkey.

Organs of the Special Provincial Administration

Special provincial administration has three organs:

- Provincial Council
- Provincial Executive Committee
- Governor

Provincial Council: Provincial council is the ultimate decision-taking organ of the SPA. It is composed of members elected on behalf of the districts. Office term for the members is 5 years. The president of Council is directly elected by members among them.

Provincial Executive Committee: The secondary decision-taking organ of SPA is the executive committee which is composed of members of the provincial council and headed by the Governor

Governor: The Governor is the head of the SPA.

2. Municipalities

Municipality is a local administrative unit having legal public entity, established to meet the common local needs of people, whose decision-making bodies are elected by electorates. Having administrative and financial autonomy, they carry municipal services in settlements with dense population. It is possible to establish municipalities in the settlements of more than 5000 inhabitants according to the Municipality Law. In addition, it is compulsory to establish municipal administrations in provincial and district centres regardless of their populations. In our administrative system, in addition to ordinary municipalities, there are metropolitan municipalities, and district and lower-tier municipalities falling within the borders of metropolitan municipalities. There are 3225 municipalities in Turkey.

Organs of Municipality

Municipality has three organs:

- Municipal Council
- Municipal Executive Committee
- Mayor

Municipal Council: The council is the ultimate decision-taking organ of this body. It is composed of members directly elected amongst the municipal population. The office period of the council is five years.

Municipal Executive Committee: The municipal executive committee is both the decision taking and execution, and the counselling organ of the municipality. It is composed of mayor, heads of the municipality service units and members elected by the municipal council from among its own members.

Mayor: Mayor is the head and executive organ of the municipality. Mayor assumes duty after being elected directly by municipal electors at local elections held every 5 years.

Metropolitan Municipalities

Metropolitan municipality concept is a relatively new one in the Turkish local authority system; it was introduced first in 1984. The Metropolitan municipality system takes its legal grounds from Article 127 of 1982 Constitution; accordingly it says “for the big settlements special administration systems may be established”. A metropolitan municipality is basically municipality, but it differs from the others by the fact that there are at least three district or lower-tier municipalities within its boundaries. It is specifically designed for the provision of municipal services in metropolitan areas. Currently, there are 16 metropolitan municipalities in Turkey.

The Organs of Metropolitan Municipality

Metropolitan municipality has three organs:

- Metropolitan municipal council
- Metropolitan executive committee
- Metropolitan Mayor

Metropolitan Municipal Council: The council is the ultimate decision-taking organ of this body. It is composed of one-fifth of the members of district and lower-tier municipalities within the metropolitan boundaries who has had the most number of votes, and the mayors of these municipalities. The council is chaired by the metropolitan mayor. The office period of the council is five years.

Metropolitan Executive Committee: The municipal executive committee is both the decision taking and execution, and the counselling organ of the municipality. It is composed of mayor, heads of the municipality service units and members elected by the municipal council from among its own members.

Metropolitan Mayor: The mayor is the head and executive organ of the metropolitan municipality. He is elected directly by voters in metropolitan municipal boundaries.

Table-5 Number of Units for Each Category of Local Authorities	
Special Provincial Administration	81
Municipalities	3225
Villages	34 459

Source: Ministry of Interior

Table-6 - Number Of Units For Each Category Of Municipalities	
Metropolitan Municipalities	16
Metropolitan District Municipalities	101
Metropolitan Lower-Tier Municipalities	283
Provincial Municipalities	65
District Municipalities	749
Sub-district (Town) Municipalities	2011
TOTAL	3225

Source: Ministry of Interior

3. Villages

Villages are traditional settlements where municipal administration are not founded. In general, small settlements together with their common properties, vineyards and orchards, and arable fields constitute villages. There are 34459 villages in Turkey

1.5.2 Are there any entities for regional development at regional level (in particular at NUTS II level)? What competences and role?

With the adoption and enactment of the Law on Establishment of Development Agencies (DAs) No. 5449 (Official Gazette: 8 February 2006, no 26074), it is now possible to establish special regional development entities at NUTS II level. As indicated in 2003 Progress Report for Turkey, a provisional NUTS classification, including 26 NUTS II level regions, has been established and agreed with the Commission.

Then, NUTS definition in Turkey was made by the Decision of the Council of Ministers No. 2002/4720 (Official Gazette: 22 September 2002 no. 24884). This definition was based on the need to collect and develop regional statistics, to make socio-economic analysis of the regions, to determine the framework of regional policies and to establish statistical data base in line with the EU Regional Statistics System.

According to this decree Turkish territory has been classified into 12 NUTS I, 26 NUTS II and 81 NUTS III regions for the purposes of more efficient implementation and analysis of regional development policies and ensuring harmonization with the EU.

Accordingly, NUTS II regions became main territorial level for the preparation of Regional Development Plans, Regional Development Programmes and for the establishment of the DAs as the possible programme management units.

With the introduction of EU Regional Development Programmes “service unions (development unions)”, based on the cooperation of the local authorities in the provinces that form the provisional NUTS II units, have been established since 2003 as a transitional method of programme management. These unions will be effective in the management and implementation of the programmes until the establishment of fully operational DAs. Service unions are established according to Local Authority Unions Law No. 5355, which was amended on 26/5/2005. These unions encompass a partnership (association) of provincial and municipal administrations in order to provide regional management structures for the implementation of regional development programmes. A total of eight service unions are operational and one is to be established in those NUTS II regions where EU-funded regional development projects are being implemented/to be implemented.

On the other hand, the DAs, which will substitute the role of current service unions, are to be the leading and coordinating organizations for regional development and local institution-building at NUTS II level. The DAs will improve collaboration among the public sector, the private sector and NGOs, ensure efficient use of resources and provide regional development with a new impetus activating local dynamics and internal potential.

The Law on the Establishment and Duties of the DAs No. 5449 defines the role of the DAs in terms of regional development. Accordingly, the DAs shall be organized for the purpose of accelerating regional development, ensuring its sustainability and reducing inter-regional and intra-regional development disparities in accordance with the principles and policies set in the National Development Plans and Programmes through enhancing the cooperation among public sector, private sector and NGOs, ensuring the efficient and appropriate utilization of resources and stimulating local potential.

Main duties and competences of the agencies are as follows::

- To provide technical support to the planning studies of local authorities,

- To support the projects ensuring the implementation of regional plan and programmes and to monitor and evaluate them,
- To contribute into the improvement of the capacity of the region concerning the rural and local development,
- To improve cooperation in between public sector, private sector and NGOs to achieve regional development objectives,
- To ensure utilization of the resources allocated to the agency in conformity with regional plan and programmes,
- To promote business and investment facilities of the region at national and international level, in close cooperation with other related institutions,
- To follow and coordinate centrally the permission and licence transactions and other administrative transactions of the investors,
- To support SMEs and new entrepreneurs in cooperation with other related institutions,
- To promote activities related to bilateral or multilateral international programmes.

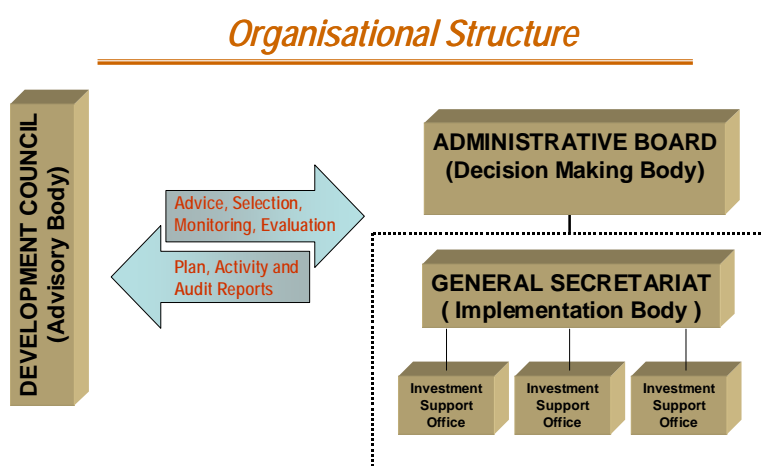
After the establishment of the agency the experience and the capacity built in the service unions will be transferred to the agencies and these unions will become stakeholders (beneficiaries) of the agency for regional development supports. They are going to continue to capacity building, project preparation and implementation activities as beneficiaries of the national and EU funded programmes.

Each agency will be established by a decree. The decision of NUTS II regions where those agencies will be established are under the authority of Council of Ministers. Recently, two DAs have been established in TR 31 (İzmir) and TR 62 (Adana, Mersin) NUTS II regions by a Government Decree No. 2006/10550 (Official Gazette: 6 June 2006 no 26220).

Three by-laws regarding the principles and procedures regarding the operation of the agencies, qualifications and recruitment of the personnel, budget and accounting have been adopted and enacted within last three months. Currently, secondary regulations concerning the issues such as audit and performance of the DAs are being prepared.

Structure of the Agency

The organisational structure of the DAs shall consist of the Development Council, the Administrative Board, the General Secretariat and the Investment Support Offices.



The Development Council, a consultative platform of the major regional actors, shall be established in order to enhance the cooperation among public institutions, private sector, NGOs, universities and local authorities in the region and to guide the agency. The Development Council shall be composed of maximum 100 members representing the provinces in a balanced way. The duties and authorities of the Council are to discuss and evaluate regional issues (plans) and to make proposals on them, to select representatives from private sector and NGOs to be members of the Administrative Board and to make recommendations to the Administrative Board.

The Administrative Board is the decision-making body of the agency. In the regions composed of one province, the Administrative Board consists of the governor, the mayor of the metropolitan municipality, the Chairman of the Provincial Council, the Chairman of the Chamber of Industry, the Chairman of the Chamber of Commerce and three representatives of private sector and/or NGOs who are selected by the Development Council. In the regions composed of more than one province, it consists of the governors of all provinces, the mayors of metropolitan municipalities or the mayors of provincial municipalities where there is no metropolitan municipality, the Chairmen of Provincial Councils and the Chairmen of Chambers of Commerce and Industry as one for each province.

The General Secretariat is the technical and executive body of the agency. It employs qualified experts and implements the decisions of the Administrative Board.

Investment support offices shall be established in the provinces of the region to follow and coordinate, on behalf of the applicant investor, the permission and licence transactions and to monitor the investments, to inform and guide the investor in accordance with the application conditions and required documents within the framework of the related legislation, to carry out pre-examination about the applications.

There is also another regional development entity established at NUTS I level for coordination of a specific regional development project Southeastern Anatolia Project (GAP). GAP Regional Development Administration (GAP-RDA) is established in 1989 for the duration of 15 years by a Decree Law 388, mainly responsible for the activities such as; planning, coordination of public infrastructure investments (road, water supply, sewage, waste-water, housing etc.) and social services (improving education of local population, capacity, encouraging entrepreneurship etc.), as well as coordination of other public infrastructure such as irrigation, energy, transportation and local economic development in order to ensure a rapid development of the provinces under the GAP (duration of the GAP Administration has been extended to 18 years by Decree Law No. 5254 dated 2005).

1.5.3 Do regional and local governments have a role in the development of regional strategies and projects?

In Turkey, local authorities and regional actors do have direct and indirect roles in the development of regional strategies and projects through several mechanisms. These roles are leading roles in the case of provincial and institutional plans. As major stakeholder, they also contribute to the formulation of regional development strategies, policies and plans through various mechanisms. In terms of partnership mechanism, this issue was also covered under heading 4.2.

Regional Plans

According to article 2 of the Decree-Law on the Establishment and Duties of the State Planning Organisation (SPO) No. 544, the preparation of development plans on regional basis

is the duty of SPO. Accordingly, under the coordination of SPO, following regional plans were prepared:

- Southeastern Anatolia Master Plan (The GAP Master Plan was prepared in 1989 and GAP Regional Development Plan as a revision of the Master Plan was completed in 2002 by GAP Administration according to the article 2 of the Decree Law No. 388 on the duties of the GAP)
- Eastern Anatolia Master Plan (DAP)
- Zonguldak-Bartın-Karabük (ZBK) Regional Development Project
- Regional Development Plan for the Eastern Black Sea Region (DOKAP)
- Yeşilırmak River Basin (YHGP) Development Plan

During preparation phase of these regional plans participatory approach were applied to ensure utmost involvement of local authorities and regional partners. To this end, various participatory techniques and mechanisms were extensively used. In this respect, “central” and “regional” steering committees were established to reflect views of various agencies together with local authorities and regional actors.

EU-Supported Regional Programmes

Similar to the regional plans, EU Regional Development Programmes are prepared using participatory approach. In this sense, in the design stage of these programmes local authorities are involved through the baseline surveys, SWOT analysis and workshops etc. to reflect local/regional priorities. Since the grant scheme mechanism is used in those programmes local authorities could develop their own project according to their local needs. Especially regional projects covering more than one province are promoted during call for proposals. Hence, in Eastern Anatolia Development Programme and Samsun, Kastamonu, Erzurum Regional Development Programme undertaken by SPO as well as the GAP Regional Development Programme undertaken by the GAP Administration, local authorities and also regional actors were able to develop local and regional projects.

Unions of Local Authorities

Local authorities can establish unions to design and implement local and regional projects to the benefit of their members. They sometimes keep this union for the actual operation of facility constructed. Article 127 of Constitution and Law No.5355 on the Local Authority Unions provide legal basis in this respect. Therefore, in Turkey it is a usual practice for local authorities to establish unions for the purpose of performing specific public services.

Regional Initiatives

In addition to the local authority unions defined by the law, there are also regional grass-root initiatives, part of which are local authorities. These initiatives have different form that sometimes they are organized as non-governmental organization like foundation or union or sometimes as a private company. That is to say, they are organized on the basis of private law. Aegean Economic Development Foundation (EGEV), Samsun Regional Economic Development Council (SABEK Corp.), Foundation for Development of Western Mediterranean Economy (BAGEV) and Kelkit Platform are the examples of regional initiatives in Turkey in which local authorities and their unions have active involvement through membership or partnership. The purpose of these regional initiatives vary from economic development to the preservation of environment and cultural heritage, tourism etc. Within the scope of their purposes, these regional initiatives identify regional visions or strategies and undertake region-wide projects to realize these strategies and handle their common regional problems.

Provincial Development Plans

In the recent years, in line with the policies laid down in the 8th Five Year Development Plan and Annual Programmes, for the purpose of accelerating regional development and being compliant with the regional plans, provincial development plans have been prepared/are being prepared. Local Authorities have the leading role and provide important inputs for preparation of these plans.

Provincial development plan is an important transition point in terms of ensuring compliance between upper scale development plans and regional plans and provincial territorial plan, urban development plans and rural settlement plans at the lower scale.

Provincial Territorial Plan

Special Provincial Administration Law No. 5302 states that under the coordination of governor, provincial territorial plan is prepared by metropolitan municipality in metropolitan cities and by province municipality and Special Provincial Administration in other provinces.

While provincial development plans focus on the economic and social development of province, provincial territorial plans focus on the territorial development of province. In this framework, provincial territorial plan will take the decisions of provincial development plan regarding economic, social and territorial development as an input to direct the territorial development decisions of province within the framework of these policies.

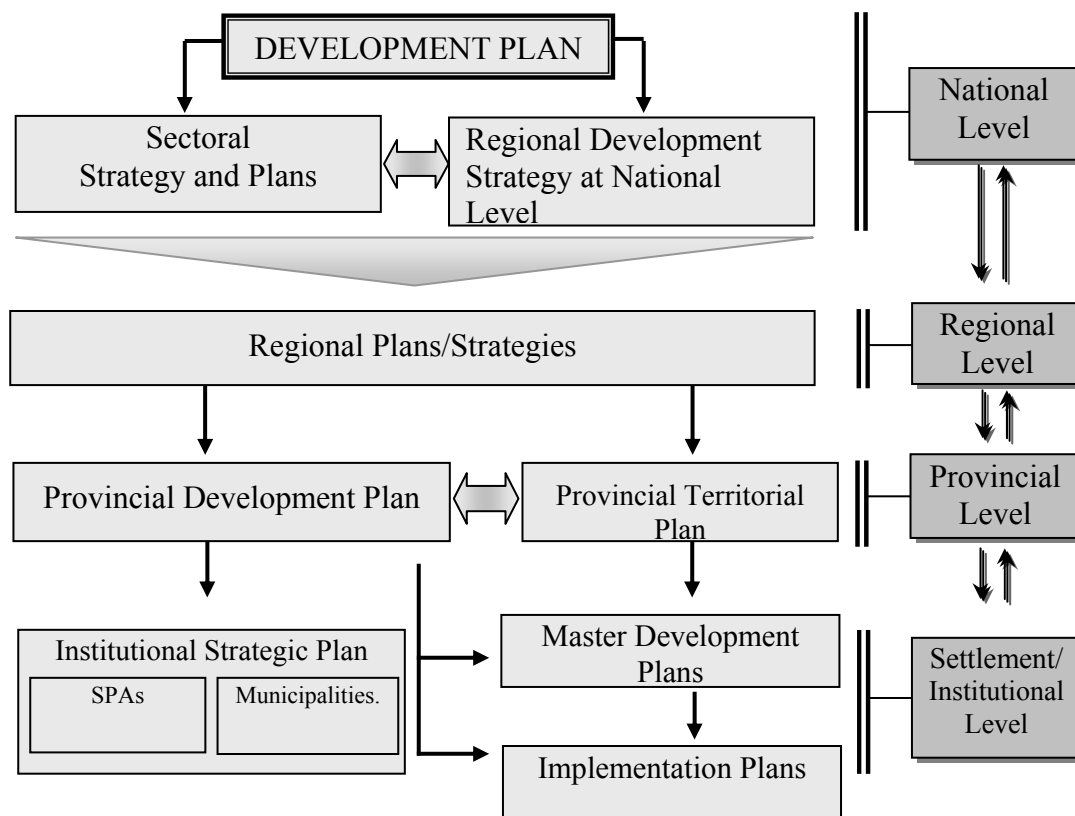
Strategic Planning

By the Law on PFMC No.5018 it is obligatory to prepare institutional strategic plan.

In this framework, according to article 31 of the Law on Special Provincial Administration No. 5302 ,“Within six months as of the local general elections, the Governor shall prepare a strategic plan in compliance with the development plan and programme and regional plan (if any), and the annual performance plan before the beginning of the relevant year, to be submitted to the provincial general assembly.”

On the other hand, the municipalities having population above 50000 are obliged to prepare strategic plan by the Municipality Law No. 5393 and Metropolitan Municipality Law No.5216. In this framework, the Article 41 of the Municipality Law and Article 7 of the Metropolitan Municipality Law regulate the provisions related to strategic planning.

The table below shows the interaction of local level strategic plans, provincial territorial plan and provincial development plans with regional plans and strategies.



Development Agencies: Future Perspective

The adoption of the Law on the Establishment and Duties of DAs provided a new perspective for regional/local development which has also influences on the local authorities together with the Local Authorities Law. In this framework, DAs will increase the impact of regional/local development. They will provide improved coordination among related institutions and complementarities between the activities and projects of regional/local actors. Therefore, the DAs will be a coordinator, organizer and catalyst body among implementing institutions and regional/local actors.

It is foreseen that DAs will enhance planning, programming and project development capacity at regional/local level. Hence, it is expected that through the increased capacity in the said fields, local authorities will have a greater role in the design of regional/local strategies and projects.

It is also envisaged that regional development strategies-based on NUTS II classification- will be prepared in cooperation with the DAs. In this respect, first of all the very organizational structure of DAs which includes the local authority representatives at the highest level and as well as regional actors will ensure the greater role for local authorities and regional actors in design of regional strategies and projects. Then, through the enhanced cooperation and coordination role of DAs at the regional level, local authorities and regional actors will have a greater involvement in the development of not only regional strategies but also regional projects.

1.5.4 Is a process of decentralisation or de-concentration of the administrative and political structures in force or expected?

Local Administrations Reform

Local administrations reform in Turkey gained new momentum in 2004. The Turkish Grand National Assembly adopted new legislative reforms on local authorities in 2004 and 2005. In principle, legislative reforms that focused on restructuring local authorities in Turkey have been based on such generally accepted justifications: Reform, effectiveness, efficiency, local governance, participation and accountability.

Local administrations reform comprises 6 laws:

1. The Law on Municipalities
2. The Law on Metropolitan Municipalities
3. The Law on Special Provincial Administrations (SPA)
4. The Law on Local Administrative Unions
5. The Draft Law on SPA and Municipalities Income
6. Technical studies on Law on Villages

The first four laws have entered into force. Studies on the SPA and Municipalities Income Law and the Law on Village are in progress.

1. Distribution of Duties

The corresponding laws are aimed at restructuring local authorities in terms of their organizations, duties and powers, financial resources, employees, and their relations with the central administration and the local authorities are regarded as the generally authorised units, that is all types of duties and powers not vested by the Law in other institutions are endowed with local authorities.

2. Changes in Duties

Local authorities are empowered to run all common local public services, such as urban development, water, waste water, solid waste, transportation, urban infrastructure, youth and sports, social services and relief.

Some public service functions previously run by central government have been devolved to local authorities to some extent, such as agriculture, health, public works and housing, social services and reliefs, culture and tourism, environment, youth and sports, business licenses and rural development.

The field offices of central organizations are still in the process of being transferred to local authorities. For instance, the field offices of the General Directorate of Rural Services have been completely transferred to special provincial administrations and municipalities.

The local authorities also enjoy a broad discretionary power to contract out services.

Local authorities are entitled extra powers to carry out common projects and services with other local and central administrations.

3. Changes in Administration Organs

The general decision-making body of local authorities is the council whose powers have been increased. Under the new regulation, the stance of council is strengthened against the executive organ in terms of audit and decision-making.

The council is now the decision-making authority for procedures which previously necessitated approval or permission by the central administration, such as the establishment of units, the creation, cancellation and changing of cadres, borrowing and building relationships with international organizations and foreign local authorities.

The council now convenes monthly so as to provide more efficient local services.

The governor is no longer the president of provincial council in SPA's. Instead, the president of the provincial council is elected among council members.

4. Changes in the Tutelage System:

The local administration reform relinquishes the firm administrative tutelage over decisions, procedures and works of local authorities. The new tutelage function aims to ensure integrity of the administration and coordination in public services. Tutelage functions more in the form of an appeal mechanism are promoted.

- Procedures followed for council decisions and budget decisions have been scrapped. The previous practice of obtaining approvals of the governor and district governor for council decisions has been abandoned. Instead, governors and district governors may appeal to administrative judiciary against council decisions they find unlawful.
- The approval period required for internal borrowing is removed for certain amounts. Internal borrowing not exceeding 10% of budget incomes may be authorized by council decisions.
- Approval and visa procedures formerly required for the organizational establishment and the creation of cadres have been abandoned.
- Local authorities are now empowered to establish direct communication with the central government, whereas such communication was previously maintained through governorship.

5. Changes in Audit System

The audit mechanism based on ex-post controls is replaced with one, underlying prevention of mistakes, tutorial and training, guidance, definition of risks and weaknesses, expansion of good practices and capacity building.

Internal audit procedures shall be carried out by auditors, the council, the audit commission and senior managers.

Turkish Court of Accounts shall carry out the external audit on financial decisions and transactions, while the Ministry of Interior shall perform external audit on other administrative decisions and transactions.

Furthermore, an efficient public scrutiny shall be made available with the disclosure of council decisions and commission reports of local authorities.

6. Governance

City councils are set up with a view to accomplishing decentralization, promoting accountability, ensuring sustainable development and developing relations among fellow countrymen.

Meetings of the Specialized Commission of the Council are now open to nonvoting participation from villages headman (muhtar), representatives from public professional organizations, universities and NGOs.

Council decisions shall be made public. The Council shall convene monthly instead of three times a year.

An audit commission comprised of members of the council has been set up to audit on behalf of the Council the accounts, transactions, revenues and expenditures of local authorities.

To promote participation, it is allowed to establish City Councils, composed of representatives from public institutions and NGO's, in each municipality. The recommendations of city councils are to be put the agenda and discussed in municipal councils.

7. Changes in Personnel Recruitment

New principles have been adopted for recruitment. The recruitment of the personnel shall be based on norm cadres.

The council shall set out the working terms for the contracted senior managers and experts and determine their pays within the limits specified by the Council of Ministers.

Persons working at central administrative institutions are entitled to work as senior managers in municipalities.

8. Organisational changes

A flexible organisational structure which can be customized to the developing needs is designed. The organization shall be set up, disbanded or merged by council decision. The former approval by central government is abandoned. Setting up a business is now allowed in order to facilitate the delivery of some local services in market conditions.

9. Changes made in the establishment of a municipality

The number of inhabitants in the settlements required to establish a municipality is increased from 2000 to 5000.

New criteria are defined to establish a metropolitan municipality, namely, (i) the level of economic and social development of the municipality shall be appropriate, (ii) the population shall be at least 750000 and, (iii) the municipality shall cover at least 3 districts or lower-tier municipalities.

10. Changes regarding Local Authority Unions

The Law on Local Authority Unions No: 5355 entered into force on June 11, 2005. Under the law;

- Local authorities can form unions with each other to provide more cost-effective, efficient and qualified services.
- Unions of Local Authorities are formed with the permission of the Council of Ministers.
- The president of unions comprising special provincial administrations shall no longer be the governor but elected instead.
- The Council of Ministers may decide that the local authorities should join the union where it is necessitated by projects concerning the protection of ecological balance or infrastructure services such as water, waste water and solid waste.
- The Union Council shall be the decision-making organ of the union and comprise representatives from member local authorities.

- Villages shall be allowed to join unions to provide better village services and ensure rural development.

1.5.5 What are the competences dedicated to regional / local authorities? (transport, environment, professional training, economic development)?

Special Provincial Administrations

In accordance with the provisions of the Law on Special Provincial Administrations No. 5302, Special Provincial Administrations are authorized and responsible for providing services related to:

- Health, agriculture, industry and trade; provincial development plan, public works and settlement, preservation of soil, prevention of erosion, social services and assistances, granting micro loans to the poor, nurseries and orphanages; procurement of plots of lands for primary and secondary education schools, and construction, maintenance and repairs of the school buildings within province border
- Reconstruction, road, water, sewage, solid waste, environment, emergency aid and rescue, culture, tourism, youth and sport; support to Forestry villages, Forestation, building park and garden out of municipal border

Municipalities

In accordance with the Municipality Law, main duties and responsibilities of municipalities are:

- a. **Planning:** to prepare institutional strategic plans (compulsory for municipalities having population >50000), urban development implementation plans (According to Law No. 3194)
- b. **Transportation:** to engage in public transport activities, to establish and operate all kinds of public transport facilities and construction of tunnels and railway system, to determine ticket prices and tariffs, to determine, operate, rent out wayside stations, to carry on all of the work required by traffic regulation provided by the laws to the municipalities
- c. **Environment:** to protect cultural and natural resources and places having historical value, parks and green areas; to perform repair and maintenance works of such places; to supply utility and industrial water; to enable disposal of waste water and rain water; to construct and operate plants for such purposes; to render all kinds of services related to collection, transportation, decomposition, recirculation, removal and storage of solid wastes; to assemble non sanitary workplaces, entertainment places and other workplaces that have an effect on public health and environment; to determine excavation and debris disposal areas, storage areas for LPG, storage and marketing areas for construction material, wood, coal and scraps.
- d. **Social:** to provide services related with culture and artworks, tourism and presentation, youth and sporting activities, social and aid services, professional training and services aimed at development of economy and commerce, opening of pre-elementary school education centers, health facilities
- e. **Other:** housing, to build and operate wholesale and retail sale markets, bus terminals, exhibition centres, slaughterhouses yacht harbours.

Metropolitan Municipality

In line with the Metropolitan Municipality Law, main duties and responsibilities of Metropolitan Municipalities are:

- a. **Planning:** to prepare institutional strategic plan, urban master development plans (according to Law No. 3194)
- b. **Transport:** to prepare metropolitan area transportation plan and plan for mass transportation services; to construct the streets and main roads, to determine ticket fees and tariffs, to perform all the works conferred upon by the laws for regularization of traffic, to construct passenger and cargo terminals, indoor and outdoor parking places, to perform mass transportation activities and to construct and operate facilities for such purpose
- c. **Environment:** to enable protection of the environment, agricultural areas and water basins and to take measures avoiding environmental pollution including the preparation of refuse management plan, undertaking services relating to recycling, storage and disposal of wastes and industrial and medical refuses, to issue license and to control first class non-sanitary institutions, to undertake water and sewage services, to construct and operate dams and other plants for such purpose, to enable protection of the cultural, historical places, natural resources and to restore the buildings
- d. **Social:** to construct and operate, social facilities, regional parks, animal shelters, libraries, museums, sporting, recreation, entertainment and similar other resorts, (where deemed necessary) to construct buildings and facilities for educational and cultural services, to construct or operate health centres, hospitals, mobile health units and to undertake all kinds of social and cultural services for adults, old and young people, disabled persons, woman and children; to operate courses for improvement of skills and gaining professions

In addition to those competences, Metropolitan Municipality Law defines two structures for the coordination of infrastructure and transportation services separately: Infrastructure Coordination Centre (AYKOME) and Transportation Coordination Centre (UKOME)

1.5.6 Is there a legal framework allowing local authorities to set up inter municipal structures for general or specific issues (water sector for example)?

Article 127 of the Constitution draws the general framework for the union of local authorities and states that “The formation of local administrative bodies into a union with the permission of the Council of Ministers for the purpose of performing specific public services; and the functions, powers, financial and security arrangements of these unions, and their reciprocal ties and relations with the central administration, shall be regulated by law. These administrative bodies shall be allocated financial resources in proportion to their functions”.

Further to the Constitution, within the framework of Local Administrations Reform, Law No.5355 on Local Authority Unions were adopted to regulate the legal status, establishment, organs, administration, duties and responsibilities and working principles and procedures of Local Authority Unions.

According to the Law, local authority unions are public legal persons established by more than one local authority to deliver the certain services together assigned to them. In this framework, local authorities may set up unions among themselves in order to fulfil the one or

more duties assigned by the law. By way of unions, local authorities not only build up a unity of power to solve their common needs, but also constitute service units of optimal scale.

When water, waste water, solid waste and similar infrastructure services and as well as the projects related to the protection of environment and ecology necessitate, Council of Ministers may decide on the accession of relevant local authority to the union established for that purpose.

Establishment: Local authority unions shall be established by the permission of the Council of Ministers according to the Constitution.

The charter which determines the reference information and working principles of a union shall be accepted by councils of member local authorities (municipal, provincial or village council), and approved by the offices of tutelage. In other words, statute is finalised by approval of the provincial governor for unions related to one province, and by approval of the Ministry of the Interior for unions that exceed provincial boundaries.

A union does not necessarily have to be established by local authorities of the same type; it is possible for different types of local units to come together as a union.

Sometimes regional/local problems of inhabitants exceed the municipal or provincial borders thereby bearing a regional scale and are also beyond the budget of a single local authority that should be tackled by a joint effort. Through these unions, local authorities develop regional/local projects to find a common solution for their regional/local problems regarding the delivery of public services for example in the areas of waste treatment, potable water, irrigation etc.

Organs of Local Authority Unions

- Council of union
- Executive committee of union
- Head of union

Council of Union: Council of union is a deliberative body charged with the duty of controlling the works and procedures of the union. It is composed of members elected by councils of the local authorities that form the union among the members that have the qualifications to be elected as the members of municipal council. Mayors of member municipalities, headmen of villages, and heads of provincial and municipal executive committees are natural members of the council of union if their local authorities are member of a union.

Executive Committee of Union: It is an organ having the duty to take and implement the decisions about the union when the council is in recess. The executive committee is composed of maximum seven members, who are the head of the union, the secretary general, the auditor, and four members to be elected by the council from among its own members for a term of 1 year.

The head of the union is the natural head of the executive committee.

Head of Union: Head of union is the head and executive organ of the legal personality of the union. The head is elected at the first meeting of the council of union, from among its own members for a term of five years. The head of the union is also the head of the council. Besides the head of the union, there is also an acting head elected by the council.

The election of the head of union is finalised by either the Governor's approval, or by the approval of the Ministry of the Interior according to the boundaries of the place the union is established in.

According to the spheres of activity Local Authority Unions can be classified as:

Table-7 Number of Local Authority Unions by Type	
TYPES OF UNIONS	NUMBERS
Infrastructure Unions	38
Municipality Unions	57
Environment And Solid Waste Unions	13
Potable Water Unions	87
Irrigation Unions	317
Service Unions to Villages	763
Development Unions	11
Special Provincial Administration Unions	4
Tourism Unions	31
Historical Cities Unions	42
Total	1363

Source: Ministry of Interior as of October 2006

2 Institutional Framework

2.1 *Designation of bodies/authorities responsible for the preparation and implementation of Structural Funds and Cohesion Fund*

2.1.1 Have the main expected implementing structures being identified (managing authorities, certifying and audit authorities), in compliance with requirements of the general regulation on structural funds?

The main implementing structures have been identified in compliance with requirements of the general regulation on structural funds and in that direction, a number of relevant structures for the management of the IPA, which in turn would be a preparation process for the future structural funds, were identified. Amongst the structures already identified, are the National Fund within the Treasury as Certifying Authority and the Board of Treasury Controllers as the Audit Authority. Secondly, SPO has been designated as the Sectoral Coordinator for the relevant components of IPA. The NIPAC is currently the Secretary General of EUSG, and the NAO is the Undersecretary of Treasury. A number of Operating Structures have already been designated, and consideration is being given to identification of further Operating Structures where it is considered necessary.

Moreover, considering the management and implementation of potential future Regional Operational Programmes (ROPs), Development Agencies (DAs), which are in the process of establishment at NUTS II level, might be designated as MAs, after a transition process.

On the other hand, at this very early stage, a complete and clear identification of all implementing structures of structural funds does not seem possible. Instead, it is planned to revise all structures in parallel to organization and implementation of IPA.

We are planning to adapt a progressive process through the IPA implementation period. During period of 2007-2009, our presently assigned institutions such as Treasury (NF, NAO), CFCU, EUSG (NIPAC), SPO (sectoral coordinator) and line ministries (Operating Structures) will take the responsibility of management and implementation. Then, within 2009-10, an independent interim evaluation is planned to review the IPA architectures, strategic objectives, structures and staffing, to make a gap analysis, to determine the further improvements and to take the necessary measures for adjustment to final structural funds institutions. This will be consistent with our medium-term planning horizon (2007-2009) and an interim review of 9th National Development Plan (2007-2013), and will be executed in parallel with the similar interim reviews by the Member States under the Structural Funds Regulations. The review will take account of the ongoing monitoring activities under the Joint Monitoring Committee for IPA.

Thus, IPA, in particular components II-III and IV, will provide opportunity for adopting the rules and institutional framework and principles of Structural Funds/Cohesion Fund management progressively.

Additionally, our institutions are constantly improving themselves for adaptation to new conditions among which EU accession process is among the most important. So, the outcomes of this adaptation and transformation process will also be taken into account in making the final decision on implementation structures. Those showing the best adaptation will certainly have a central role.

Considering the implementation of Structural Funds and Cohesion Fund, as justified by its current position detailed in part 2.2, State Planning Organization (SPO) will ensure the overall coordination, within the context of preparation for the Structural and Cohesion funds, of the

National Strategic Reference Framework (NSRF). Similarly, overall coordination role of Strategic Coherence Framework (SCF) was also assigned to SPO as Sectoral Coordinator.

2.1.2 Have the relevant operating structures being appointed for the management of the IPA? State of play of the related accreditation process?

Following the issuing of the draft IPA Regulation, an official decision on the key responsible institutions acting as National IPA Coordinator (NIPAC), Sectoral Coordinator and Operating Structures was taken and submitted to the Commission through the letter dated 2 February 2006. Overall coherence for financial cooperation with EU as well as participation to Community Programmes shall be ensured through internal mechanisms by the involvement of all key actors (NIPAC, NAO, Sectoral Coordinator) under political ownership. Accordingly, identification of two new structures is envisaged: Financial Cooperation Board (FCB) and Regional Development and Human Resources Development Coordination Committee.

Financial Cooperation Board (FCB)

FCB is envisaged to upgrade the current Financial Cooperation Committee and be established under the chairmanship of the State Minister in charge of EUSG with the involvement of NIPAC, NAO, Sectoral Coordinator, the Undersecretary of Ministry of Foreign Affairs and the Undersecretary of Ministry of Finance.

This Board will ensure overall coherence for financial cooperation with EU as well as participation to Community Programmes through political ownership and interministerial coordination. Based on independent interim evaluation for preparation to Structural Funds management, this Board is planned to make necessary decisions.

Regional Development and Human Resources Development Coordination Committee

As a part of institutional set-up designed under IPA, Regional Development and Human Resources Development Coordination Committee, responsible for steering the management of SCF and securing OP's compliance with SCF is envisaged. The Committee is composed of Undersecretaries of Ministry of Foreign Affairs, Ministry of Finance, Treasury, Operating Structures responsible for each OP and General Secretary of EUSG under the chairmanship of Sectoral Coordinator. Secretariat of Coordination Committee for IPA Components III and IV is to be provided by the Sectoral Coordinator.

In accordance with this, Operating Structures of OPs under IPA components III and IV have been identified as follows:

- Component III: Regional Development
 - Environment OP: the Ministry of Environment and Forestry
 - Transportation OP: the Ministry of Transport
 - Regional Competitiveness OP: the Ministry of Industry and Trade
- Component IV: Human Resource Development
 - Human Resource Development OP: the Ministry of Labour and Social Security

A joint committee composed of EUSG, Ministry of Foreign Affairs and SPO is envisaged for the management of IPA component II (Cross-Border Cooperation). Technical studies are underway to clarify the details.

There has been an accredited Decentralised Implementation System (DIS) in Turkey since 2003. The relevant bodies under DIS have gained experience during the accreditation and

functioning of the DIS in Turkey. This existing system needs to be transformed into the new system required under IPA. In the transition period, existing accredited structures will be used until the new IPA system is fully accredited. The capacity of the Central Finance and Contracts Unit (CFCU) is being increased in order to prepare it for this transitional function. Moreover, the experiences of relevant bodies related to technical background and documentation will be transferred to new structures (i.e the experience of SPO and İŞKUR in implementation of current grant schemes will be used by the newly established bodies).

Preparations are underway for accreditation under the responsibility of the National Authorising Officer (NAO). In this context, technical studies have been initiated with the designated operating structures. In addition, it is planned to obtain a technical assistance from EU funds. The technical assistance is expected to start by early 2007.

2.2 Setting up of the implementation system, definition of tasks and responsibilities of the bodies or authorities involved in the preparation and implementation of Structural Funds and Cohesion Fund

2.2.1 What is the allocation of responsibilities and division of tasks between Ministries and what co-ordination procedures are in place or envisaged?

According to the Article 113 of the Constitution of Turkey the formation, abolition, functions, powers and organisation of the ministries are regulated by law. Currently, administration at central level is divided into Prime Ministry, 7 State Ministries and 15 line Ministries. Line ministries are:

- Ministry of Justice
- Ministry of National Defence
- Ministry of Interior
- Ministry of Foreign Affairs
- Ministry of Finance
- Ministry of National Education
- Ministry of Public Works and Settlement
- Ministry of Health
- Ministry of Transport
- Ministry of Agriculture and Rural Affairs
- Ministry of Labour and Social Security
- Ministry of Industry and Trade
- Ministry of Energy and Natural Resources
- Ministry of Culture and Tourism
- Ministry of Environment and Forestry

In addition to the ministries there are a number of “affiliated” and “related” public bodies at central level.

As for co-ordination procedures, apart from the Council of Ministers and the Prime Ministry:

- According to the Law on Establishment and Duties of the Ministries No. 3046, ministries are responsible for providing coordination with other ministries and local administration in areas pertinent to their competences.
- According to the Decree-Law on the Establishment and Duties of the SPO No. 540, High Planning Council (HPC) is responsible for taking high level decisions concerning the country's domestic issues and foreign economic relations. Thus, it provides inter-ministerial coordination.

With regard to the inter-ministerial coordination, the SPO has extensive responsibility in terms of coordination. The SPO carries out this coordination duty in various areas such as planning, multi-annual and annual programming, macro economic policy, investment budget including appropriation of national co-financing of investments, regional development plans, policies and programmes, development agencies, strategic planning of public organizations and knowledge society. These duties and responsibilities bring a strong vertical coordination role between central institutions and local level particularly through the DAs, in regard to national sectoral and regional priorities; and horizontal coordination role among ministries and other institutions.

Within the context of a twinning project (Support to the State Planning Organization General Directorate for Regional Development and Structural Adjustment for strengthening institutional and administrative capacity), initiated on June 2005, technical studies are underway for further development of inter-ministerial coordination mechanisms particularly for better management of regional development policy.

A Regional Development and Human Resources Development Coordination Committee responsible for steering the management of the SCF and securing Operational Programmes (OP) compliance with the SCF will be established.

2.2.2 Do the different line ministries benefit from sufficient autonomy for designing their investment strategies and related planning documents?

Ministries prepare strategic documents related to their competences. Such strategies are usually assessed by the SPO to ensure compliance with the National Development Plan and later adopted by the High Planning Council.

As stated in the answers to the questions 1.1 and 3.1, ministries are envisaged to prepare their own institutional strategic plans in line with the provisions of the Law No. 5018.

Each ministry prepares its own investment programme in accordance with strategic documents. However, a consultation process with the SPO is necessary to ensure compliance with the National and Regional Development Plans and inter-ministerial and vertical coordination of investments. Through this consultation process the prioritisation of investments and the general amount of public finance to be allocated to investments are determined. Final decision is taken by the Council of Ministers based on the High Planning Council's proposal.

2.2.3 What entity ensures the role of co-ordination and arbitrage? (resources, political support)

The Prime Ministry is particularly important in resolving issues through arbitrage among Ministries. In this process, it usually cooperates with the SPO as a technical body.

According to the Decree-Law on the Establishment and Duties of the SPO No. 540, the SPO coordinates activities of the ministries and public institutions concerning economic, social and cultural policies, to ensure efficient implementation of structural policies. It also provides advice to the government regarding policy issues, puts forward views and advice on improving structures and activities of the relevant institutions and local authorities so that development plans and annual programs could successfully be implemented and monitored, co-ordinates and evaluates implementation of development plans and annual programs, and if required makes amendments.

The HPC composed of Prime Minister, some ministers managing large investment portfolios decided by Prime Minister and Undersecretary of the SPO; ensures the coordination and arbitrage at political level. The SPO takes the responsibility of secretariat services of the HPC and provides technical opinions for the HPC.

2.2.4 How coordination is organised between the central, regional and local levels?

There are multi-dimensional coordination relations at central, regional and local level. Development and planning responsibilities are clearly allocated between ministries through the coordinating role of the SPO. In regard to the implementation of policies through investments, this is enabled by Annual Programme Decrees.

Some improvements are also taking place recently in the area of central and local coordination relations in favour of a better regional policy. For example, besides technical capacities generated, the SPO developed a strong and healthy relationship particularly with line ministries (LMs) and local authorities with coordination of EU-funded regional development programmes. Concrete funding opportunities and the new participatory implementation methods similar to Structural/Cohesion Fund methodology gave a new incentive to LMs and local authorities to improve coordination and cooperation relations both among themselves and with the SPO.

With the help of new methodology gained with programme experience and introduction of strategic management concept with the Law No. 5018, institutions seeking a better performance of their plans and programmes are now more eager to cooperate with other relevant parties and to establish more productive coordination relations. Thus, it is expected that these coordination mechanisms will soon become more systematic and institutionalised as targeted in the 9th Development Plan. This opportunity is strengthened with the adoption of DAs Law, which is to provide the SPO with a better coordination tool that can be shared with central institutions.

Coordination of regional development activities at national level

According to the Article 4 of the Law on the Establishment and Duties of Development Agencies No. 5449, the SPO shall be responsible for the coordination of the Agencies at national level.

In order to coordinate harmonious operation of 26 DAs, the SPO will:

- Ensure cooperation and coordination between related institutions and organizations at central level in order that agencies can carry out their functions effectively and efficiently,
- Provide consultancy and guidance for agencies on planning, programming and project designing; monitor and evaluate the implementation of plans and programmes,

- Determine the principles and procedures concerning the allocation of the national and international funds intended for regional development to agencies and their use,
- Provide inter-agency cooperation and support joint project generation,
- Determine principles and procedures and prepare necessary secondary legislation.

Coordination of regional development activities at regional level

The DAs will coordinate the regional development activities at the regional level. Accordingly the DAs will:

- Improve cooperation in between public sector, private sector and non-governmental organizations to achieve regional development objectives,
- Provide technical support to the planning studies of local authorities,
- Monitor and evaluate the implementation process of activities and projects supported
- Monitor other projects which are important for regional plan and programmes and implemented by public sector, private sector and non-governmental organizations.

Administrative Boards of Agencies, which are composed of governors, mayors, representatives of provincial council, private sector and NGOs, will be the main decision body bringing major and most effective actors in the provinces together. Thus, this decision making structure itself will act as a local coordination unit for regional development .

Regarding relations with stakeholders, Development Councils established under the Agencies, will also be one of the most important mechanism to enhance the cooperation among public institutions, private sector, NGOs, universities and local authorities in the region.

Coordination at provincial level

The Governorship is the foremost coordinating institution in the provinces. The Governor basically coordinates the deconcentrated units of ministries as well as supervises local authorities.

As stated in detail in the answer to the question 2.4, Provincial Coordination Boards composed of representatives of provincial directorates of line ministries and local authorities ensure the coordination of investments at provincial level. The secretariat of these boards is carried out by Provincial Planning and Coordination Directorates under governorships.

2.2.5 In addition to the central level, is it intended to establish managing authorities at the NUTS 2 level?

As already outlined in answer to question 2.1.1., Structural Funds and Cohesion Fund will be utilised both through national operational programmes and regional operational programmes. Therefore, it is intended to designate and prepare DAs as managing authorities at regional level for those regional operational programmes. Metropolitan Municipalities covering a whole NUTS 2 region might also assume important roles in the management of structural funds.

2.3 *Inter-ministerial co-ordination*

2.3.1 What interministerial co-ordination structures? At national level? At regional level?

The HPC and the South Eastern Anatolia Development Project (GAP) Higher Council can be given as the currently available examples of inter-ministerial coordination structures at national level:

As described in answer to the question 2.2.3, the HPC is the basic coordination structure for structural and regional policies.

Duties of the HPC include:

- Providing assistance to the Council of Ministers in determining policy targets and planning of economic, social and cultural development and examining development plans and annual programs whether they are sufficient or in conformity with the goals determined before submitting them to the Council of Ministers,
- Taking high level decisions concerning the country's domestic issues and foreign economic relations,
- Determining the principles related to investment and export incentives,
- Taking the decisions in areas on which it is authorized by laws and other legislation

The GAP Higher Council can be regarded as a decision-making and coordination body at the national and regional level in issues pertinent to investments within the project and specific region (GAP NUTS I region). The Council is authorized to examine and endorse all kinds of plans, projects and programmes developed by GAP Administration. The Council is composed of the Prime Minister or a State Minister acting on behalf of the Prime Minister, the State Minister in charge of the SPO and the Minister of Public Works and Settlement. The Council may invite other Ministers of specific issues relating their fields to the sessions. The Council meets twice a year to discuss issues in its agenda.

As briefly mentioned in answer to the question 2.2.4, Provincial Coordination Boards are the example of inter-ministerial coordination structures at local level. Provincial Coordination Boards, which are composed of representatives of provincial directorates of line ministries and local authorities, ensure the coordination of public investments at provincial level. As stated in the 2006 Annual Programme, they assist the governors in implementations of the investments in public institutions' projects at provincial level through monitoring, evaluation and coordination. They meet quarterly. The SPO usually participates to these meetings in order to facilitate the coordination of central and regional institutions. The secretariat of this board is carried out by the Provincial Planning and Coordination Directorates.

As underlined in part 2.2.4, DAs will become the key structures to ensure coordination at the regional level through new monitoring and evaluation abilities.

Monitoring and Coordination Committees envisaged to be established in the context of IPA shall also improve inter ministerial coordination.

2.3.2 What is the role of the Ministry of Finance with regard to the coordination of other Ministries?

In Turkey there are different ministries and institutions responsible for coordination of economy, finance and structural policies. In addition to the Ministry of Finance, there are two other Ministries of State to which Undersecretariat of Treasury and the SPO are affiliated.

The Ministry of Finance coordinates the implementation of Public PIFC system.

The Ministry of Finance is responsible for the preparation of central government budget draft law and for ensuring the coordination between the related public administrations in this regard. Central government budget is managed by the Ministry of Finance. Budget planning and preparation is coordinated by Ministry of Finance while preparation of Public Investment Program is coordinated by the SPO.

The Ministry of Finance is responsible for overall inter-ministerial coordination in the budgetary process while the SPO undertakes inter-ministerial coordination for investment and structural policies.

2.4 Partnership

2.4.1 How partnership is organized in the preparation, financing, monitoring and evaluation of assistance?

Partnership in Turkey is organized at national, regional and local level. Mechanisms for partnership will be explained in the following question. Partnership is also functional as a principle in our macro planning documents, in regional and sectoral strategies, institutional strategic plans and in project preparation process. In addition, this principle is applied in various ways: from pure consultation to shared management and third-party financing of project activities depending on the nature of stakeholders and projects.

According to the Law No: 540, the SPO works in close cooperation with public and private institutions in preparing the macro plans and monitoring their implementation.

According to the Law on the Establishment and Duties of Development Agencies No. 5449; Development Councils are established to provide public consultation and participation.

In the Law on Municipalities No. 5393, partnership takes places within City Councils.

With the Law on the Public Financial Management and Control No. 5018, necessary basis has been established for institutional strategic plans to employ partnership.

According to Laws on Local Authorities, municipalities and special provincial administrations are authorised to undertake partnerships with professional organisations and relevant NGOs in the context of common projects to provide certain services.

According to the By-law on Environmental Impact Assessment (EIA) first promulgated in the Official Gazette on 7 February 1993 and revised three times since, participation is an important principle in EIA process and takes various forms including public participation meetings.

Existing partnership mechanisms will be utilized for Structural Funds management and necessary adoptions and improvements will be made in the process of IPA.

IPA structures such as steering and monitoring committees will provide the necessary technical background and experience for preparing Turkey for better implementation of partnership principle.

Regarding regional policy implementation, Turkey recently presented some good examples of partnership practices among central and local administrations. Especially during the management of EU funded regional development programmes, a good example of partnership was structured among the local administrations with the establishment of service (development) unions in the programme areas (at NUTS II level). These unions have shared the management role of the programmes with the SPO at the local level. These unions are involved in the preparation and organization of the grant schemes, dissemination of information, organization of stakeholders, monitoring and other related activities. They also composed a joint budget to finance the support activities for regional programme management. In this formulation, there is a strong cooperation relationship between all relevant institutions on different aspects of the management such as preparation, implementation and evaluation. This mechanism is sometimes formalised through cooperation and partnership protocols among institutions.

Not only in the regional development programmes, but also during the implementations of all EU funded grant schemes, partnerships were given special attention and strongly supported. As it is clearly stated in the guidelines for grant applicants, the projects with partners receive higher scores in the evaluation stage.

2.4.2 What partnership structures: coherent, independent and representative network of civil society representatives, socio-economic partners?

There are several mechanisms for partnership and participation of socio-economic partners.

Among others, Ad Hoc Committees for preparation of the Development Plans and Economic and Social Council at national level; Development Council of the DAs at regional level and City Council at local level are the appropriate examples of the partnership mechanisms.

Reports of Ad Hoc Committees have served as a strong basis for the formulation of strategic objectives and priorities of the Development Plans. For the preparation of the 9th Development Plan, (2007-2013) 57 different Ad Hoc Committees studied with a participatory approach using the method of “target-oriented project planning”. Representatives of all economic and social actors including NGOs were invited to these committees.

Economic and Social Council is the main multi-party social dialogue mechanism initially adapted through the circular letter of Prime Ministry in 1995. The main objective of the council is to establish a consultative environment and atmosphere for the development of economic and social policies. The task of the council is to ensure social reconciliation and cooperation and deliver joint opinions of a consultative nature by providing a stable and sustainable environment for economic and social policy-making.

It has a partnership structure that is composed of representatives of economic and social actors of the society. Total number of the members of the Council is 39. 15 members represent the government. The representatives of the private sector and civil society organizations constitute the majority of the council.

At regional level Development Councils of DAs are the most important partnership and cooperation structure devoted to regional development purposes. According to the Law on the Establishment and Duties of DAs No. 5449, these councils shall hold maximum 100 members from all stakeholders of the region including public institutions, private sector, non-

governmental organisations, universities and local authorities. These councils go beyond a merely consultative role and are entitled to be a partnership and cooperation platform to guide the DAs activities.

Duties and authorities of the Development Councils of the DAs are as follows:

- To select the representatives of private sector and/or non-governmental organizations who shall take place in Administrative Board in the regions composed of a single province,
- To discuss and evaluate annual activity and internal audit reports of the agency and make recommendations to the Administrative Board,
- To make recommendations to the Administrative Board regarding problems and solution proposals, promotion, potential and priorities of the region,
- To report the results of the meeting to the SPO and publish conclusion notice of meeting.

According to the Law on Municipalities No. 5393, City Councils are formed at Municipal Level and render opinions to Municipal Council in a wide range issues. They are composed of representatives of professional organizations, trade unions, notaries, universities, relevant NGOs, political parties and public institutions.

By-law on City Councils has been approved and is about to be issued.

Other than aforementioned partnership structures there are several others that work at both national, regional and local level. Some of these are Provincial Coordination Boards of each province, a Coordination Board for the Improvement of Investment Atmosphere, Industrial Zones Coordination Board, Evaluation Board for Economic Problems, Investment Advisory Board, General and Execution Board of Small and Medium Industry Development Organization and Local Administrative Unions.

In this regard, effective and efficient implementation of actions supported by the national and EU resources will depend more on good governance and partnership among all the relevant socio-economic partners at each level of implementation from the programming to the monitoring. Also, the vertical and horizontal coordination between the partnership mechanisms and each level of implementation is foreseen to be improved.

3 Administrative Capacity

3.1 *Establishing and implementing organizational development strategies, recruitment and training plans*

3.1.1 What organizational development strategies are envisaged?

Enhancing public institutions' administrative capacity is among the objectives of the agenda regarding recent public sector reform in Turkey. The overarching spirit of these reforms has been that local and central administrations more efficient and effective, to be managed more strategically, and to be more results-oriented as well as accountable.

Main strands of strategies for organizational development are defined in the 9th Development Plan that covers 2007-2013 period. "Improving quality and efficiency in public services" is one of the five main development axes of the plan. This strategic goal is to be achieved mainly through the following objectives: (i) Rationalizing inter-agency duties and responsibilities, (ii) Improving policy formulation and implementation capacity, (iii) Improving human resources, (iv) Expanding e-Government services.

Achieving a less complex and downsized government structure, vertical and horizontal decentralization through strengthening local authorities financially and administratively, and through empowering public institutions, respectively, employing more efficient and effective recruitment practices and taking e-Government initiatives as part of the larger "Information Society Strategy" are main pillars of the reform.

Strategic management initiative compounded by the establishment of strategic development units, and introduction and development of internal audit and financial control systems in public institutions are concrete actions in this regard, established by Public Financial Management and Control Law (PFMC) No. 5018(Official Gazette: 24 December 2003, no 25326).

Through "By-law on Principles and Procedures for Strategic Planning in Public Administrations", a phased introduction of strategic management and performance budgeting system into the public sector has been made possible. The transition schedule in which public institutions were grouped by years to deliver their first strategic plans was annexed to this by-law. This transition period spans between 2006 and 2009.

Strategy Development Units have been established in every institution in order to carry out the services of the institutions on the strategic management and planning, performance improvement, management information system and financial services. 1200 additional positions for financial services expert staff have been created and 400 of these have already been filled through a proficiency test. Furthermore, 1200 Internal Auditor positions have also been recently created.

Within the framework of the Regulatory Reform of the public administration, a "Better Regulation Strategy" has been adopted in order to develop, enforce and implement the strategies and regulations in a more effective and feasible way, thus improving the regulatory environment. In this context, Better Regulation Working Group has been set up in the Prime Ministry. Furthermore, it is planned to establish divisions capable of efficient implementation of such services in the ministries and regulatory institutions.

3.1.2 What training plans for developing management capacity, project management, public procurement, evaluation capacity and financial management and control are envisaged?

The legislative framework of the training of civil servants is drawn by the Law on Civil Servants No. 657 and Decision of Council of Ministers on General Plan for Training of Civil Servants dated 25/7/1983. State Personnel Department is responsible for the general coordination of these regulations. Furthermore, Integrated Training Plan has been developed and executed since 2003 aiming to ensure quality standards in project management and enhance human resource management in line ministries.

Training on the management capacity: Civil servants are subject to training and encouraged to improve their competences from the beginning of their careers. Some general training opportunities provided to civil servants can be summarized as follows:

- According to the “By-law on the Education of the Civil Servant Candidates”, during their early career, candidates receive basic, preparatory and practical training. civil servant candidates with positive case histories who succeed in all the periods are appointed as civil servants.
- Under the “By-law on the Principles of Promotion and Title Change in the Public Institutions and Agencies”, the institutions provide training in order to prepare their civil servants for promotion according to objective criteria such as capability and competence.
- According to the “By-law on the Civil Servants who are sent abroad for Education”, civil servants can be sent to training, education and research institutions of foreign countries in order to improve their level of knowledge, practical experience and expertise.

Besides, some training projects and activities geared towards appropriate EU funds management and specific purposes are summarized below.

A comprehensive Technical Assistance Project programmed under 2005 financial cooperation is planned to be converted to a general capacity building project aiming at improving institutional and administrative capacity at the central and local level for the appropriate management of structural funds (with a budget of approximately 19.5 million €). Within this scope, central institutions (especially Managing Authorities-MAs), regional and local institutions (such as Development Agencies-DAs, Local Authorities and their unions) will benefit from this project.

The aims of the Support Project for the Local Administration Reform Program in Turkey funded by the EU carried out by Ministry of Interior are;

- To increase the institutional capacity of General Directorate of Local Authorities, special provincial administrations, municipalities, municipal unions and the multiple stakeholders,
- To enhance the capacities of local authorities to enable them develop and implement policies and deliver more efficient and productive public services.

The Project consists of three main components: (i) Strengthening the capacity for local administration reform, (ii) Improving budgetary procedures and service performance in selected pilot administrations, (iii) Improving efficiency and effectiveness of human resources.

Ministry of Public Works and Settlement (MPWS) also organized some training activities towards the local authorities for the capacity development. The training has been

accomplished under the “Municipality Reconstruction Improvement Services Project”. This project has been implemented since 1986 in order to help municipalities to fulfil their duties better in the field of reconstruction. The aim of the training program is to meet the demand for qualified technicians.

Accordingly, the training programme is drawn up including issues of city planning, reconstruction implementation, infrastructure, constitution and state organization, formal correspondence regulations, structure knowledge, reconstruction law and practical knowledge. The executives and experienced experts from central units and affiliated institutions are trainers in this programme.

A new training project named “Improvement of Reconstruction Services in Local Administrations Project” is envisaged to be put into implementation in 2007. The project aims to enhance the knowledge and competence of technical personnel, to ensure the effectiveness of Local Administrations and MPWS in providing services and investments. The training programme will cover; resettlement, reconstruction, local administrations and public procurement legislations, managing and appraising real estate, disaster risks and management, and related issues.

Training on the Project Management: Under the coordination of the Secretariat General for EU Affairs (EUSG) annual “Integrated Training Plan” was drafted starting from 2003 in order to increase the capacity of institutions and agencies benefiting from EU pre-accession financial assistance and ensure critical quality standards in the project fiches. The activities carried out under these efforts are the trainings on project cycle management (introductory and advanced), grant scheme management, twinning, works projects preparation and implementation, workshops on project fiche and terms of reference drafting. In this context, 870 public officials were trained between 2003 and 2005. In 2003 and 2004, two “Training of Trainers” modules on Project Cycle Management were implemented. So far, number of trainings provided by trained-trainers and participants to these trainings has outnumbered the achievement under the Integrated Training Plan. Finally, training on Terms of Reference Drafting was carried out in July 2006 with the participation of approximately 150 public officials responsible for EU projects in their institutions. Preparation for “Project Fiche Drafting” training has been completed for a similar audience and it is scheduled for the last quarter of this year.

Until this date much of the Decentralised Implementation System (DIS) training provided was developed to overcome bottlenecks and to bridge a specific knowledge or skill gap. Recently, training needs survey for 2006-2007 and 2007-2009 has been carried out with the participation of 50 public institutions and agencies. Assessment of the output of this survey is about to be completed, a training strategy for 2006-2007 is being drafted and the training program is at final stage of completion. The training activities will be launched in the last quarter of this year and participation of 900 public officials is foreseen. A similar study will be carried out for 2007-2008 and following period as well.

Within the context of EU co-financed regional development programmes, many training activities have been carried out for the project beneficiaries in the related regions, which are set as priority regions in Preliminary National Development Plan (pNDP). Main focus of these activities are to train the potential applicants about the EU project cycle management, and provide them information about preparing business plans for SME projects, feasibility studies and EIAs for small scale infrastructure projects, filling up application forms, budget and logical framework tables. In the scope of these regional development programmes, more than 7000 final project beneficiaries in the programme regions (8 NUTS II Regions) have been trained in addition to 10.000 participants in the information sessions.

GAP Regional Development Administration provided various training programs in the region in close collaboration with national and international partners. These training programs including local authorities' training are mainly based on irrigation, water and wastewater treatment, reconstruction, environment, health, tourism, and social issues as well. Between 2000-2006, 63 different training programmes have been arranged and 4494 participants were attended these trainings. Another project named "Support to the SPO to Build Capacity at Central, Regional and Local Level to Implement Economic and Social Cohesion Measures in Line with the pNDP" is included in the 2004 EU Turkey Financial Cooperation Package. The project is currently in the tendering process.

The aim of the project in the short run is to prepare Turkey towards developing the capacity at central and regional level to utilise IPA assistance, which will provide a basis for management of structural funds upon accession. Within the context of this project, more than 1900 people, mostly government officials, will benefit from trainings in different issues regarding structural funds management: including concepts, context and reforms, EU funding mechanism, strategic planning and programming, project preparation, procurement procedures, financial management and control, monitoring and evaluation. The program will also contribute to improving consultation, negotiation and lobbying skills.

Training conducted in collaboration with SIGMA

on Better Regulation: Better Regulation is recognized as an important instrument in reaching the goals of the Lisbon Agenda, which are the realization of the good governance, creation of a competitive and information-based economy and development of social unity cohesion. For this reason, the personnel working at the central level have been trained on the regulatory impact analysis and simplification techniques, which are two important components of Better Regulation, through the training programs carried out in cooperation with SIGMA. The Better Regulation Working Group of the Prime Ministry held training seminars with the participation of the experts working in the legislation preparation and strategy development units of all the ministries and regulatory institutions.

on "Public Administration Reform and European Integration": Main objectives of this training were improving the awareness of public about regulatory reform and knowledge about the process of EU accession negotiations. Undersecretaries of ministries and a large number of senior officers participated in this meeting.

on "Public Administration Reform and Territorial Organizations: Empowering Local Administrations": With this training program, French officials shared their experience in this field with the participants who are senior officials of public institutions and heads of strategy development units.

Training on the public procurements: Training on the Public Procurement Law has been prepared and carried out regularly for the representatives of both the private sector and the public institutions. Furthermore, within the framework of a protocol signed between Turkish Union of Chambers and Stock Exchanges (TOBB) Economy and Technology University and Public Procurement Authority (PPA), "Certified Public Procurement Training Program" has been initiated besides a training activity for specialization and certification in this field, which is in progress.

Contract Practices Training Programs have been organized. Between November 2002-December 2005, 10427 persons from 301 public and private institutions were trained by the experts of PPA. Furthermore, in the first period of 2006, 690 persons from 19 institutions were trained. The training activities will be continued depending on the demands of the relevant institutions.

In addition, Tendering Practices Training and Support Project has been prepared in order to set up an electronic training platform for public institutions.

Training on the evaluation capacity and financial management and control: The Ministry of Finance has been carrying out activities to train, inform and raise awareness of the public administrations since 2004. The training activities at the central and local levels focus on the senior officials, expenditure authorities, accounting authorities, realization authorities, potential internal auditors and personnel working in the financial services division. A total of 14123 people received training on public internal financial control, internal audit, performance-oriented budgeting and state accounting. The training activities are still ongoing.

Besides, there are ongoing training and capacity development projects, aiming to strengthen the planning, programming and management capacities of public agencies, conducted with international organizations. In addition, in order to set up a national monitoring and evaluation system, a new project is being developed to be initiated in 2007.

On the other hand, “Transition Assistance and Institution Building Component” of IPA will be effectively used to train officials and enhance their project management, public procurement, financial management and control, evaluation capacities and competences. As a result, IPA implementation will contribute to institutions’ capacity building for the future management of Structural and Cohesion Funds.

The Ministry of Interior as the responsible institution for local authorities undertakes various training programmes to increase capacity at the local level, particularly in the fields of; PFMC, public procurement and application of local administration laws.

3.1.3 Are there institutions responsible for the formation and continuous training of the civil servants? (in the national, regional and local levels)

Institutions at the national level responsible for the formation and continuous training of the civil servants are as follows:

Turkey and Middle East Public Administration Institute (TODAIE): It is a legal entity with academic, administrative and financial self-administration. The main missions of the Institute about the public administration are; i) monitoring the progress in the public administration, ii) taking and supporting measures in order to improve knowledge and skills of civil servants in line with modern administration principles and techniques, iii) educating lecturers on public administration.

European Communities Research and Implementation Centre (ATAUM): ATAUM was founded under Ankara University in 1987 in order to i) provide training to public and private sector employees about various aspects of European integration, ii) arrange courses, seminars, conferences, congress, symposiums at national and international level and organize education and training programmes in the fields of acquiring special expertise, iii) inform the public about the Turkey-EU relations, iv) carry out research on its own or in cooperation with other national and international institutions. Since its establishment, it has provided training for public officials especially on the subject of European Union.

Turkish Institute for Industrial Management (TUSSIDE): TUSSIDE, which became operative in 1986, is an institute providing training and consultancy services for more effective management and continuous development of public and private sector institutions.

The units set up by public institutions for training their own staff such as Finance Training Centre of Ministry of Finance (MAYEM), Turkish Justice Academy of Ministry of Justice, Institute of Security Units of Security General Directorate of Ministry of Interior.

At local and regional level, some initiatives and associations also provide training to improve institutional and administrative capacity. Training programs and activities of some local administration unions and local development initiatives can be considered in this regard.

3.2 Recruiting and retaining high quality staff

3.2.1 Recruitment: What are the recruitment procedures (efficiency and transparency)? Does the administration face difficulties in recruiting officials? Are there substantial differences related to working conditions between ministries hampering mobility?

According to Civil Servants Law No. 657, civil servants are recruited after qualifying in an examination for public officials. The procedures and principles on holding the examinations are laid down by a general by-law prepared by the State Personnel Department. “The General By-Law on Compulsory Proficiency and Competitive Examinations for the First Time Appointees as Civil Servants” came into force in 1986 and the first central examination was held in 1999.

Public Personnel Selection Examination (KPSS) has been launched for recruitment to the public duties according to the Decision of Council of Ministers Numbered 2002/3975 “The General By-law on the Exams for First Time Appointees to Public Services”. Besides, the operations of holding KPSS and placement of the candidates succeeded have been delegated to Student Selection and Placement Centre (OSYM).

One aim of this By-Law is to set the general principles and procedures for the selection of group (A) and group (B) positions, which are described below:

The (A) group positions (e.g. assistant expert, deputy inspector, trainee controller, candidate district governor) are subjected to special competitive examinations for selection, and to promote (e.g. as expert, inspector, etc.) subjected to a certain proficiency examination following a training program for a defined period of time, commonly 3 years.

The Public Institutions and Agencies publicize the numbers, classes, titles and degrees of positions, selection criteria, the minimum acceptable KPSS scores and the details for the additional selection examinations and interviews for new appointments. The announcements has to be made in accordance with the regulations in effect (e.g. in the Official Gazette and in at least one of the five most popular gazettes published in Turkey).

The positions of (B) group are the ones other than the positions of (A) group (e.g. lawyer, engineer, nurse, health officer, technician, civil servant, cashier and security guard).

Available (B) group positions to be appointed by the institutions are announced in the KPSS Selection Guidebook prepared by the OSYM. The placement is done electronically according to the score rankings by the Head Office of the OSYM. These candidates are recruited without any other examination or interview and the relevant institutions inform State Personnel Department and OSYM about the appointees and non-appointees.

Institutions do not face any challenges in recruiting public servants. The over demand for the positions in the public service enables recruitment to be very selective. In 2006, there were approximately 440.000 and 1.662.000 applications for the KPSS to be employed in (A) group and (B) group positions respectively. The recruitment and acceptance for the further examinations (if required) starts with the person ranked highest in the KPSS.

According to the Civil Servants Law No. 657, inter-institutional transfers are possible when the institution in which personnel works and the institution to which the personnel wishes to be transferred agree on it. In practice, difficulties in the mobility of the civil servants are very rare.

3.2.2 Remuneration: is the level of remuneration competitive with the private sector in order to recruit skilled and stable staff? Are there extra wages remunerations? (bonuses)

In Turkey, the wages for the public personnel are at a level capable of competing with that of private sector, due to the fact that junior employees in the private sector commonly receive minimum wage, while the (B) group civil servants get almost two folds of minimum wage. Civil servants of (A) group receive higher wages than the (B) group. Generally, working in the public sector is preferred to private sector because of this initial wage difference coupled with other reasons such as the employment guarantee provided for civil servants and career expectations.

There are some kinds of extra wage award implementations;

According to the Article 123 of the Law No.657 titled “Award”, the civil servants who are deemed to be carrying out their missions successfully as a result of extraordinary effort and endeavours in comparison to their precedents may receive an award of one salary in a financial year in case it is seen as appropriate by their institutions or the related Minister.

In accordance with the Decree Law No. 399 and the “By-law on the Evaluation of Register and Success of the State Economic Enterprises Contractual Personnel”, the contracts are renewed with a bonus matching the success level of the personnel.

4 Programming

Preparation of programming documents: NSRF, Operational Programmes

4.1.1. Is there a timetable for preparing future programming documents? (actors involved, procedures, co-ordination, etc.)
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Turkey as a candidate country is eligible for the “Instrument for Pre-accession Assistance” (IPA). Programming, implementation, monitoring and evaluation process of the IPA process is considered as the main tool for the preparation of Turkey to Structural Funds. The institutional mechanisms and preparation process that are designed for the Strategic Coherence Framework (SCF) will be the main start up point for National Strategic Reference Framework (NSRF).

Preparation of SCF and OPs; actors, procedures, timetable and coordination

Following the issuing of the IPA Regulation, the State Planning Organization (SPO), as the Sectoral Coordinator for IPA launched the preparations for SCF.

A SCF Working Group has been formed by participation of experts from all relevant units of SPO in order to ensure overall coordination and consistency among different components of IPA. During critical stages of drafting, working groups of Operating Structures were also invited for joint work to secure Operational Programmes’ (OPs) compliance with SCF. SCF Working Group worked on situation analysis, SWOTs and priorities. By using the outputs of workshops SPO has prepared a draft version of SCF. The consultation and views of exchange with European Commission is underway on the draft document.

OP working groups have been formed under the coordination of related Ministries Managing Authorities (MAs) with the participation of other related public institutions, ministries and representatives from business and trade unions and NGOs. The working groups of SCF and OPs have worked in close cooperation and coordination to ensure consistency of SCF and OPs.

While preparing the SCF and OPs, objectives, policies and priorities of major national (9th Development Plan 2007-2013, Medium Term Programme 2006-2008, preliminary National Development Plan (pNDP) 2004-2006, Preaccession Economic Programme (PEP) 2005, and Sectoral strategies such as SME Strategy and Action Plan) and EU (Lisbon Strategy, Community Strategic Guidelines, European Employment Strategy, IPA Regulation, Multi Annual Indicative Planning Document, Accession Partnership, Progress Reports) documents have been taken into consideration.

It is envisaged that, SCF will be finalized before the beginning of 2007 and Operational Programmes will be finalized after the official submission of SCF document to the Commission. A Coordination Committee for SCF and Monitoring Committees for each OP are envisaged to be established in this regard.

Actors and Their Roles

The main actors are already covered under the answer to the question 2.1.1 and 2.1.2.

OP Monitoring Committees

Monitoring of each of the OP will be conducted by Monitoring Committees. The monitoring committee meets under the presidency of the related operating structure with high level participations of relevant institutions. Operating Structures are responsible for preparing OP

documents in compliance with SCF and ensuring partnership. The responsibilities of Monitoring Committee in preparation process is as follows; to steer the preparation of OP, to propose the selection criteria for the projects in the framework of OP and to propose amendments for the OP depending on current developments.

Preparation of NSRF (Procedures, Coordination and Actors)

As explained in part 2, SPO is planned to be the coordinating body of NSRF.

A comprehensive and detailed socio-economic analysis with participation of all related stakeholders will be prepared. All stakeholders such as local authorities, related public and private institutions, economic and social partners and civil society representatives will be involved. This process will last 6-12 months with several meetings, workshops and information exchange procedures. After making a comprehensive analysis including strengths, weaknesses, opportunities and threats, intervention areas, priorities and hence OPs will be defined. OPs will be under the coordination of MAs (which are related ministries).

Both OPs and NSRF will take the horizontal priorities and basic principles into consideration such as complementarity with national actions, coordination between other funds, consistency with priorities of Community, compliance with Community acquis and gender equality.

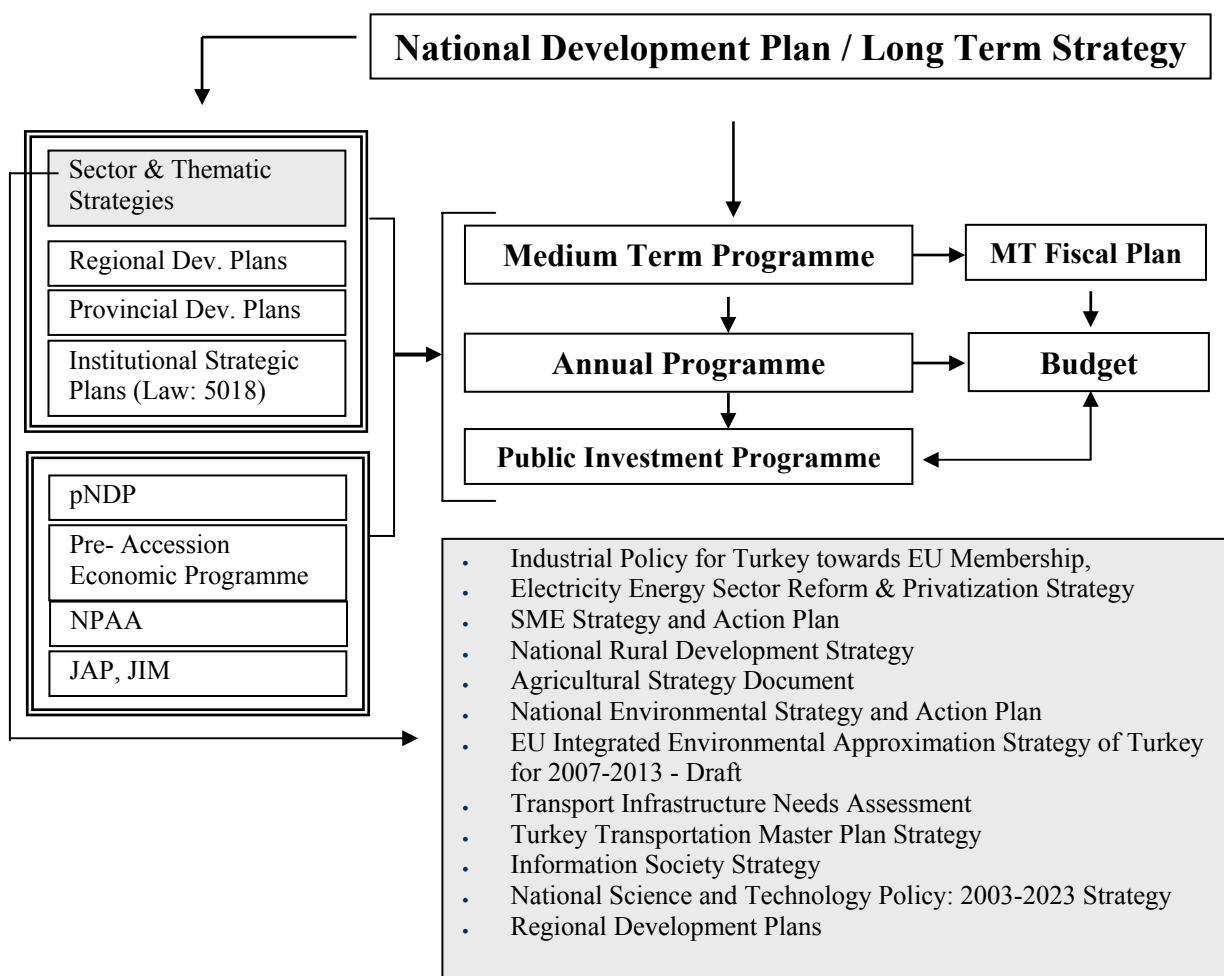
4.1.2. What linkage with the process of national investment and budget planning? Are there some strategic planning documents in place, horizontal (national development plans) or sectoral

Public investment and budget planning and preparing procedures are simultaneous. Central government budget covers all kinds of public expenditures (recurrent, capital formation, transfers) while public investment program shows project base allocation of the commitments that take place in the budget (in financial, institutional, functional and economic classification). Public investment program also includes projects of the State Economic Enterprises (SEEs) and İller Bank (Bank of Provinces), Social Security Institutions, institutions under privatisation and all foreign financed (loan, grant etc.) projects of the local authorities that central budget does not cover.

Central Government Budget planning and preparation is coordinated by the Ministry of Finance while preparation of Public Investment Program is coordinated by the SPO.

According to Public Financial Management and Control Law (Law No: 5018), medium term programme as well as medium term fiscal plan have been introduced into Turkey's newly redesigned budgetary process as interim documents between national development and investment as well as budget planning. This has been reinforced by introducing a requirement for public agencies to conduct strategic planning and performance budgeting also along the lines of PFMC Law. Local and central public authorities would be required to prepare strategic plans and to show the link between their budgetary requests, policy objectives and the expected outputs and results.

Planning/ Programming / Budgeting Process



Strategic Documents in Place

Macro Level National Strategic Documents

Long Term Strategy 2001-2023

- Long term basic objectives and policies regarding macroeconomic and social sectors,
- Prepared by SPO; approved by Turkish Grand National Assembly.

National Development Plan (2007-2013) (Constitutional Status)

- Five year documents (seven year for Ninth National Development Plan covering 2007-2013, in line with EU Planning horizon) (non rolling),
- Long-term strategic objectives and priorities organized under thematic development axes
- Guides all macroeconomic, sectoral and regional policies and implementations,
- Sets the general framework of economic, social and regional indicative targets,
- Based on findings of the ad-hoc committees formed by representatives of academia, public institutions, private sector and NGO's,
- Prepared by SPO; approved by the Turkish Grand National Assembly.
- Ninth National Development Plan adopted 1 July 2006- Official Gazette, will be effective as of 1 January 2007

Medium Term Program (MTP) 2007-2009

- Medium-term strategic objectives and priorities organized under thematic development axes,
- Sets priorities, macroeconomic policies, targets and projections,
- 3-year documents (rolling on annual basis),
- Consistent with the Development Plan,
- Prepared by SPO in collaboration with Ministry of Finance (MoF), Treasury and Central Bank in the light of views of public institutions and NGO's,
- Approved by the Council of Ministers.
- (Law No. 5018/Art.16) Current plan adopted by Decree 30 May 2006, No: 2006/10508

Medium Term Fiscal Plan (MTFP) (2007-2009)

- 3-year documents (rolling on annual basis)
- Sets institutional budget ceilings
- Based on MTP
- Covers central government institutions
- Prepared by MoF in collaboration with SPO and Treasury
- (Law No. 5018/Art.16) Current plan adopted by High Planning Council on 14 June 2006, Decision No 2006/36)

Annual Programmes

- Sets measures to implement the policies of the Development Plan and MTP
- Institutional responsibilities and timetable
- Prepared by SPO, approved by the Council of Ministers

Budget

- Rules regarding the implementation
- Institutional allocations
- Revenue estimations
- Approved by a law adopted by Turkish Grand National Assembly

Public Investment Programmes

- Project-based distribution of investment allocations in line with the budget
- Covers whole public sector (including SEEs, social security institutions and foreign-financed investments of local authorities)
- Indicates the total cost of all projects, as well as individual projects
- Indicates the cumulative expenditure up to the current year and annual allocation.

Public Investment Process in Turkey

The same public investment process is applicable for all projects independent of sectoral variations.

- Development Plan is split into 3 years MTP every year. According to the MTP, MTFP is prepared.
- Annual Programme is prepared according to the Medium-Term Programme on annual basis. Development Plan is implemented through annual programmes and budgets and work plans of public institutions are prepared in accordance with them. Three years 'objectives' of MTP are elaborated as 'measures' in annual programmes.
- Investment Circular is issued with its annex 'Investment Programme Preparation Guide'. Investment Circular includes investment proposal ceilings, sectoral and regional priorities, and priorities on project basis, also the relevant macroeconomic parameters. Investing institutions become acquainted with their own indicative budget ceilings.
- Project proposals are gathered from regional and local administrations, public authorities, NGOs and citizens etc. by the institutions. Proposals complying with the above mentioned documents are sent to SPO.
- SPO analyses the projects submitted by the investing institutions through Financial, Economic, Social, Institutional, Environmental and Regional Analyses.
- Draft budget proposal, including investment budget proposal is submitted to the High Planning Council (HPC) after having analysed investment proposals and consulted with the institutions in cooperation with the Undersecretariat of Treasury and the Ministry of Finance.
- Draft Budget approved by the HPC is sent to Council of Ministers first, then to Turkish Grand National Assembly (TBMM)
- Budget ceilings are discussed in the TBMM Planning & Budgeting Commission
- Budget law is approved by latest the end of the year and the budgets of the institutions become effective as of January 1.
- Projects are elaborated in investment programme according to the final budget ceilings. Investment programme is issued in two weeks after adoption of the budget as a Council of Ministers Decision (PFMC Law, Article 19) accompanied by Annual Programme Decree.



Sectoral, Regional and Thematic Strategy Documents

- As the EU proposed it in the 2002 Progress Report for Turkey, High Planning Council (HPC) adopted **“Industrial Policy for Turkey Towards EU Membership”** in 2003 (Decision No 2003/44). This policy paper was prepared under the coordination of the SPO by Ministry of Industry and Trade, Treasury, Undersecretariat of Foreign Trade (UFT), General Secretariat of EU Affairs (EUSG), Turkish Patent Institute, Turkish Union of Chambers of Commerce and Industry (TOBB), Turkish Confederation of Merchants and Architects (TESK).

- HPC adopted **“Electricity Energy Sector Reform and Privatization Strategy”** in 2004 (Decision 2004/3). In this document, EU acquis was taken into account.
- **“SME Strategy and Action Plan”** was prepared by SME Working Group, which is composed of Ministry of Industry and Trade, SPO, Treasury, UFT, Turkish Statistical Institution (TURKSTAT), EUSG, TOBB, Turkish Confederation of Merchants and Artisans (TESK). Adopted by HPC in 2003 (Decision No 2003/57).
- **“Agricultural Strategy”** Document (2006-2010) was adopted by HPC in 2004 (Decision No 2004/92). In this document, EU agriculture and fishery policies and world trade organization policies were taken as references.
- **“National Science and Technology Policy: 2003-2023 Strategy Document”** was prepared by Turkish Scientific and Technical Research Institution (TUBITAK) and adopted by High Council of Science and Technology, Presidency Circular No: 2005/9
- **“National Rural Development Strategy”** was adopted by HPC in 2006 (Decision 2006/1).
- **“Information Society Strategy”** was adopted by HPC in 2006 (Decision 2006/38).
- **“National Environmental Strategy and Action Plan”** was prepared in 1998 by the Ministry of Environment and Forestry.
- **“EU Integrated Environmental Approximation Strategy of Turkey for 2007-2013”** (Coordinated by the Ministry of Environment and Forestry-Draft)
- **“Transportation Master Plan Strategy”** was prepared in 2005 by the Ministry of Transport.
- **Transport Infrastructure Needs Assessment** (Coordinated by the Ministry of Transport and SPO - Draft) (TINA) Study has been launched in December 2005 and finalization is envisaged in November 2006. The ultimate decision-maker of the study on behalf of Turkish side will be the High Planning Council.
- **Regional Development Plans of Eastern Anatolia (DAP), Southeastern Anatolia (GAP), Eastern Black Sea (DOKAP), Zonguldak-Bartın-Karabük (ZBK) and Yeşilirmak River Basin (YHGP) regions** (All coordinated by SPO and effective from various dates beginning from 1997)

Strategy, Plan, Program Documents for EU pre-accession period

- National Program (2001, 2003 and 2006-under preparation)
- Preliminary National Development Plan (for the period of 2004-2006)
- Pre-Accession Economic Programs (since 2001, fifth in 2005)
- JAP, JIM

4.1.3. How Community Strategic Guidelines will be taken into consideration?

“Community Strategic Guidelines, 2007-2013” (CSG) combining competitiveness objective of Lisbon Strategy and convergence objective of economic and social cohesion provided important inputs and benchmarks for major strategic documents such as 9th Development Plan and SCF. Although these guidelines are more binding for member states, Turkey foresees the need of harmonization of the policies for better adoption of the systems and implementation

structures. So, these guidelines were taken seriously and with some customization, transferred to Turkish policies in strategic framework.

For sustainability of the strategic framework and the focus, new objectives and priorities designed in line with the CSG follow the perspective drawn up by pNDP. pNDP, which provides strategies and priorities for the use of EU financial assistance towards economic and social cohesion measures during the 2004-2006, has been the first document for approximation of Turkish Regional Policy to the EU practice. The priority axes of pNDP are:

- Enhancing the competitiveness of enterprises
- Developing human resources and increasing employment
- Improvement of infrastructure services and environmental protection
- Increasing economic power of regions, reducing interregional development disparities, and accelerating rural development

In this plan, Turkey's Regional Development Strategy at National Level has been put forward. Priority areas of this medium-term Strategy focused on 12 priority NUTS II regions are concentrated on some interventions through:

- human resources development particularly of self-employment potential,
- increasing SMEs' competitiveness,
- better physical and social infrastructure for a better business and urban environment,
- diversification of economic activities in rural areas,
- institutionalisation, better governance and administrative capacity

Regarding conformity with CSG, the most recent document determining the regional development policy of Turkey is the 9th Development Plan covering the 2007-2013 period. Plan was adopted by the Grand National Assembly in June 2006. The priorities of the 9th Development Plan are fully in line with CSG.

The vision of the Plan reflects both competitiveness and convergence objectives. Vision phrase is as follows: **"Turkey which grows in stability, shares its income equitably, has global competitiveness, has transformed into information society and completed its harmonization process for EU membership."**

The Plan was organised under five strategic areas called development axes. These thematic and strategic areas are:

- Increasing competitiveness,
- Increasing employment,
- Strengthening human development and social solidarity,
- Ensuring regional development,
- Improving the quality and effectiveness of the public services.

First two axes of the Plan ("Increasing Competitiveness" and "Increasing Employment"), can be viewed as direct reflection of Lisbon targets to the Turkish economy. It also puts regional policy measures such as supporting the development of new industrial poles (potential growth centers). This policy is expected to be achieved by stimulating investments in medium size centers which have proved to be competitive at a threshold level and reached some economies of scale.

According to the plan, regional development policies will contribute to national development, competitiveness and employment by increasing productivity of regions on one hand, they will serve the basic objective of reducing regional development disparities on the other hand. In this perspective; priorities of the Regional Development Axis are mentioned as “increasing the harmonization and effectiveness of policies at the central level, creating a development environment based on local dynamics and internal potential, increasing institutional capacity at the local level and accelerating rural development”.

Plan’s regional development policy tries to establish a balance between policies to decrease regional development disparities and increasing competitiveness of the regions. Thus, the final outcome will be increased contributions of all regions to national development at maximum level.

The recommendations provided in the CSG are also taken into consideration in the preparation phase of the SCF and OPs under IPA. Similarly, with the accession of Turkey, National Strategic Reference Framework document will clearly set the link between Community priorities and national priorities and will ensure the consistency and complementarity to the CSG.

4.1.4. Independent ex-ante evaluation: mechanisms foreseen for ensuring ex-ante evaluation (in house or outsourcing)

Sectoral Coordinator will have overall responsibility for over-seeing and coordinating the ex-ante evaluation process both for SCF and for Operational Programmes.

A project called “Support to SPO to Build Capacity at Central, Regional and Local Level to Implement Economic and Social Cohesion Measures in Line with the PNDP”, whose main beneficiary is the SPO is in 2004 EU Turkey Financial Cooperation Package. The second component of the project "Support for the Preparation of OPs" includes activities for developing ex-ante evaluation capacity both in SPO and relevant ministries.

In addition, there is a bilateral technical assistance project (GTZ) under preparation envisaging establishment of a monitoring and evaluation system at national level for public investments. There are already operationally independent inhouse units within SPO responsible for assesment of feasibility studies and strategic plans of public agencies, and monitoring and evaluation of regional programmes. These units may assume the role of ex-ante evaluators within SPO. Furthermore, SPO can also use outsourcing for specific ex-ante evaluations when it is required.

Effective Partnership

4.2.1. How partnership is intended to be organized in the preparation of the programming documents?

As explained in part 2.4.2. there are several mechanisms for partnership and participation of socio-economic partners. In the preparation of the programming documents effective partnership will be ensured with establishment and effective functioning of monitoring committees.

Current programming of pre-accession funds with Financial Cooperation Committee presents a practical partnership example. Same methodology can be applied to the programming of IPA OPs. While benefiting from this experience, this methodology can be developed further with the following experiences as well:

Ad-Hoc Committees of National Development Plans

Ad-Hoc Committee mechanism of National Development Plans are the examples for organizing partnership for the preparation of programming documents at national level. According to Regulation No:5/1722 dated 29.09.1961 and Decree Law No:540, Ad-Hoc Committees have been organized in the preparation of all National Development Plans. Development Plans' Ad Hoc Committees have been a strong participatory mechanism for development plans and programming documents.

The Fourth Turkish Congress of Economy (May, 2004); These Congresses have been organised traditionally with a wide participation of universities, private sector, NGOs, bureaucrats and local authorities as well as international organizations' members.

During preparations for the Congress, 22 study groups with 400 attendees were organized, each being coordinated by a relevant stakeholder apart from the SPO. The results of the study groups were presented in the congress and discussed. These outputs are used in the preparation of the strategy documents.

Participation in Preparation of Regional Development Plans:

During preparation of regional plans participatory approach were applied to ensure utmost involvement of local authorities and regional partners. To this end various participatory techniques and mechanisms were extensively used. In this respect, "central" and "regional" steering committees were established to reflect views of various agencies together with local authorities and regional actors. These committees were established by the participation of the ministries and major stakeholders such as; governorships, municipalities, chambers of commerce, industry, agriculture, associations, foundations and private sector.

Strategies and scenarios were defined through the SWOT analyses, workshops, focus group meetings carried out both at the center and in the region again with the participation of local authorities.

Participation in Preparation of pNDP

Several workshops with wide participation were organized for preparing pNDP. For Regional Development Strategy, 200 participants including governors from 81 provinces, mayors and

deputy mayors and representatives from universities, public institutions and NGOs were attended the workshop.

Upon completion of the draft version of the pNDP, a meeting was held to brief the public institutions. Representatives of more than 50 public institutions were informed about the preparation of the draft version of the pNDP, and their views on the draft version reflected in the pNDP.

Also in the preparation process, thematic and sectoral strategy documents (Eighth Five-Year Development Plan and Ad Hoc Committees Reports, 2003 PEP, SME Strategy and Action Plan, Turkish Industrial Policy Document, and the NPAA) prepared through a participatory approach were taken into consideration.

Participation in Preparation of SCF and OPs

For the preparation of SCF, principally Ninth Development Plan Ad Hoc Committee Reports have been used. SCF Working Group has been formed under Sectoral Coordinator in order to ensure overall coordination. OP working groups have been formed under the coordination of related Managing Authorities with the participation of related public institutions, ministries and representatives from business and trade unions and NGOs. The working groups of SCF and OPs have worked in close cooperation and coordination to ensure consistency of SCF and OPs. SCF and OP working groups have organized joint workshops where necessary.

4.2.2. What role foreseen for regional / local authorities, socio economic and other partners

There are several mechanisms that partnership and participation is guaranteed. Development Council of The Development Agencies at regional level and City Council at local level are the appropriate examples of the partnership mechanisms. The members, functions and roles of partners are described in Chapter 2.4. in detail.

4.3. Project Pipeline

4.3.1. What plans to develop, in parallel to the programming process, a pipeline of projects ready to be financed under EU assistance? (eligibility of expenditure, feasibility studies, calls for tenders, environmental impact assessments and other preparatory work, and organising the necessary national –public or private- co-financing)?

During each programming cycle, project ideas based on the priorities of Accession Partnership, NPAA, pNDP and Regular Report are being received. In addition, priorities will be provided in the relevant OPs under IPA, based on which Turkey will be presenting its project pipeline. In fact, Turkey has already started to prepare supplementary documents (feasibility, environmental impact assessments-EIA) of some projects to be ready for the forthcoming years by using EU funds. Particularly in 2006 EU-Turkey Financial Cooperation Package, sufficient amount has been spared to use for preparation of feasibility studies, calls for tenders, EIAs and other preparatory work. EU funds will continue to be used for the same purpose and if required, national funds may also be mobilized.

Looking sector-wise, preparatory work particularly in environment and transport are worth mentioning.

Project pipeline management and prioritisation process in environment sector is carried out under the coordination of Ministry of Environment and Forestry (MoEF) and with the participation of SPO, Bank of Provinces (Iller Bank) and other related institutions. This process has three stages:

- Identification and updating of criteria for project prioritisation (in line with Priority Environmental Projects for Accession (PEPA) criteria),
- Preparation, updating, and sending of questionnaires to the municipalities
- Evaluation of data received from municipalities and prioritisation of projects against certain criteria (database management system).

The project prioritisation criteria are updated regularly according to needs. Related institutions identify a minimum population threshold for the settlements that will participate in the pipeline. The questionnaires are sent to municipalities with a certain population to define the needs of them. The data is evaluated in the framework of the criteria defined and each project is scored and ranked by the MoEF. As a result of this process, a prioritised project list is obtained. Within the limits of the budget allocated, sufficient number of projects is selected and the preparatory studies proceed.

Preparations for the OP Environment are underway. The above mentioned project pipeline will form the basis of the indicative major projects list, in the context of priorities of the OP.

At the transportation sector, the ongoing Transport Infrastructure Need Assessment (TINA) study aims to initiate the development of a multi-modal transport network within Turkey for the extension of the European Union's TEN-T to Turkey to enable sustainable transport mobility across Europe. TINA Project will also provide an important input in drafting the Transport Operational Programme for IPA (Instrument for Pre-Accession, 2007-2013).

At local level, the Development Agencies (DAs) will be the key institution in the mechanism for supporting the formation of local project pipelines in the regions. DAs will have enough resources particularly for supporting the project preparation activities of local authorities and their unions. They also have possibilities to extend direct technical support and guidance to local planning and project preparation activities.

4.3.2 What are the project management capacities at national level (implementing agencies properly staffed, expertise within operational ministries)? At regional and local level?

Particularly for central institutions, Turkey has a long tradition of planning and implementing national and international projects of any scale. There are many experienced institutions with high quality project management staff, which has expertise and knowledge in large-scale projects such as dams, highways, motorways, ports, airports, bridges, water supply and sewage systems. Some of these institutions will become either managing authorities or implementing agencies during preparatory process for structural funds.

Some summary information is provided as annex 2 for the most important central institutions including those determined as MAs (operating structures) of IPA, namely the Ministry of Environment and Forestry, the Ministry of Transport (MoT), the Ministry of Industry and Trade (MIT), the Ministry of Labour and Social Security (MoLSS) and Ministry of Agriculture and Rural Affairs (MARA). In addition, information about some other institutions, which are competent in project management is also provided in annex 2.

MoEF is carrying out a number of projects within the EU-Turkey financial cooperation programmes. Within this process, the Ministry gained an extensive capacity in preparing, implementing and coordinating projects in the framework of EU procedures.

MoT is implementing large-scale infrastructure investments. Among them MARMARAY (Istanbul Strait Tube Tunnel), Istanbul-Ankara Rapid Railway Line and built-operate-transfer type contracted airports are the most comprehensive ones. The Ministry has experienced technical staff that are used to work with foreign consultants and contractors; in both central and regional divisions.

MIT is uniting project management skills in different sectors for the purpose of encouraging rapid and stable development of industry. Within this framework, MIT has significant experience in project management as briefed in the annex 2.

MoLSS, is also used to work in cooperation with international organizations like ILO. Furthermore, the Ministry took place in the EU-Turkey financial cooperation programmes for several projects as seen in the attachment. Within this framework, the ministry gained an extensive capacity in the management of EU projects including grant schemes.

In terms of regional and local level project management capacity; regional and/or provincial level technical capacity of those ministries are significant, as seen in the annex. Furthermore, there is an important experience on project preparation and implementation at regional and local level, particularly in local authorities.

According to the Law on Special Provincial Administrations no. 5302 (Official Gazette: 04 March 2005, no. 25475), Special Provincial Administrations have the duty and authorization to provide land, construction, maintenance and rehabilitation of buildings for activities related to youth and sports, health, prevention of soil erosion, culture, arts, tourism and primary and secondary education; and to provide services related to roads, drinking water, sewage system, solid waste, environment, forestation, public parks and gardens for the areas out of the municipal boundaries.

According to the Law on Municipalities no. 5393 (Official Gazette: 13 July 2005, no. 25874), municipalities provide urban infrastructure services like urban planning, drinking water, sewerage system, solid waste and transport. In this framework, local authorities, especially metropolitan municipalities, carry out large-scale urban infrastructure projects, using foreign

finance where necessary. The foreign financing is used particularly for the water supply, waste-water, solid waste and mass-transit projects. There are also several gas projects financed by external debt.

Foreign financing is provided from bilateral resources, multilateral institutions, export credit agencies and commercial banks. The share of multilateral banks including European Investment Bank and European Development Bank is significant. European Investment Bank is the most active multilateral bank in recent years. They provide soft loans and grants for the financing of environmental projects which comprise of water-supply, waste water and solid waste projects in the developing regions of Turkey.

The total foreign finance provided for the municipality projects in the period of 2000-2006 is over 1,4 billion €. The total of realized investments by the local authorities (municipalities and special provincial administrations) in the last ten years is 19.04 billion €.

Local authorities employ the technical staff necessary for the implementation and supervision of the projects within the framework described above. In local authorities (municipalities and special provincial administrations) a total of 11758 technical staff, who are experienced in all stages of project preparation and implementation, are employed. The staff in special provincial administrations, in accordance with their job descriptions, serves to meet the infrastructure needs of not only urban but also rural areas within the province.

On the other hand, activities related to improving the local capacity to prepare and manage EU projects are extensively ongoing.

In addition to seminars provided under twinning project for supporting SPO, extensive trainings on project preparation, log-frame, feasibility, EIA, business plan and procurement are given to approximately 7000 participants from the local authorities, NGOs, SMEs and public in general during implementation of EU supported Regional Development Programmes (three programmes covering 8 NUTS II Regions). As a result of these local capacity development activities, local stakeholders replied to calls for proposal with 3.347 projects. After evaluation and endorsement, commitment rates for two programmes have been realised as 98 % (SKE Programme) and 87 % (EADP) respectively in the regions covering some of the most underdeveloped parts of the country.

As stated in part 3, Union of Municipalities in Turkey is carrying out the project “Improving Project Preparation Capacity in Municipalities” and Ministry of Internal Affairs, General Directorate of Local Administrations is coordinating the project “Support to Local Administration Reform Programme” with the financial support of EU. These two projects also contribute to the project preparation capacity at the local level.

4.3.3 Is there an efficient banking sector at regional/local level with developed lending mechanisms to local authorities?

Iller Bank provides soft loans to the investment projects of the municipalities all over Turkey. The Bank uses both its assets and international funds as source of finance.

The Bank’s operations include the following activities;

- Finance of the projects in the Investment Program,
- Distribution of the shares from the tax revenue to the local authorities,
- Similar banking services which authorized for investment and development banks.

The interest rates for various credits given to the municipalities by Iller Bank are shown on the following table.

Table:7 Interest rates of credits given by Iller Bank

Type of Loan	Interest rate (per year)	Maturity
Projects which are included in the investment program of Iller Bank*. (1)	9%	10 years
Projects which are included in the investment program of the municipalities but not in the investment program of Iller Bank, (2)	9%	5 years
Procurement of material, vehicle, and equipment (3)	9%	3 years
Short-term cash advance (4)	12%	1 year

* With the Board approval back-payment of this kind of projects can be delayed up to 3 years depending on the project duration. The first 3 years only the interest rate will be payed (without principal amount).

Source : Iller Bank as January 2005

In the projects financed by Iller Bank's loans, expenditure and construction supervision are done by Bank itself or jointly with the local authorities. Except short-term cash advance, direct payment is not available for the beneficiaries. Progress payments are done directly to the contractor.

Amounts and types of the loans used by local authorities for the period January 2004 - September 2006 are as follows;

Loan Type (1)	Loan Type (2)	Loan Type (3)	Loan Type (4)
728,209,000 €	130,000,000 €	221,000,000 €	169,000,000 €

Iller Bank's Experience with the International Finance Organizations

In 1998, Iller Bank started to use international credits. The contract of Decontaminating of İzmit Gulf Project executed under the supervision of Iller Bank, which has an estimated cost of 33 million € is signed in 20.02.1998. In the framework of the project, 26 municipalities (having a population of 985000 population) around İzmit Gulf will benefit from the wastewater treatment facilities at the end of first stage (2010).

Moreover, in cooperation with the Undersecretariat of Treasury and SPO, the World Bank-funded Municipal Services Project was launched in 2003 to improve the environmental infrastructure by using foreign funding. The agreement for the 212,9 million € loan was obtained to finance water supply, waste water and solid waste projects of the municipalities. The loan agreement was signed between the World Bank and Iller Bank on 08 February 2006.

The project aims at;

- Carrying out the investments needed in the water, wastewater and solid waste sectors,
- Establishing a sustainable financing mechanism,
- Strengthening the institutional structure of Iller Bank.

This project will be implemented in Muğla, Ödemiş, Bergama, Denizli, Polatlı, Gelibolu, Kütahya, Ilıca and Elbistan municipalities and Mersin, Antalya Water And Waste Water Utilities respectively.

Additionally, in the framework of Gulf Countries Cooperation Project, approximately 106,4 million € loan is being used to finance the sewerage network, waste water treatment and water supply network in the Marmara Earthquake Region.

5 Monitoring and Evaluation

5.1 Establishing evaluation capacity and process

5.1.1 What national systems and mechanisms to ensure the monitoring and evaluation of the quality and impact of development programmes?

Turkey follows a hierarchical order in her planning process: 9th 7-Year National Development Plan (NDP), revolving 3-Year Medium Term Programme and Medium Term Fiscal Plan, Annual Programme and Annual Investment Programmes. As cross-sectoral and multi-annual programmes, regional development programmes have been implemented as an integrated part of the previous programmes.

In addition, Decentralized Implementation System (DIS) was adapted for programmes under EU-Turkey Financial Cooperation. The system organized itself to monitor and evaluate the activities and projects carried out through Cooperation.

9th 7-Year National Development Plan (NDP)

9th NDP describes how quality and impact of the plan will be monitored and evaluated. A Monitoring and Steering Committee composed of top-level executives of ministries will monitor and assess the progress with the coordination of State Planning Organization (SPO). The committee will convene at least once a year and be responsible for guiding planning and budgeting activities to be in parallel, for preparing Annual Progress Report and presenting it to Council of Ministries, and for ongoing evaluation of 3-Year Programme Evaluation Reports. Necessary communication infrastructure between the organizations and rules of reporting will be established by SPO.

3-Year Medium Term Programme (MTP) In parallel, 3-Year Medium Term Programme will be monitored and evaluated on yearly basis via reporting and meetings coordinated by SPO.

Annual Programme and Annual Investment Programmes

These programmes are reviewed for the previous year's progress and planned for the following years in line with NDP and MTP. The programme is monitored by monthly reports from related institutions while the evaluation is done by the meetings between sectoral experts and the institutions.

Regional and Provincial Coordination Committees

Regional and provincial coordination committees meet quarterly in order to ensure necessary coordination and cooperation to realize implementation of the regional and local projects.

Decentralized Implementation System (DIS)

EU-Turkey Financial Cooperation projects and programmes are implemented under Decentralized Implementation System (DIS). A comprehensive monitoring and evaluation framework was established under DIS.

Turkey established a Joint Monitoring Committee (JMC) reviewing all programmes funded under DIS. There are 6 sectoral monitoring sub-committees (SMSC) organised in relation to JMC:

- Economic and Social Cohesion (ESC)
- Social Development

- Internal Market, Customs Union, Agriculture
- Public Administration Development and Civil Society Development
- Justice, Liberty and Security
- Infrastructure, Energy, Telecommunications, Transport and Environment

Meetings of SMSCs are attended by the National Aid Coordinator (NAC) (or its representative), the National Authorizing Officer (NAO) (or its representative), the Central Finance and Contracting Unit, beneficiary as well as the EC services and representative(s) of the Interim Evaluation Team. Each sectoral monitoring sub-committee convenes three times a year: twice for the review of monitoring reports prepared by beneficiaries and once for the review of interim evaluation reports prepared by a team of independent evaluators (Interim Evaluation Team) contracted by European Commission. Interim Evaluation Team evaluates the projects with respect to 5 criteria: relevance, sustainability, impact, efficiency and effectiveness in accordance with PHARE Interim Evaluation Guide on the basis of the monitoring reports and reaches to sectoral conclusions and ratings.

The sub-committees report to Joint Monitoring Committee (JMC) consisting of NAC, NAO, members of Financial Cooperation Committee and European Commission.

In addition to this sectoral monitoring procedure, there is institutional monitoring, where the project beneficiaries meet periodically (monthly, quarterly, etc.) on project level to discuss the day-to-day problems encountered during project implementation and provide solution alternatives.

Regional Development Programmes (RDP)

For last four years, DG Regional Development and Structural Adjustment of SPO have been programming and managing several regional programs supported by EU funds. In this framework, SPO established Department of Monitoring and Evaluation (DME) to be able to follow the progress primarily on the Regional Development Programmes under DIS. It is planned that the department will extend its monitoring activities over local investments and performance of the Development Agencies.

Strategic Planning and Performance-Based Budgeting

With enactment of Public Financial Management and Control Law (Law No. 5018), new concepts such as strategic planning, performance budgeting, medium term programming, medium term fiscal planning, multiannual budgeting are introduced into the Turkish public administration system.

New strategic management initiative will not only rely on but also support effective monitoring and evaluation of development plans and programmes by giving new insights to public institutions.

Article 9 of this law envisages that, after a transitional period, public institutions will prepare their performance-based budgets in line with mission, vision, strategic objectives and targets of their strategic plans. By this regulation, it is aimed to achieve a new understanding of performance-based budgeting that targets effective, economic and efficient use of resources. Performance Budgeting Guideline is prepared by MoF to achieve these targets.

In addition, to ensure fiscal transparency and accountability, MoF prepared a by-law on activity reports for public institutions.

GAP (Southeastern Anatolia Project) Administration

The administrative structure of the GAP includes monitoring and evaluation department as well. The responsibilities of this department are to build an M&E system to the international

standards and to help better management of the projects under Administration's responsibility.

Main duties of M&E Department of GAP Administration are as follows:

- Monitoring and evaluation of the projects and activities undertaken by GAP Administration (data collection, data analysis, standardization, quarterly and annual reporting)
- Monitoring and evaluation of developments in the Region and the implementations of the GAP Regional Development Plan
- Monitoring of public and private sector investment projects (agriculture, industry, energy, transportation, culture and tourism, education, health etc.)
- Monitoring the other public services (economic investments, infrastructure, rural planning, municipality services, urbanization, environment etc.)

5.1.2 A standardized methodology and common cross-sectoral procedures exist or are envisaged?

Although there are various bodies and methods used for measuring the progress achieved in project and programme implementation, there is not yet a precisely standardized methodology and common cross-sectoral procedures. It is planned that NDPs and RDP practices, now on the ground, will contribute to development of methodology and procedures. Before the implementation of the OPs, standardization will be ensured and common monitoring and evaluation procedures will be determined

9th NDP set the main methodology and left detailed principles and rules of monitoring and evaluation to SPO. Besides, Monitoring and Steering Committee will create a common platform for cross-sectoral issues.

Regional and provincial coordination committees functioning for many years provide a common cross-sectoral platform to monitor and evaluate the progress particularly of public investments at local level.

In addition, RDPs include cross-sectoral procedures by its nature. DME has established a common monitoring framework for all regional development programs by putting a common monitoring methodology. A common monitoring manual will be used from central to local level monitoring activities.

Once it is fully adopted, strategic planning approach will help institutions to follow a standardized methodology and a common cross-sectoral procedure with their extensions at regional/provincial administrations.

5.1.3 All involved bodies have agreed on a common set of key indicators / data and a common approach?

There is not yet a common set of indicators on which all involved bodies have agreed at national level but there is a growing effort for awareness raising and for integrating different systems. Particularly, efforts towards reaching a common set of indicators are given as follows:

9th NDP includes all general indicators to be monitored for sectoral and regional development.

A common methodology for defining performance indicators is provided in the “Strategic Planning Guidelines for Public Institutions”. Public institutions have started to define and monitor performance indicators of their activities.

In the programmes under EU-Turkey Financial Cooperation, achievements of the projects can be measured and illustrated by using a set of indicators. The indicators for each project are determined during project design (programming of EU Financial Assistance to Turkey) phase. There is a common approach to develop good quality indicators, the features (objectives, coverage, data accessibility, data quality and clarity) of which are introduced in “Project Cycle Management Manual” and “Practice and Management of Interim Evaluation and Monitoring”. During the implementation phase of the projects, the indicators may be revised in line with the recommendations of SMSC members.

For regional development programmes, DME has determined the indicators at programme, component (measure) and project levels. It is aimed to create a common understanding and capacity building by selecting the indicators together with project owners during the site visits.

5.2 Set up and implementation of a Management Information System

5.2.1 What collection and transfer of data mechanisms?

Monitoring reports of national investments are received through a periodic reporting of public organizations. The responsible body is Department of Project Investments Appraisal and Evaluation (DPIAE) in SPO.

Appraisal of the projects (ex-ante evaluation) is carried out by SPO experts prior to the inclusion in the investment program (Mandatory after the PFMC Law (5018)).

Project-based financial monitoring of Annual Public Investment Programme is coordinated by SPO. Monitoring reports about the measures are requested from the relevant institutions. In addition, physical and financial information in detail are requested for all projects by the Investment Circular, which is issued every year together with budget call.

According to 2006 Annual Program Decree, Article 28, data for all public projects within public investment program as well as investment implementation reports are being collected quarterly and recorded in the electronic database in SPO. SPO experts conduct site visits for randomly selected projects to verify the information from the institutions, if necessary.

Currently, reporting is done in both electronic and printed formats but there is not an online MIS. Design of a new online monitoring system in SPO is ongoing.

Based on 2006 Annual Program Decree (Article 10 and Article 27), Prime Ministry’s Circular on “Implementation and Monitoring of the EU Co-funded Regional Development Programmes” was published. Circular sets monitoring framework on three levels. Accordingly;

- At central level, SPO coordinates overall monitoring and evaluation of the programmes
- At regional level, Programme Implementation Units under Service (Development) Unions are responsible for monitoring of the programmes

- At local level, civil servants from Provincial Administrations accompanied by Service Union staff monitor projects with pre-determined on-site visits.

Regarding the regional development programmes, DME collects the data at three levels: central, regional and project-based. Common Monitoring Information System collects the data from the source (i.e. project data obtained from the project owner's on-line declaration through a web-based system) and verifies them with the findings of site visits. The system is transparent to all program actors in terms of observing the data gathered from different sources.

Development Agencies (DAs) established at NUTS II level regions will be responsible for monitoring and evaluation of activities and projects realised in accordance with regional plans and programs. Current MIS for RDPs in SPO can be extended to DAs and can be upgraded with Geographical Information System Technologies.

In addition to regional programme MIS, Ministry of Finance (MoF) developed "say2000i Web Based Accounting Office Automation System". Through this system financial data of general government sector are compiled, transferred to a database and reported. Accounting records of approximately all administrations within the central government are executed via say2000i system. Financial data of local administrations are entered into the system quarterly from the say2000i data entry points. Financial data of social security institutions are reported to MoF quarterly and processed into say2000i database. By inserting customised accounting codes, it is possible to extend say2000i to newer institutions at all levels including DAs.

According to By-Law on the Working Procedures and Principles of Strategy Development Units (SDU), SDUs in public institutions are also responsible for carrying out the works on the development of management information systems. These will contribute to improvement in MIS applications in public administrations.

5.2.2 Does it exist comprehensive electronic system for monitoring public national and regional/local expenditures?

Web-based system Say2000i established in MoF and launched in 2001 is used by 1619 accounting officers in general budget and special budget administrations. 73890 units within the Country are served by this system.

Budget preparation, implementation and final account transactions are carried out with web-based e-budget system established in MoF. This system is used by 7513 users in 159 administrations within the scope of central government and social security institutions.

By Say2000i and e-budget systems, the execution of budget and accounting transactions in a transparent, fast, reliable, quality and timely way became possible. They also provide on time monitoring of expenditures.

In addition to these, there are some other systems established for monitoring and evaluation of programmes and performance of institutions. But they indirectly keep expenditures in their systems separately.

National investments are monitored through an electronic system allowing periodic reporting from relevant public organizations.

Regional development programs monitored through a comprehensive monitoring information system. It is a web-based application and accessible from everywhere having an Internet connection. The system was designed for central, regional and local level. The system is quite secure in the sense that each actor has a user name and password allowing data entry only under his/her domain. Consolidated reports at component and program level are also available to get the overall picture.

Ministry of Interior, General Directorate for Local Authorities developed a performance measurement system (BEPER) to monitor the comparative performance of the municipalities.

BEPER Project is formulated in accordance with the main provisions and principles of the new legislations of public administration and re-organization of local authorities. "Performance Measurement" is one of the key principles of these new legislations.

6. Financial Management and Control

Designation of the bodies or authorities responsible for the implementation of the specific financial management

6.1.1. Which are the bodies expected to be appointed as audit and certifying authorities? What are their current responsibilities, experience and expertise?

As underlined in part 2.1.1. under the IPA, the audit authority will be the Board of Treasury Controllers (BoTC) and the certifying authority will be the National Fund, headed by the National Authorising Officer.

The current responsibility, experience and expertises of the Board of Treasury Controllers are as follows;

BoTC is the main audit body of the Undersecretariat of Treasury. The Board is headed by a chairman. The main office of the Board is located in Ankara in the Undersecretariat's building, besides the main office there are offices both in Istanbul and Izmir.

The chairman of the BoTC and all Treasury Controllers are appointed through a joint decree, signed by the President of Turkey, the Prime Minister and the State Minister responsible for economy and treasury. Once they are appointed as Treasury Controllers, it is almost impossible to change their position without taking their permissions.

The selection procedure of Junior Treasury Controllers takes place at three stages, a test exam, a writing exam and an interview. Those succeeded are appointed as Junior Treasury Controllers and then three years training and evaluation period starts. After three years the Junior Controllers have to pass a qualification exam in order to be appointed as Treasury Controllers.

Independent audit functions of the Board are generally performed under the International Standards on Auditing published by International Federation of Accountants (the "IFAC"). If the engagement agreements require other auditing standards to be performed, the Board is also able to perform the required audit.

Audit of the Decentralized Implementation System (DIS) and EU Financed Projects: Under the terms of Memorandum of Understandings (MoU), the BoTC is empowered to audit all systems and activities within the National Fund (NF), the Central Finance and Contracts Unit (CFCU) and Line Ministries. BoTC has unrestricted access to all records, reports, personnel, IT systems and assets in these bodies for audit purposes. The BoTC is independent of the activities that it audits. It has sole responsibility for the planning and selection of expenditures/projects to be audited and the manner in which the audits are conducted. The BoTC may, if deemed appropriate by the NAO or if requested by the other bodies of the DIS, advice on financial control and audit issues or review systems under development without prejudicing its right to subsequently audit such systems.

Regarding the Projects Financed by World Bank Treasury Controllers act as the independent auditors and perform financial and compliance audit of these projects.

Audit of the statements related with the Treasury short-term foreign exchange debt: The BoTC have been accepted as an independent audit body by the International Monetary Fund for the auditing of the schedule prepared for the Treasury for Short-term Foreign Exchange Debt.

Audit of United Nations Compensation Commission Payments: The audit certificate requested by the United Nation Compensation Commission is also prepared by the BoTC.

The Treasury Controllers also carry out performance audits of State-owned Economic Enterprises.

Final report is sent to the audited body after having approval of the Undersecretary of Treasury, and in some cases Minister of State responsible for Treasury.

Treasury Controllers take directions only from Undersecretary of Treasury or in some cases from Ministry of State responsible for Treasury. They are fully independent for performing the audit. Nobody can direct their audit or can have influence on the audit.

Besides the regular training programs and workshops, under a World Bank financed project, Treasury Controllers were trained by a well-known audit firm on International Standards on Auditing and International Accounting Standards in 2000.

In addition, 36 of Treasury Controllers have attended a three-month training program in Scotland in 2002, organised by the Institute of Chartered Accountants of Scotland including one month on-the job training. This project was designed to equip Treasury Controllers with the knowledge and skills required in both public and private sector accounting and auditing standards and applications.

In the context of EC Funded Project named “Support to the CFCU, NAC, and NAO in Turkey”, 21 Treasury Controllers had one month comprehensive training on the EU Funds and DIS system in Turkey, in 2004. In addition to this training, at the same year, 18 Treasury Controllers have also attended a two-week course on exam preparation for Certified Internal Auditor (CIA).

The BoTC has prepared a Project fiche for “Strengthening Audit Capacity of The Board of Treasury Controllers with Respect to Pre-Accession Funds”. This project fiche has been approved by the European Commission in 2004 program.

For internal audit functions, ten Treasury Controllers became as Certified Internal Auditor provided by the Institute of Internal Auditors (the “IIA”).

Currently, 82 Treasury Controllers including the chairman are in the BoTC in order to perform audit function.

Current responsibilities of the National Authorising Officer heading the National Fund, under the Decentralised Implementation System (DIS) are as follows;

- Request and manage funds from the Commission,
- Appoint the PAO in the CFCU and in each Implementing Agency, after consulting with the NAC,
- Conclude financing agreements (to be endorsed by the ECD) signed with CFCU/ IAs,
- Ensure the flow of national and other co-financing resources as set out in Financing Memoranda
- Ensure that a financial reporting system for EU and co-financing funds are regularly updated and reporting procedures properly respected by the CFCU/IA,
- Transfer funds to the CFCU/IAs according to mechanisms set out in Financing Memoranda / Financing Agreement,
- Participate with the Commission and the NAC in a Joint Monitoring Committee
- Recover non-used funds from the CFCU/IA at the end of programmes
- Personal oversight of PAO/Programme Implementation
- Certify all expenditures

- Oversee measures to prevent, detect and manage irregularities
- Review and respond to Audit Reports
- Make risk assessment and take necessary measures
- Oversee training policies and activities
- Ensure coordination with NAC and other DIS bodies in implementation
- Manage accreditation process

Setting up implementation system, definition of tasks and responsibilities

6.2.1. Which provisions are in place or envisaged concerning the mobilization and circulation of financial flows in the framework of EU assistance?

Legal Framework

- Prime Ministerial Circular, No. 2001/41
- Memorandum of Understanding (MoU) on the Establishment of Central Finance and Contracts Unit (CFCU) and MoU on the establishment of National Fund (NF) signed on 14 February 2002, approved by the Parliament (Law No. 4802) and published on 30 January 2003.
 - The MoU for NF was amended by Law No. 5167.
 - The MoU for CFCU was amended by Law No. 5500.
- Framework Agreement (adopted by Law No. 5303), and Council of Ministers Decree No. 2005/8636
- This system was accredited by the European Commission on 8 October 2003 for projects other than grant schemes. The system was accredited for grant schemes in June 2004.

Major changes introduced by the Law No. 5500

- Repositioning of NAO and NAC; NAO being Undersecretary of Treasury and NAC being Secretary General of EUSG,
- Relocation of CFCU from EUSG to Treasury,
- Strengthening of PAO's supervisory power over SPOs,
- Contractual remuneration for CFCU staff.

Mechanism

As regards the flow of funds for the projects implemented under DIS, it is regulated by provisions set out in the Memoranda of Understandings on the establishment of the CFCU and the National Fund (NF) as well as the Financing Memorandums (Financing Agreements) for the annual national programmes. The flow of funds between the CFCU and NF is regulated by a Financing Agreement which is signed between NF and CFCU for each programme, taking effect after endorsement by ECD. In this context, EU funds are transferred by the EC upon NF's request in four instalments (20% of projects' budget + 100% of the budget for community programmes as advance payment, 30%, 30% and 20% of the budget for projects, or the contracted amount after the deadline for contracting, requested following trigger points of 5%, 35% and 70% are reached respectively). NAO may also request for funds from EC before trigger points are reached, if it is justifiable with a cash flow forecast.

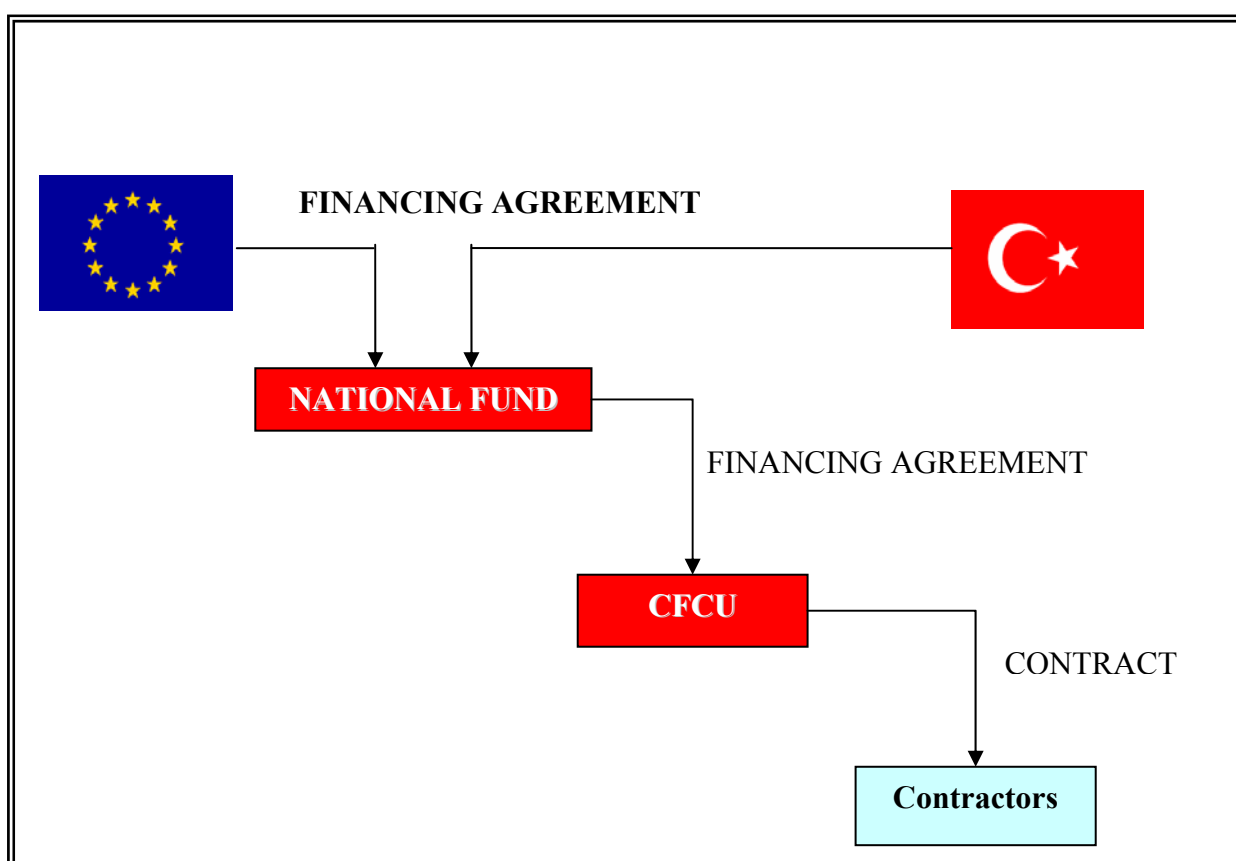
As regards the national and other co-financing, NF requests funds from line ministries or relevant institutions following evaluation and analysis of financing needs based on CFCU's disbursement forecast and implementation schedule set out in monthly financial reports.

Transfer of funds by NF to CFCU is carried out upon CFCU's request, following evaluation of the request in terms of sub-account balances and disbursement forecast.

As for payments by CFCU to contractors, joint co-financing principle is applied.

As regards payments for community programmes, NF makes payments directly to the EC's bank account following call for funds received from the relevant directorate general.

Flow of Funds



6.2.2. How the system will detect irregularities and problems?

The financial management and technical implementation of EU funded projects are conducted according to operational agreements between CFCU and Senior Programme Officers (SPO), thereby providing SPOs with basic provisions and report template regarding irregularities.

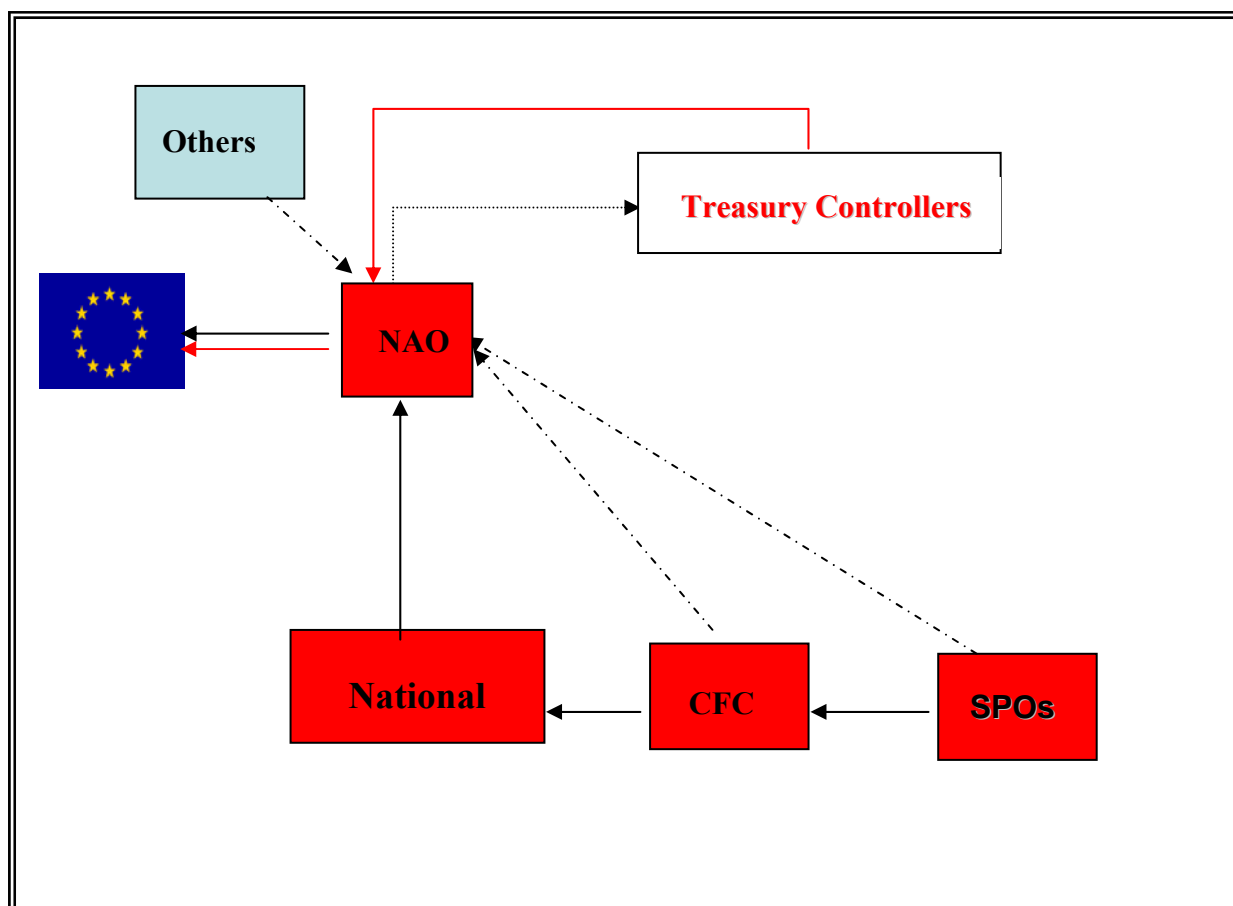
Irregularity also constitutes an important part of the Programme Management Guidelines for SPOs, which is currently under review by CFCU in a view to adapt recommendations set out in the audit report of the EC auditors.

In addition to SPOs responsibility of detecting and reporting irregularity and sending monthly zero irregularity report to CFCU, following measures are also applied in this regard;

- On the spot checks by CFCU, ECD and regional project implementation units (PIU)

- Audits carried out by The Board of Treasury Controllers, the internal audit unit under NAO, during the implementation phase.
- NAO's quarterly reports to OLAF (Prime Ministry Inspection Board is counterpart of OLAF).

Flow of Information Related with Irregularities



- > Regular information line
- - -> Denunciation
-> Request for audit
- > Audit reports

6.2.3. Which are the mechanisms in place to guarantee the reliability of the public procurement system?

Legislation:

Public Procurement Law No. 4734 (Official Gazette: 22 January 2002, no 24648)

Public Procurement Contracts Law No. 4735 (Official Gazette: 22 January 2002, no 24648)

A preliminary Draft Law on Utilities Sector

A preliminary Draft Law for the amendment of Public Procurement Law

Public Financial Management and Control Law No. 5018

(Official Gazette: 24 December 2003, no 25326)

Law on The Court of Accounts No .832 (Official Gazette: 27 February 1967, no 12538)

The Draft Law on Turkish Court of Accounts

Mechanism:

- Rules in Public Procurement Law and Public Procurement Contracts Law
- Public Internal Financial Control System
- External Audit

Rules in Public Procurement Law and Public Procurement Contracts Law

The main legislative texts regulating the public procurements in Turkey are Public Procurement Law No: 4734 (PPL) and Public Procurement Contracts Law No: 4735 (PPCL). Both of these laws entered into force on 01.01.2003 and introduced a totally new public procurement system in Turkey.

One of the important improvements of the new regime is the establishment of the Public Procurement Authority (PPA). PPA is an administratively and financially autonomous body. No organ, office, entity or person can issue orders or instructions for the purpose of influencing the decisions of PPA. Main duties of PPA are to regulate and monitor the implementation and to review the complaints. Establishment of PPA itself is an organizational measure taken to guarantee the reliability of the Turkish Public Procurement system.

In order to guide the establishment and implementation of the standards in public procurement, the secondary legislation in public procurement such as implementation regulations, administrative specifications, general specifications, typical draft contracts, communiqués are prepared and enforced by Public Procurement Authority within the authorisation given by the Law.

PPL adopted transparency, competition, equal treatment, reliability, confidentiality, public supervision, meeting the necessities with appropriate conditions and on time and effective use of resources as main principles and established the system with respect to these principles and aiming at providing these principles.

Transparency and equal treatment are indispensable for a procurement system to be reliable. To achieve this goal, some rules and mechanisms for establishing and maintaining

transparency are introduced by the PPL. Amongst them, publication of tender notices, publication of tender results and debriefing of unsuccessful bidders, public opening of tenders and availability of tender documents to all interested parties can be listed.

To guarantee the equal treatment of the tenderers, PPL obliges the contracting authorities to set up the criteria for participation to public procurement process. PPL states the conditions for exclusion from public tenders. The law also states that tenders should be evaluated based on the predefined criteria, which cannot be changed.

Contracting entities and tender commissions are obliged to carry out the tender proceedings in accordance with the principles and procedures stated in PPL and this obligation is also a duty owed to the contractor, supplier or service provider. Any contractor, supplier or service provider who claims that s/he has suffered a loss of rights or damage or s/he is likely to suffer loss or damage resulting from an alleged breach of such duty, can demand review.

Turkish remedies system includes both administrative and judicial review. The administrative review is carried out by the PPA and the contracting entity.

The PPL establishes three different phases of reviewing complaints lodged by disappointed contractors. These are:

- Review by the contracting entity,
- Review by Public Procurement Authority,
- Judicial review.

First two stages related to administrative review constitute a pre-condition in order to file a complaint to courts. All alleged breaches with regard to the tender proceeding of public procurement under the scope of the PPL regardless of the estimated cost are subject to review for procedure by PPA.

All administrative acts by the contracting entity, specially, finalized tender decision shall be subject to review.

With regard to the tender proceedings, a contractor, supplier or service provider shall submit a written complaint to the contracting entity first.

An aggrieved bidder can appeal for review to the Council of State (Supreme Administrative Court) if he/she does not contend with the decision of the administrative court.

A party who is suffered from infringements of the law may always claim for damages through a civil procedure in the court.

The performance of the procurement contract is not considered to be a part of procurement procedure regulated by the Turkish Public Procurement Law. Any disputes over contractual matters have to be resolved by the judicial proceedings in the civil court.

In conclusion, the Turkish review system on public procurement has the operation of efficient enforcement and remedies system for aggrieved bidders. It provides an independent and effective enforcement and remedies system for disappointed bidders including the possibility for the judicial review of public procurement awards.

Furthermore, the secrecy of estimated cost is taken under provision by Article 9 of PPL, and the confidentiality of information or documents relating to the trading activities of the bidders in the tender process is taken under provision by Article 61 of the PPL. These measures consolidate the reliability of the new public procurement system.

Public Internal Financial Control System

Explained in response to the question 1.3.1

External Audit

Explained in response to the question 1.3.1

Detailed information on Public Procurement System in Turkey can be obtained from the presentations made by Public Procurement Authority within the context of the Detailed Screening Meeting on Chapter 5: Public Procurements.

ANNEX 1: NUTS Classification in Turkey

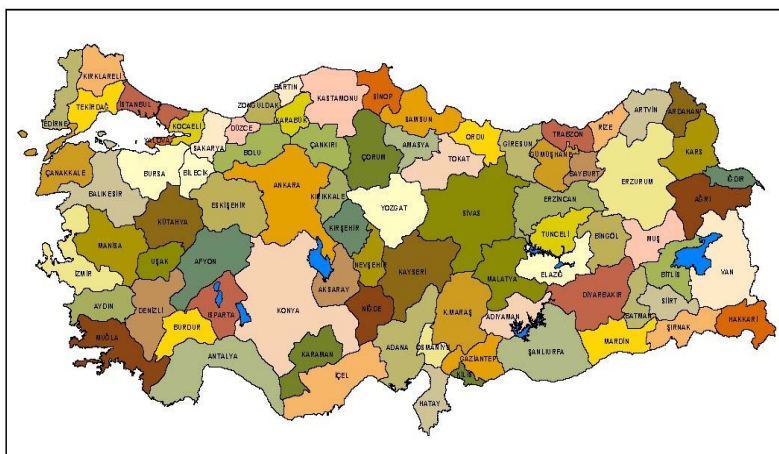
NUTS I (12 Regions)



NUTS II (26 Regions)



NUTS III (81 Provinces)



ANNEX 2: Project Management Capacities of Selected Line Ministries

Ministry of Environment and Forestry

Legal Framework

The Ministry of Environment, which was previously existed as an Under-Secretariat for Environment under the Prime Minister's Office, was established in 1991. The Ministry of Environment and Forestry (MoEF) was established by the Law on Organization and Duties of Ministry of Environment and Forestry No.4856 (Official Gazette: 8 May 2003, no 25102) and has the overall responsibility for co-ordination of the environmental activities.

Main Activity Areas

The main activity areas of the Ministry are;

- The protection and rehabilitation of the environment
- The most appropriate and efficient use of the land and natural resources in the rural and urban areas.
- The protection and rehabilitation of flora and fauna
- To prevent environmental pollution
- The protection and rehabilitation of forests and to expand forest lands
- To develop the villages in or near the forest areas
- To meet the need for forest products and to support the development of forest product industry.

Budget / Capital / Sources of Finance

Budget of the MoEF* between 2003-2006 (Euro)

	2003	2004	2005	2006
Budget	214 Million €	179 million €	267 million €	265 million €
Investment Expenditure	35 million €	66 million €	67 million €	40 million €

*The budgets & the investment expenditures of the institutions that are affiliated to the Ministry (General Directorate of Turkish State Meteorological Service, General Directorate of Forestry, Authority for Specially Protected Areas (ASPA)) are not included in the estimations.

Human Resources

Technical staff in the ministry

	Centre	Regional Directorates	Total
Ministry (main)	597	330	927
Authority for Special Protected Areas, General Directorate of State Meteorological Works, General Directorate of Forestry	963	1185	2148
Total	1560	1515	3075

Important projects with international, in particular, EU finance

Following projects have been realized and carried out under TURKEY-EU Financial Cooperation Programmes:

1. Analysis of Environmental Legislation for Turkey Project: (June 2001 – April 2002)
2. Integrated Environmental Approximation Strategy Development For Turkey Project (January 2003 – April 2004, Project budget: 150,000 Euro)
3. 2002 EU Financial Cooperation Program - Capacity Building In the Field of Environment For Turkey Project (Project budget: 16,630,000 Euro)
4. 2003 EU Financial Cooperation Program – Support to Turkey In the Field of Air Quality, Chemicals and Waste Management (Project budget: 5,800,000 Euro)
5. 2004 EU Financial Cooperation Program – Strengthening the Capacity of the Ministry of Environment and Forest In the Field of Special Waste Management and Noise Management. (Project budget: 3,100,000 Euro)
6. 2005 EU Financial Cooperation Program: (35,350,000 Euro)
7. 2006 Financial Cooperation Program
8. 8. MATRA-PSO Program (3,396,000 Euro)
9. LIFE III Countries Program (10,893,000 Euro)

Ministry of Transportation

Establishment Date

Ministry of Transport (MoT) is established in 27 May 1939 by The Law on the Establishment of the Ministry of Transport No.3613. The Ministry is composed of central, provincial, annexed and associated and affiliated bodies. Currently, there are three central organizations within the Ministry, which are General Directorate of Land Transport, General Directorate of Railways, Harbors and Airports Construction (DLH) and General Directorate of Communications and six provincial bodies. Undersecretariat of Maritime, Telecommunications Authority, General Directorate of Civil Aviation, Turksat Satellite

Communication and Cable TV Operation AS are the annexed and associated (bağlı ve ilişkili) bodies. In addition to these, Turkish State Railways, General Directorate of PTT, General Directorate of State Airports Administration are the affiliated bodies of the Ministry of Transport.

Legal Framework

Besides the above mentioned law on the establishment of the Ministry of Transport, main tasks and duties of the Ministry are listed in Law on the Organization and Duties of Ministry of Transport No.3348 (official Gazette 17 April 1987, no.19434).

Among all above listed central bodies of the Ministry, the General Directorate of Railways, Harbours and Airports Construction (DLH) is the institution that realizes the infrastructure investments. The duties of this General Directorate are determined with concerning law (Law No. 3348).

In addition to DLH, Turkish State Railways and General Directorate of State Airports Administration also invest on the infrastructure related to their activity area.

Main Activity Areas

Ministry of Transport, by the tasks assigned by Law, establishes and develops the transportation and communication system of the country as per the needs of it. In this framework, MoT determines and plans the transportation and communication needs of the country; take and implement the necessary measures for the smooth functioning of transportation and communication affairs.

Human Resources

Technical staff of the Ministry:

	Centre	Provinces	Total
Ministry	486	144	630
DLH	199	50	249
TCDD			777
DHMI			2495

Technical staff is composed of engineers of various branches and technicians.

Budget / Capital / Sources Of Finance

The total budget allocated to MoT by the Ministry of Finance for the year 2006 is 605 million €. Among this amount; 398 million € is given to capital expenditures, 75,5 million € is allocated to current transfers, 33,5 million € is to be used for personnel expenditures, 6,2 million € is assigned to purchase of goods and services and 5,4 million € is allocated for payments of social security expenditures.

Project management Capacity:

The Number And Size Of The Projects That Are Realized

In addition to the investment projects realised by General Directorate of Railways, Harbors and Airports Construction, MoT is also carrying out a Turkey-EU Financial Cooperation project named Assistance to the Turkish Road Transport Sector Project. The project is composed of three components, which are Twinning, Service and Supply and has a total

budget of 5,5 million €. The Twinning component has been contracted and officially started on May 2006; whereas Service and Supply components have not initiated yet.

General Directorate of Railways, Harbours and Airports Construction (DLH)

Establishment Date and Legal Framework

DLH was initially organised as separate units of railways, harbours and airports under Ministry of Public Works.

With the Law on the Organization and Duties of Ministry of Transport No.3348 (Official Gazette: 17 April 1987, no 19434) DLH was transferred to Ministry of Transport.

Main Activities:

In terms of infrastructure and investments, the duties of Ministry are given in the 9th Article of the Law:

- To prepare and realize the plans, programs, surveys, projects, specifications, construction, maintenance and restoration of the railways, harbors, airports and related facilities that are financed by the state.
- To examine and approve the projects and specifications of the railways, harbors, airports and related facilities that are financed by the public institutions, local authorities, real and legal persons.
- Standardization of urban rail-transport systems
- To plan and organize the construction of tube and tunnels those connect two mainlands underneath the sea. To prepare, examine and approve the projects and specifications of the mentioned work. To transfer the completed constructions to the related institutions. To determine the rules related to security, maintenance and restoration in the operation phase.
- To execute the similar tasks given by the Ministry

The Number And Size Of The Projects That Are Realized

By nature of its tasks and duties, Ministry of Transport has realized many large scale construction projects.

Concerning ongoing projects, İstanbul Strait Tube Tunnel Project, which aims at providing an uninterrupted, modern, high capacity connection between Europe and the Middle East Asia is one of the ongoing and significant projects of MoT. The Project will not only establish an uninterrupted link between Europe and Asia by connecting the railway tracks in both sides of İstanbul Strait through a railway tunnel connection, but also it will provide connection of Pan-European Corridors IV and X ending in İstanbul with the railway lines of Georgia, Iran and Syria. İstanbul Strait Tube Crossing project consists of two parts; namely, İstanbul Strait Tube Crossing and Rehabilitation of Gebze – Haydarpaşa Light Railway. The second part of the project, namely “Rehabilitation of Gebze-Haydarpaşa, Sirkeci-Halkalı Commuter Lines; Construction and Electro-Mechanic Systems” is financed by European Investment Bank.

In addition, as regards to 2006, currently, there are 4 projects finished and 10 projects being contracted. In 2005, MoT has finished 11 projects of various type and size and has contracted 28 projects again of various type and size.

Directorate General of State Airports Administration (DHMI)

Establishment Date : 20th May 1933

Legal Framework : Since 1984 became a State Enterprise within the circumstances of Decree Law on State Economic Enterprises (Official Gazette: 18 June 1984, no 18435).

Main Activity Areas : DHMI's purpose and activities stated at its Principal Statute are; to provide the requirement of civil aviation activities, air transport, management of airports, execute the air traffic control services, establish and operate the air navigation system and facilities and raise to the modern aviation level.

Budget / Capital / Sources of Finance : DHMI; with its judicial personality, independency at its activities and responsibility restricted by its capital, is a State Economic Enterprise by the latest judicial arrangements related to Ministry of Transport. It's capital belongs to Treasury; the investment and management expenditures are realized by its own Equity. Also, there are some projects that have been realized through Build-Operate-Transfer finance model.

Human Resources: DHMI has 2495 technical staff totally in the center and the regions.

The Number and Size of the Projects that are Realized

There are 17 projects and 128 million € is allocated for our Organization's Investment Programme for the year 2006. Regarding the previous and ongoing projects, the below listed ones are some of the most significant ones realised via Build-Operate-Transfer.

Build-Operate-Transfer Projects

Atatürk Airport International Terminal is one of the most important projects that DHMI has undertaken. The Atatürk Airport's BOT project consisted of an international terminal building, multi-levelled car-park and complements. The total cost of this project was 3.28 million \$. The company TAV operated the terminal from 10 January 2000 to 02.07.2005.

Other important BOT model projects are Antalya Airport International Lines Terminal Building and the complements, Ankara Esenboğa Airport New Domestic-International Lines Terminal Building and layered car-park project, İzmir Adnan Menderes Airport International Terminal Construction Management and Investment, Milas-Bodrum Airport's International Terminal Building tenders, which were tendered in recent years.

Turkish State Railways (TCDD)

Establishment Date: 1856.

Legal Framework: The administration functioning as a supplementary budgeted public enterprise until 29.07.1953 was converted to a State Economical Enterprise under name "Republic of Turkey General Directorate of State Railways Administration (TCDD)" with the Decree Law on State Economic Enterprises No.233.

Main Activity Areas: Railway Transportation

Budget / Capital / Sources of Finance: TCDD is State Economic Enterprise whose total capital is owned by Treasury. TCDD, with its autonomous budget, has 4.85 billion € nominal capital.

The Projects that are Realized or Ongoing with International in Particular EU Finance

1. Ankara-Istanbul High Speed Train Project (Ongoing Project)

The Project of Rehabilitation of Ankara-Istanbul High Speed Line was planned to ensure faster, more comfortable and safer train operations by upgrading the existing railway line between the two biggest cities of our country: Ankara and Istanbul. Later, operational speed of the project was increased from 200 kph to 250 kph in 2005 and renamed as “Ankara-Istanbul High Speed Train Project”.

2. Turkish Rail Sector Restructuring and Strengthening Project Project No: TR0303.07 (Ongoing Twinning)

Turkish Rail Sector Restructuring and Strengthening Project aims at establishing the legislative and institutional frameworks for the Turkish Rail Sector in accordance with the EU acquis.

Ministry of Industry and Trade

Establishment Date: “Ministry of Industry and Trade (MIT)” was established in 1985 with the unification of “Ministry of Trade” and “Ministry of Industry and Technology”.

Legal Framework: The Law on the Organisation and Duties of the MIT No.3143 (Official Gazette: 18 January 1985, no18639).

Main Activity Areas

- Facilitating the determination of industrial and R&D policies,
- Providing and encouraging rapid and stable development of industry through targets and policies based on development plans and programs,
- Establishing, controlling and providing credits for small scaled industrial estates and organised industrial zones,
- Giving permission for the establishment of technology development regions,
- Holding records of industrial enterprises,
- Carrying out market surveillance by monitoring and controlling the domestic market, taking protective measures for the protection of consumers’ health, safety and economic interest,
- Making legal arrangements regarding the organisation of artisans and craftsmen.

Budget / Capital / Sources of Finance

Source of Finance is General Budget and no other sources. In 2006, amount allocated to MIT from the general budget is 188,2 million €.

Human Resources

The number of technical staff in the MIT is 309 in the centre and 548 in the provincial directorates.

	Centre	Provincial Directorates	Total
Ministry	1434	1718	3152
KOSGEB	70	311	381
Turkish Patent Institute	230	-	230
National Productivity Center	67	9	76
Turkish Standardisation Institute	650	1200	1850
Turkish Accreditation Agency (TURKAK)	20	-	20
TOTAL	2471	3238	5709

National Project Management Capacity

- Infrastructure of 87 Organise Industrial Zones (OIZs) and infrastructure and superstructure of 393 Small Scale Industrial Estates (SSIEs) have been completed.
- 22 Technology Development Zones (TDZs) have been established.
- 20 Enterprise Development Centres, 18 Technology Development Centres, 15 Regional Trade Development Centres, 8 Incubators Without Wall, 66 Synergy Focus Points have been established
- 37 Testing Laboratories of Turkish Standardisation Institute and 2 KOSGEB Testing Laboratories are in function
- Regional and sectoral clustering analysis has been carried out for 48.000 enterprises.
- There are ongoing 107 OIZs and 6 TDZs projects.
- Within the framework of the industry and university cooperation, SAN-TEZ (Industrial Thesis) Projects have being carried out.
- 105 PIP (Productivity Improvement Projects) have been conducted throughout Turkey in order to improve performance and productivity of the SMEs through consultancy, counselling, productivity measurement and training.
- Projects have been conducted to support the Patent Applications of SMEs.

The EU Funded Projects

Within the framework of the EU –Turkey Financial Cooperation Programme, eight projects have been implemented by the MIT with the financial contribution of the EU.

Types of the projects implemented by the MIT

- Equipment supply projects for the Conformity Assessment Bodies and Market Surveillance Laboratories
- Twinning projects for the strengthening of the administrative capacity of the MIT in the implementation of the EU technical legislation and consumer protection
- Infrastructure project (Feasibility and Environmental Impact Assessment Reports of Restructuring of Şanlıurfa OIZ project have been completed).

EU Funded KOSGEB Projects

KOSGEB is a governmental institution affiliated with the Ministry of Industry and Trade of Turkish Republic, which was established in 1990 in order to increase the share and effectiveness of small and medium sized industrial enterprises, raise their competitive powers and levels and realise integration in industry in line with economic developments.

Up to now 10 projects have been implemented by KOSGEB with the financial contribution of the EU.

- Establishment of European-Turkish Business Development Centres
- Shoemaking Training Institution Project
- EU On-line Information Network: KOBINET Project
- Supporting Women Entrepreneurs Project
- Vocational Training in the Clothing Sector in Turkey Project
- Support for the Creation of an Industrial Zone for Small Subcontractors in the Automobile Sector Project
- Environmental Standards in the Textile Sector Project
- INTRINSIC: Integrated Transactions and Imagination Engineering Value Chain
- Fashion Net & Fashion to Future Project
- Establishment of an Information System for Turkish SMEs on EU Environmental Approximation

EU and Internationally Funded Projects of the Turkish Patent Institute

Turkish Patent Institute has been established in 1994 as part of the Customs Union and soon after its establishment it has sought financial support from financial institutions towards institutional and legislative capacity building. The following is a brief list of major projects implemented by Turkish Patent Institute since its establishment:

- “Modernisation of Turkish Industrial Property System”, in cooperation with GTZ. Project financed by Federal Republic of Germany under technical cooperation agreement.
- “Industrial Technology Project”, in cooperation with TUBITAK UME & MAM, and TTGV. Project financed by International Bank for Reconstruction and Development (World Bank).
- “Enhancing Innovation Capacities of SMEs Through Industrial Property Rights.” Financed under MATRA-PSO program.
- “Multilateral Program on Patent Awareness and Staff Training” Financed by European Patent Organisation.
- “Multilateral Program on Patent Information Training” Financed by European Patent Organisation.
- “Multilateral Program on Innovation Support Training” Financed by European Patent Organisation.
- “Multilateral Program on Patent Information and Products on Economic Patent Evaluation of Patents” Financed by European Patent Organisation.
- “Multilateral Program on Supporting the National Offices for Patent Information Dissemination and Service Development” Financed by European Patent Organisation.
- “Multilateral Program on Standard Search Tool” Financed by European Patent Organisation.
- “Innovation Support” in cooperation with European Patent Organisation. Financed by European Union.

The EU Funded Projects of the National Productivity Center

- “Development of an e-Training Programme on Productivity”
- Leonardo da Vinci, Procedure B Project
- “Research Projects on Methods for Increasing the Productivity of SMEs”
- Leonardo da Vinci, Procedure A Project

The EU Funded Projects of the TURKAK: Quality Infrastructure Support to Accreditation – MEDA Project

The EU Funded Projects of the Turkish Standardisation Institute: Support to Standardisation– MEDA Project

Ministry of Labour and Social Security (MoLSS)

Establishment Date: 28 January 1946

Legal Framework: Law No. 3146 (The Law amending the Decree Laws on the Organization and Duties of the MoLSS)

Main Activity Areas

- Regulating the labour life,
- Solving problems of the labour life,
- Establishing measures to provide full employment,
- Taking necessary measures to provide the human resource required by the labour market, controlling the labour market
- Taking measures in order to provide vocational trainings for the employees
- Taking measures in order to provide the rehabilitation of the handicapped
- Taking measures in order to provide social security
- Providing social insurance services

Organisational Units of MoLSS

- DG Labor
- DG Occupational Health and Safety
- DG External Relations and Services for Workers Abroad
- EU Coordination Department
- Strategy Development Department

Regional Directories of MoLSS

MoLSS has 23 Regional Directories (Adana, Ankara, Antalya, Aydin, Bursa, Diyarbakir, Edirne, Elazığ, Erzurum, Eskişehir, Gaziantep, İstanbul, İzmir, Kayseri, Kocaeli, Konya, Kütahya, Malatya, Samsun, Trabzon, Van, Zonguldak, and Sivas)

Affiliated Bodies of MoLSS

Social Security Institution

Turkish Employment Agency

Training and Research Centre for Labour and Social Security

Budget

For the fiscal year 2006 the Budget of MoLSS is approximately 46,6 million €

The budget of Social Security Institution is 8,2 billion €

The Budget of Turkish Employment Agency is 47 million €

Training and Research Centre for Labour and Social Security 1 million €

Human Resources

Technical staff in the ministry

	Centre	Regional Directorates	Total
Ministry (main)	907	189	1096
IŞKUR	209	267	209
Social Security Inst.	1144	498	1144
CASGEM	25	-	25

The Number and Size of the Projects that are Realized

1. Active Labour Market Programme (50 Million Euro) - Turkish Employment Agency (ISKUR)
2. Upgrading Occupational Health and Safety in Turkey (8.16 Million Euro)- DG Occupational Health and Safety
3. Strengthening the Capacity of Turkish Ministries for Market Surveillance in Selected Areas (1 Million Euro) DG Occupational Health and Safety in cooperation with other Ministries

The Projects that are Realized or Ongoing with International in Particular EU Finance

Ongoing EU Projects

1. Eradicating the Worst Form of Child Labour in Turkey (5.3 Million Euro) DG Labour – Child Labour Unit
2. Strengthening Social Dialogue for Innovation and Change in Turkey (4.5 Million Euro)
3. Gender Equality in Employment (with the Dutch Government- 135.000 Euro)
4. In addition 3 projects have been accepted under the Employment Incentive Programme, the total budget of these 3 projects is around 200.000 Euro.

The Projects Which Will Start in Short Term

1. Strengthening the Labour Inspection System (Labour Inspection Board – MoLSS)
2. Supporting Local Active Employment Measures and the Turkish Employment Agency (Turkish Employment Agency – ISKUR)

There is no single Project Management Unit for the different projects implemented by MoLSS. However the EU Coordination Department is responsible for the coordination for all these projects and for this purpose a Project Coordination Unit has been established in 2005. In the last years more than 100 new personal with foreign language abilities have been recruited in different departments of the Ministry and its affiliated bodies.

Strategy Papers JIM and JAP have been preparing under the coordination of MoLSS with the involvement of all the relevant institutions, social partners and NGO's.

Ministry of Agriculture and Rural Affairs

Establishment Date: 6 March 1924

Legal Framework: Decree Law on the Establishment and Duties of Ministry of Agriculture and Rural Affairs No. 441 (Official Gazette: 9 August 1991,no 20955)

Main Activity Areas

- Rural development,
- Agricultural Policies,
- Development of Crops, livestock and fishery production
- Infrastructure establishment,
- Food safety, (control, production and registration of food)
- Animal Health and quarantine
- Feed control and registration
- Veterinary and agricultural drug certification
- Environmental production,
- Research and development,
- National agricultural extension

Budget / Capital / Sources of Finance

	2004 (€)	2005 (€)	2006 (€)
General Budget	534 million €	2.9 billion €	3.53 billion €

Human Resources

	Centre	Regional Directorates	Total
Ministry (main)	1002	21076 (Provinces)	22078
GD of Agricultural Reform (Affiliated)	92	200	292

The Projects that are Realized or Ongoing with International in Particular EU Finance

	Project	Budget
1	Support to Food Control Services-2002 (Realized)	699,000 €
2	Support to the Turkish Authorities in Charge of Legislative Alignment to the Acquis in the Veterinary Sector (2002)	17,044,000 €
3	Support to Turkey's Alignment to the EU Acquis in the Phytosanitary Sector (2002)	5,313,000 €
4	Fisheries Sector - Legal and Institutional Alignment to the EU Acquis (2003)	6,051,294 €
5	Preparation for the Implementation of EU Common Agricultural Policy (2004)	2,075,000 €
6	Restructuring and Strengthening of the Food Safety and Control System in Turkey (2004)	3,950,000 €
7	Development of Organic Agriculture and Legal Alignment to the EU. (2004)	1,260,000 €
8	Support to market surveillance laboratories (2004)	3,936,260 €
9	Strengthening the Ministries of Health, Environment and Forests, and Agriculture and Rural Affairs to harmonise and implement legislation in the field of Good Laboratory Practice for Non Clinical Health and Environmental Protection (2004)	1,500,000 €
10	Support to the Market Surveillance Laboratories for the Implementation of EC Directives in the areas of New Hot Boilers, Gas Appliances, Cosmetics, IVD, Veterinary Pharmacy and Construction Products (Fire Testing) (2005)	3,298,500 €
11	Establishment of an IPA Rural Development Agency (2005)	5,199,000 €
12	Establishment of New BIPs (2005)	13,250,000 €
13	Establishment of National Reference Laboratory (2005)	6,750,000 €
14	Control of Rabies Disease in Turkey, (2005)	11,268,000 €
15	Avian Influenza Preparedness and Response Project (2006)	10,400,000 €

Other international Projects (except EU) in MARA

4 international projects (Except EU) is ongoing. Total budget of projects is nearly 192 million €.

Project	Budget
Ordu-Giresun Rural Development Project	40.00 million €
Erzincan-Sivas Development Project	24.50 million €
Anatolia Watershed Rehabilitation Project	36.80 million €
Agricultural Reform Implementation Project (ARIP)	90.00 million €

Ministry of Public Works and Settlement

Establishment Date

The Ministry of Public Works and Settlement was formed first in 1848 before the republic. In 1983 was formed again with the merging of the Ministry of Public Works and the Ministry of Reconstruction and Settlement, which had been established in 1920 and 1958 respectively. The Central Organizations consist of three main bodies which are the General Directorate of Construction Affairs, the General Directorate of Disaster Affairs and the General Directorate of Technical Research and Implementation. The General Directorate of Highways is the annexed unit of the Ministry, while the General Directorate of the Bank of Provinces is the affiliated unit of the Ministry.

Legal Framework

Decree Law on the Organisation and Duties of Ministry of Public Works and Settlement No. 180 (Official Gazette: 14/12/1983, no. 18251)

Main Activity Areas

- Project preparation, construction and major repairs of public buildings, construction of housing in conformity with the principles of housing policy, taking necessary measures for the manufacturing and use of standardized construction materials in the most economic way for the country's requirements.
- Taking measures for the prevention of, protection against and organization of relief regarding earthquakes, fire, floods, land slides, avalanches etc. In settled areas, in cooperation with the related ministries and public institutions,
- Preparing territorial physical plans for areas of sectoral importance, involving more than one municipality,
- Physical planning, territorial and coastal zone planning,
- Providing technical and financial aid to municipalities,
- Land registration and cadastre

Budget / Capital / Sources of Finance

For the fiscal year 2006 the Budget of MoPWS (only GD Cadastre is included) is 685,1 million €. According to functional classification of main units budget (468.9 million Euro): 5,4 million € to general public services, 168,7 million € to economic works and services, 131,5 million € to resettlement and community welfare services, 163,3 million € to social security and social aid services shared out for this year.

Human Resources

Technical staff in the ministry

	Centre	Regional Directorates	Total
Ministry (main)	750	3722	4472
GD Highways	450	2192	2642
Bank of Provinces	425	759	1184
GD Cadastre	224	4219	4443
	1849	10892	12741

MoPWS has 10098 experienced staff. 4472 of them have technical background. (Civil engineer, environmental engineer, mechanical engineer, geological engineer, cadastre engineer, architect, urban planner). Total number of technical staff (include Gn. Dr. of Highways, Bank of Provinces and Gn. Dr. of Cadastre) is 12961.

The Number and Size of the Projects that are Realized

The Marmara Earthquake Emergency Reconstruction (MEER) Project was developed to address both the short term objective of reconstruction, and long term preparedness against future disasters. The main objectives of the MEER Project were to restore the living conditions in the region of Turkey devastated by the 19 August 1999 Earthquake.

The following components of MEER Project had been carried out by MoPWS:

Component A: Comprehensive Emergency Management System

Sub-Component A1: Emergency Management and Response System

Sub-Component A2: Disaster Insurance Scheme

Sub-Component A3: Land Use Planning and Enforcement of Construction Codes

Sub-Component A4: Cadastre Renovation and Land Management

Component C and F- Construction of Permanent Housing in Bolu, Sakarya, Yalova, İstanbul, Bursa and Eskişehir (Totally in 27 different settlement, 43 053 permanent house completed and delivered the holders)

One of the sub components of the MEER Project is “A4-Cadastral Renovation and Land Management”. A-4.1 component of this sub component is To supply current and reliable land information to cope with the new, post-earthquake situation, update and improve the obsolete registers and maps, and implement spatial information technology to all land related activities and decision making process, this involves updating and computerization of land registration records and cadastral maps. It is planned that initial cadastral works will be completed in 3 years. It is expected that the project will be completed at the end of 2008.

One of the important resources of the project is World Bank funds namely Agricultural Reform Implementation Project (ARIP). The total budget of ARIP is 84,40million €. Appr.11,4 million € of the total allocation has been disbursed in 2005 and 10,65 € in 2006 up to now. Rest of the allocation will be disbursed in 2007 and 2008.

The other important Project is “Land Registry And Cadastre Information System (LR&CIS)(TAKBİS) Project”. It contains geometric cadastral information and property information with respect to ownership. The pilot project is completed.

The projects, which organized by General Directorate of Technical Research and Implementation are on going and will be finished at the end of year 2006. These Project are small size research projects (average budget per project is 60000€) (project titles; development of planning process, rural development and planning process, research project about land arrangements and preparing urban annual statement/situation report format, national spatial data base design and research project.

Iller Bank (Bank of Provinces)

Establishment Date

The Bank was established in 1933 as Belediyeler Bankası (Bank of Municipalities) in order to provide loans to the municipalities. In 1945, it was converted into Iller Bank (Bank of Provinces) by expanding its field of activities.

Legal Framework

As stated in Article 1 of Law on Iller Bank No.4759 (Official Gazette: 23 June 1945, no 6039), the Bank is a legal entity to operate on the basis of commercial principles with its special budget, as subject to provisions of civil law. Iller Bank as an affiliated institution of the Ministry of Public Works and Settlement is an investment and development bank. The Bank has been ruled according to the Law on Banks No. 4389 (Official Gazette: 23 June 1999, no 23734), and also is a member of the Banks Association of Turkey.

Main Activity Areas

Iller Bank services on the request of municipalities. The banks relations with local authorities can be grouped into two categories; investment and finance

Investment

The Bank provides services to 3324 local authorities in map preparations, urban planning, drinking water supply, sewerage network system, water and waste water treatment plants, solid waste management system, sea outfall, geothermal application, and building construction (municipal buildings, cold storage, station building, landscape and architecture etc).

Finance

The Bank's financial operations include the following activities;

- Financing the projects in compliance with the Bank's criteria,
- Distribution of the shares from the tax revenue to the local authorities,
- Similar banking services which authorized for investment and development banks.

Budget / Capital / Sources of Finance

The capital of the Iller Bank is 1,75 billion €. The main source of the capital is 5 % of the shares of municipalities from the tax revenue. The Bank uses both its assets and international funds as source of finance.

Human Resources

Iller Bank with a head quarter based in Ankara and 18 regional directorates all over Turkey serve the municipalities. The Bank has 3293 experienced staff. 1184 of them have technical background. (Civil engineer, environmental engineer, mechanical engineer, geological engineer, architect, urban planner). 2109 of them have administrative background.

The Number and Size of the Projects that are Realized

The following facilities have been completed and handed over to the municipalities by Iller Bank;

Number of Works	Sector
6514	Mapping
4863	Urban planning
3848	Water network
257	Sewerage network
77	Water treatment plant
60	Wastewater treatment plant
46	Sea outfall
1831	Building construction

The Projects that are Realized or Ongoing with International in Particular EU Finance

The 25 % national contribution for the Çanakkale and Kuşadası Solid Waste Management Projects which are the first investment projects in the framework of EU Financial Assistance to Turkey will be provided by Iller Bank.

General Directorate of Highways

Establishment Date

In 1947 preparations were made to outline the system of Turkish Highways, and on March 1, 1950 an autonomous organization was founded as “General Directorate of Highways - KGM”.

Legal Framework

General Directorate of Highways (KGM) is an organization with the legal personality, bound by the Law on The establishment and Duties of General Directorate of Highways No.5539 (Official Gazette: 16 February 1950, no 7434) , under the Ministry of Public Works and Settlement, and responsible from planning, design, construction, maintenance and operation of motorways, state and provincial roads.

General Directorate of Highways has headquarters in Ankara, and 17 Regional Divisions, 117 Maintenance Branches, 292 Maintenance Houses, 23 Motorway Maintenance and Operation Offices, 1 Equipment and Supply Group and 1 Maintenance Shop in the field throughout the country.

Main Activity Areas

Duties of General Directorate of Highways, on the road network defined in the Establishment Law, are :

- to designate the network of motorways, State and Provincial Roads,
- to plan, design, construct, maintain and operate roads, bridges and hydraulic structures,
- to prepare technical specifications,
- to do maintenance and repair works, and provide road safety,
- to keep roads open to traffic in all weather conditions, and
- to carry out other related supplementary works.

Budget / Capital / Sources of Finance

The budget of General Directorate of Highways in the year 2006 is 2,402 billion €.

Human Resources

General Directorate of Highways has a total of 20113 staff in the headquarters and the regional divisions. 2642 of this number is technical staff and their carrier positions are given below.

By 6 March 2006 ;

PROFESSION	HEADQUARTERS	DIVISION	TOTAL
Administrative Services	356	1970	2326
Technical Services (Engineers, Technicians, other technical personnel)	450	2192	2642
Other	56	235	291
Total	862	4397	5259
Labourer	417	14437	14854
Grand Total	1279	18834	20113

Roads Network: (as of 1.1. 2006)

- Motorways : 1 775 km.
- State Roads : 31 371 km.
- Provincial Roads : 30 568 km.
- Total : 63 714 km.

The Number and Size of the Projects that are Realized

In the year 2004, the number of tendered projects for State and Provincial Roads is 222 and General Directorate of Highways spent 750 million € on these projects.

In 2005, 1,038 billion € was spent on 320 projects regarding State and Provincial Roads, touristic roads and energy related road projects.