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Turkey

Chapter 22 – Regional policy and coordination of structural instruments

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I. CHAPTER CONTENT

The *acquis* under this chapter consists mostly of framework and implementing regulations, which do not require transposition into national legislation. They define the rules for drawing up, approving and implementing Structural Funds and Cohesion Fund programmes reflecting each country's territorial organisation. These programmes are negotiated and agreed with the Commission, but implementation is the responsibility of the Member States.

A **legislative framework** has to be put in place allowing for multi-annual programming at national and regional level and budget flexibility, enabling co-financing capacity at national and local level and ensuring sound and efficient financial control and audit of interventions. Member States must respect Community legislation in general, for example in the areas of public procurement, competition and environment, non-discrimination, equality between women and men, when selecting and implementing projects.

Member States must set up an **institutional framework**. This includes designating and establishing all structures at national and regional level required by the regulations as well as setting up an implementation system with a clear definition of tasks and responsibilities of the bodies involved. The institutional framework also requires establishing an efficient mechanism for inter-ministerial coordination as well as the involvement and consultation of a wide partnership of organisations in the preparations and implementation of programmes.

Adequate **administrative capacity** has to be ensured in all relevant structures. This includes recruiting and training qualified and experienced staff and establishing measures to retain such staff. In this context, member States will need to make the necessary organisational arrangements, adapt procedures and organization charts and prepare accompanying documents.

The **programming** process covers the preparation of a National Strategic Reference Framework (NSRF) and a series of operational programmes (OP) including ex-ante evaluations. Member States have to organise broad partnerships for the preparation of programming documents. They have to ensure that a sufficient pipeline of projects is established allowing for a full financial implementation of programmes. Member States will also have to carry out specific information and publicity measures with regard to the Structural Funds.

Establishing a **monitoring and evaluation** system includes the set up of evaluation structures and processes in different relevant bodies as well the installation of a comprehensive and computerised management information system (MIS) accessible and usable for all concerned bodies.

Member States must set up a specific framework for **financial management and control** including audit. This includes designating and establishing all structures required by the regulations as well as setting up an implementation system with a clear definition of tasks and responsibilities of the bodies involved.

II. COUNTRY ALIGNMENT AND IMPLEMENTATION CAPACITY

This part summarises the information provided by Turkey and the discussion at the screening meeting.

Turkey indicated that it can accept the *acquis* regarding regional policy and coordination of structural instruments. Turkey indicated that it does not expect any difficulties in implementing the *acquis* by accession.

During the period 2007 – 2013 Turkey will prepare for the implementation of Structural and Cohesion Fund programmes through the experience gained in the implementation of the Instrument for Pre-accession Assistance (IPA). This instrument will ensure a learning-by doing process. Successful implementation of IPA will be an essential pre-requisite to judge the preparedness of Turkey to fulfil upon accession its obligations under chapter 22.

II.a. Legislative framework

Turkey has a budget planning system which foresees an indicative multi-annual budgeting over a three year period, as laid down in the Public Financial Management and Control Law (PFMC), which came into force in January 2006. The 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 the 2006-2008 period was the first application of the three-year budgeting.

Until 2007 it was not possible to transfer national co-finance among EU projects. The Ministry of Finance (MoF) has introduced flexibility for the transfer of co-finance among different EU projects in the 2007 budget. According to the PFMC Law, however, public administrations within the scope of central government are entitled to perform appropriation transfers within their budgets up to the amount of 5% of the appropriation in the item from which the appropriation will be transferred, unless a different ratio is defined in the budget law of the concerned year. Public administrations may carry over to the subsequent year commitments for investment projects that cannot be completed in the current fiscal year.

The national co-financing for the EU funded projects is mainly secured through national government budget allocations according to relevant provisions in the Annual Budget Law and Annual Programme Decree. National co-financing is also raised through IFI loans and other more limited sources. Raising private funding sources is possible in Turkey via Private Public Partnerships (PPP), which are regulated by a multitude of different laws. Turkey is planning to draft a general legislative framework for PPPs and it has already carried out technical studies to that end. Local Authorities' budgets are heavily dependent on transfers from general budget, which make up the lion share of local budgets. Local authorities are also entitled to directly collect local taxes according to the Law on Municipal Incomes and the Law on Property Tax. They furthermore benefit from non-tax revenues such as fees, grants and contributions. They are also entitled to borrow amounts of up to 10 % of the value of total revenues of the past year. Turkey is currently drafting a law to regulate the incomes of local authorities, which is to increase the tax revenue base of municipalities and special provincial administrations.

Turkey's legal framework on financial control and audit is essentially regulated by the Public Financial Management and Control Law. This law contains the concepts of managerial responsibility and accountability (establish and supervise financial management and control (FMC) systems, establish functionally independent internal audit, clearly defined duties, authorities and responsibilities of personnel as well as appropriate monitoring and reporting, including internal control assurance declaration and public disclosure). Furthermore the law prescribes the establishment of a decentralised and functionally independent internal audit system as well as central harmonisation of the FMC and internal audit systems. External audit functions in Turkey are mostly undertaken by the Court of Accounts as regulated through the Turkish Court of Accounts Law.

Turkey has a public procurement law (PPL), which it says respects the basic principles of relevant EC directives in the area of public procurement. The Public Procurement Authority

(PPA) was established by the PPL as a financially and administratively autonomous regulatory body responsible for regulating and monitoring the public procurement system (see also chapter 5 – Public procurement). Turkey has no framework legislation yet and no single authority in the state aid field but only related international agreements. Turkey indicated that a draft law regarding the establishment of a State Aid Monitoring Authority has been prepared and that it is to be submitted to the Parliament by the end of 2006 (see also chapter 8 – Competition policy). Gender equality is regulated by Turkey's constitution as well as by specific legislation (e.g. Labour Law, Civil Servants law etc.), which establish equal access to employment, pay, training, social security. There is no equality body in Turkey as required by the acquis (see also chapter 19 – Social policy and employment). Environmental legislation is notably defined in the Environmental Law and in by-laws such as the one on Environmental Impact Assessments. Requirements for application of the polluter-pays-principle and the respect of sustainable development principles are included in Turkey's Environment Law (see also chapter 27 – Environment).

Turkey has adopted a provisional classification for statistical regions (corresponding to NUTS level II) in 2002 (i.e. before the adoption of regulation 1059/2003 on the establishment of a common classification of territorial units for statistics (NUTS)). This classification included 81 provinces at NUTS III level and 26 regions at NUTS II level, the latter to be, according to Turkey, the basis for regional development planning under the Structural Funds. Territorial administrative units in Turkey are regulated by the Law on Special Provincial Administration, the Municipality Law, the Metropolitan Municipality Law and the Law on Local Authority Unions. There are 81 special provincial administrations and 3225 municipalities. The Law on the Establishment, Coordination and Duties of Development Agencies” (DAs), which came into force in February 2006 provides the legal framework for establishing DAs in the 26 NUTS statistical regions. Several Ministries have established deconcentrated structures at regional level. The Law on Local Authority Unions allows several local authorities to form local authority unions with the aim of providing services to the public, e.g. in the field of water, waste or other areas of the environment.

While the Development Agencies Law contains some provisions on regional development planning and coordination, there is no specific framework law on regional development in Turkey.

II.b. Institutional framework

Turkey is since 2003 implementing EU pre-accession programmes under decentralised implementation systems (DIS), i.e. the conferral of management while maintaining ex-ante control on procurement.

Turkey is in the process of designating the management and implementation structure for the new instrument for pre-accession assistance (IPA) which, for its regional development and human resources development components, is a pre-cursor of the Structural Funds (SF) and Cohesion Fund (CF). Accordingly, IPA structures are directly relevant for the institutional system to be established under the SF. At this stage, only a preliminary and broad management and implementing structure has been defined as follows (notably concerning IPA components III and IV but also component II all of which are directly relevant for future SF/CF):

- On component III and IV – regional development and human resources development: Turkey indicates that these IPA components should have the same operating structure as

for the Structural Funds (to be confirmed after the interim evaluation in 2009-2010). This would include:

- The Undersecretary of the State Planning Organisation (SPO) will act as strategic coordinator and will ensure the coordination of the regional development (III) and human resources development (IV) components in cooperation with the Secretariat General for EU affairs, who is the national IPA coordinator. In this role the SPO will be responsible for the preparation of the Strategic Coherence Framework (CSF) and ensure the coordination between sectoral strategies and programmes. The SPO currently coordinates the preparation of public investment programmes and it is earmarked to ensure the overall coordination under the SF/CF in future. The Ministry of Finance has a coordination role with regard to budget preparation and execution and with regard to overseeing the public internal financial control system. The Undersecretary of the Treasury, who is the National Authorizing Officer heading the National Fund, has a key role with regard to the management and control of pre-accession assistance.
- Operating structures (future managing authorities under the SF/CF) which are to manage and implement the four proposed Operational Programmes (OP) under IPA have been designated as follows: OP Transport – Ministry of Transport; OP Environment – Ministry of Environment and Forestry; OP Regional Competitiveness – Ministry of Industry and Trade; OP Human Resource Development - Ministry of Labour and Social Security. During a transition period, however, all procurement functions (tendering, contracting and payment) under IPA would be undertaken by the Central Contracting and Finance Unit (CFCU) which is administratively linked to the Undersecretariat of Treasury. Turkey indicated that there would be consistency and continuity from the management of IPA to the management of the Structural Funds and that the same managing authorities under IPA could be used for the management of programmes from accession.
- Over and above the four OPs and the corresponding IPA structures, Turkey has indicated it is considering designating Development Agencies as Managing Authorities for Regional Operational Programmes under the Structural/Cohesion Funds from accession (Note: there are no ROP under IPA). It is also considering conferring management responsibilities to Metropolitan municipalities. Development Agencies are in the process of being established; they will be given a role with regard to the implementation of regional development activities and they will be coordinated by the SPO at national level.
- The National Fund (NF) within the Treasury is in charge of financial management of IPA; Turkey has on a preliminary basis identified the NF as future Certifying Authority (CA) for the SF/CF; it has not formally designated the CA yet.
- Turkey has identified the Board of Treasury Controllers (BoTC) as future Audit Authority (AA), as from 2008, for IPA. Its Board of Treasury Controllers is currently auditing projects financed by international donors (including the EU) and its Court of Auditors is undertaking external audit functions more broadly. Turkey has also on a preliminary basis identified the BoTC as future AA for the SF/CF; it has however not formally designated the AA yet.
- Turkey plans to establish under IPA a (Regional Development and Human Resources Development) Coordination Committee to steer the management of the Strategic Coherence Framework; at operational programme level, Turkey plans the establishment of Monitoring Committees (MC) as well as Project Selection Committees.

- On component II – cross-border cooperation under IPA: All programmes are with Member States and hence the managing authorities will be in the respective Member States. Turkey has not yet identified the counterpart authority on its side.

Turkey indicates that the IPA institutional structure will evolve into the Structural Funds management structure by the date of accession. However, it plans to undertake an independent interim evaluation in 2009-2010 to review its IPA structures and administrative capacity as well as strategic objectives of programmes. This evaluation will also allow taking final decisions with regard to structures and programmes that will be included under the Cohesion and Structural Funds. The High Planning Council (HPC) which acts as an inter-ministerial coordination structure is a decision making body for national and regional development policies. On the other hand, the Higher Council of the GAP (South-eastern Anatolia Development Project) is a decision making body responsible only for GAP region.

At local/provincial level, provincial coordination boards composed of representatives of provincial directorates of line ministries and local administrations currently ensure the coordination of public investments. In future, regional development agencies as well as development councils established under these DAs will have an increasing role in coordinating regional development planning and implementation of development policies at local/regional level.

Different partnership structures exist in Turkey or are in the process of being established. Ad hoc committees including socio-economic partners and NGOs have been set up as consultation bodies for the preparation of successive Development Plans. An Economic and Social Council including socio-economic partners was established as multi-party social dialogue mechanism and consultation forum for the development of social and economic policies. City Councils in Turkey include representatives from professional organisations, trade unions, notaries, universities, relevant NGOs, political parties and public institutions. They provide opinions to Municipal Councils. Development Councils of DA will constitute the most important partnership and cooperation bodies for regional development in future.

II.c. Administrative capacity

Turkey is pursuing a process of public sector reform, which is to enhance the efficiency, effectiveness and the administrative capacity of public institutions. ‘Improving quality and efficiency in public services’ is one of the priority axes in the 9th Development Plan in the period 2007-2013. Turkey has also launched a process of decentralization, which is to strengthen local administrations financially and administratively.

Turkey has recently carried out a training needs survey for 2006-2007 and 2007-2009 in the context of the Decentralised Implementation System (DIS) covering 50 public institutions and agencies. A training strategy and programme for 2006-2007 is being prepared. However, Turkey has not yet prepared broader organisational development strategies for bodies involved in the implementation of IPA and the future Structural Funds.

The Law on Civil Servants and the Council of Ministers decision on a General Plan for Training of Civil Servants provide the legislative framework for the training of civil servants.

Turkey has drawn up in 2003 and is executing since then an Integrated Training Plan aiming to ensure quality standards in project management and enhance human resource management in line ministries. Measures under this plan include training on Project Cycle Management, Grant Scheme Management, Twinning, Works Projects Preparation and Implementation and

workshops on Project Fiche and Terms of Reference Drafting. In this context, 870 public officials were trained between 2003 and 2005.

In 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 the Preliminary National Development Plan. The main focus of these activities was to train potential applicants to prepare and implement EU funded projects.

Turkey has conducted a number of training measures for notably national level institutions, including in collaboration with SIGMA, on such topics as financial management and control, public procurement, evaluation and better regulation.

Through current EU pre-accession funded projects and under IPA as from 2007, Turkey is planning to address capacity building needs for the implementation of IPA and future Structural Funds both at central and local/regional level.

The recruitment of civil servants is undertaken according to the Civil Servants Law. An attractive salary system, including a bonus scheme, has facilitated recruiting and retaining civil servants in key public bodies.

Turkey has been urged by the European Commission to increase staffing and administrative capacity in key implementation bodies (including the CFCU and the EUSG), both for managing the current pre-accession assistance and in preparation for management of IPA.

II.d. Programming

Turkey has prepared a wide range of national programming documents of which the most important and relevant ones are as follows:

- National Development Plan 2007-2013: this is an overarching and strategic national development planning document (the ninth of its kind), which sets the general framework for all economic, social and regional policies. It is prepared by the SPO and based on findings of the ad-hoc committees formed by representatives of academia, public institutions, private sector and NGOs.
- Medium-term programme (MTP) 2007-2009: this programme is consistent with the National Development Plan and it establishes medium-term strategic objectives and priorities organized under thematic development axes. The document is established for a 3-year rolling period and renewed on an annual basis.
- Medium Term Fiscal Plan (MTFP) (2007-2009): it is based on the MTP and sets institutional budget ceilings for all central government institutions. The document is established for a 3-year rolling period and renewed on an annual basis.
- Annual programmes: defines measures to implement the policies of the Development Plan and the MTP, it provides institutional responsibilities and a timetable of implementation.
- Public Investment Programmes: these programmes provide a project-based distribution of investment appropriations in line with the budget.

Turkey has also prepared a number of sectoral, thematic and regional development/strategy documents such as the Industrial Policy for Turkey document, the SME Strategy and action plan, the National Rural Development Strategy, various regional development plans etc.

In view of planning and implementing the components III and IV of the IPA from 2007, Turkey has prepared a draft Strategic Coherence Framework (SCF) and started preparing the four Operational Programmes as referred to in point II.b. The SCF should be agreed with Commission services in the first semester of 2007 whereas the four OPs should be adopted by the Commission before the end of 2007. A SCF working group and OP working groups have been established to ensure efficient inter-ministerial cooperation and the consultation of a broad partnership of relevant organisations beside the public institutions including socio-economic partners and NGOs. The SCF is the precursor of the National Strategic Reference Framework document under the Structural Funds.

Turkey is planning to define the priorities for the establishment of a pipeline of projects in the relevant OPs under IPA. It has allocated a substantial amount under the 2006 EU Turkey Financial Cooperation Package for the preparation of feasibility studies, calls for tenders, environmental impact assessments (EIA) and other preparatory work. Turkey has already started to prepare supporting documents (e.g. feasibility studies and EIA) for some projects for implementation under the forthcoming IPA instrument. Turkey has established a process to identify suitable projects in the environment sector including the consultation of municipalities with a questionnaire. In the transport sector, the ongoing Transport Infrastructure Needs Assessment (TINA) study is aimed at determining the relevant list of projects. At the local level, in future the Development Agencies will be one of the main tools for establishing a project pipeline under the Cohesion and Structural Funds.

II.e. Monitoring and evaluation

Turkey has established a project based financial monitoring system of Annual Investment Programmes, which is coordinated by the State Planning Organisation (SPO). Quarterly reports are being collected from relevant institutions, recorded in an electronic database and assessed by the SPO. Furthermore, SPO experts conduct site visits for randomly selected projects to verify the information from the institutions, if necessary.

Turkey does not have an online Management and Information system yet for public investment programmes but is in the course of designing one.

The SPO, with its Department for Monitoring and Evaluation, is also in charge of coordinating the monitoring of EU funded Regional Development Programmes. For that purpose it has set up a common Monitoring Information system, which is based on the collection of physical and financial data at project level and on site verification by local monitoring staff.

Turkey has an online budget preparation, implementation and monitoring system, which is called e-Budget and managed by the Ministry of Finance. The e-Budget system allows the Ministry of Finance currently to monitor 159 central government administrations.

Turkey has established the “say2000i Web Based Accounting Office Automation System”, which is managed by the Ministry of Finance. Through this system, all financial data relating to public sector expenditure is recorded and processed in electronic format.

Turkey indicated that the integration of the project-based Monitoring Information system with the electronic say 2000 accounting system would not be difficult in the long run.

Turkey admitted that it has different evaluation capacity levels across its line ministries. Because of insufficient evaluation capacity across ministries, a number of training

programmes in the area of monitoring and evaluation have already been and continue being organised.

II.f. Financial management and control

Turkey's financial management and control system is largely regulated by its Public Financial Management and Control Law and the Turkish Court of Accounts Law (see legislative framework above).

All public administrations within the scope of the Public Financial Management and Control 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 have been or are in the course of being established.

The standards and procedures related to the financial management and internal control process shall be defined, developed and harmonized by the Ministry of Finance 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.

Turkey has on a preliminary basis identified the National Fund within the Treasury as future Certifying Authority (CA) for the SF/CF and the Board of Treasury Controllers as future Audit Authority (AA); it has not formally designated these bodies yet. Its Board of Treasury Controllers is currently auditing projects financed by international donors (including the EU) and its Court of Auditors is undertaking external audit functions more broadly.

Until 2006, Turkey's financial management and control system for EU funds was determined by the requirements under pre-accession instruments with the National Authorising Officer (NAO) and the National Fund (NF) as well as the Central Finance and Contracting Unit (CFCU) taking up key roles. This system was mainly regulated by a framework agreement, memoranda of understanding for the NF and for the CFCU and annual financing agreements. The system covered such aspects as the flow of funds, co-funding principles, audit trails, reporting requirements and the reporting on irregularities. This system will be adapted with regard to the corresponding requirements set up in the IPA regulation.

III. ASSESSMENT OF THE DEGREE OF ALIGNMENT AND IMPLEMENTING CAPACITY

Overall, Turkey has partially aligned with the *acquis*. However, it needs to amend and complement its legislative framework allowing for multi-annual budget planning, financial management and control and the respect of Community policies. Turkey needs to designate appropriate institutional structures and system in compliance with the Structural Funds regulations and build up and manage to retain adequate administrative capacity. Turkey needs to establish a computerized Management Information System and build up evaluation capacity. It also needs to set up an efficient financial management and control system for the implementation of the Structural Funds.

The Commission will assess the budgetary impact of Turkey's accession in terms of cohesion policy at a later stage of the negotiations. The results of the impact assessment will be presented together with the financial framework for concluding the negotiations.

III.a. Legislative framework

Turkey has recently introduced a budget planning system allowing for indicative multi-annual programming at national and regional level; however, it does not provide sufficient certainty with regard to multi-annual programme budgeting with the budget only being adopted on an annual basis. Its budget transfer flexibility between programmes is limited and confined to non EU financed activities. However, Turkey's budget planning system allows carrying over to the subsequent year commitments for investment projects that cannot be completed in the current fiscal year. The length/duration of financial circuits and flows remains comparatively long.

Turkey draws co-financing for EU funded measures from a number of sources; however, co-financing, other than through national government budget allocations and to some extent IFI loans, remains limited. Local authorities' own resources and capacity to co-finance is limited. Local authorities also have limited borrowing capacities. Turkey is currently preparing legislation to improve budgetary resources of local authorities and to facilitate the raising of private funding through PPP (i.e. through passing a PPP framework legislation). Turkey will need to ensure coherence of any legislative initiative on PPP with the *acquis* regarding public contracts and concessions.

Turkey already has a public internal financial control (PIFC) system in place based essentially on the Public Financial Management and Control (PFMC) Law as well as other relevant legislation such as notably the Turkish Court of Accounts (TCA) Law. Turkey indicated that it has prepared a draft new TCA Law that aims at bringing audits in line with international audit standards and EU practices. It also indicated that the PFMC Law is to expire end of 2007 and that necessary adaptations could then be made to the role of the Board of Treasury Controllers as external auditor of projects funded from international donor organisations. While its level of alignment in the field of PIFC can be considered as being satisfactory, Turkey is aware of the need for further development and implementation, which can be achieved within the medium term.

Turkey has a public procurement law (PPL), which however only partially meets the principles and requirements of the *acquis* in this field. The implementation capacity of the Public Procurement Authority (PPA) needs to be significantly strengthened (see also chapter 5 – Public procurement). Turkey has no framework legislation yet and no single authority in the state aid field. It is however currently preparing legislation to set up a State Aid Monitoring Authority. The current enforcement record and control system on state aid is insufficient (see also chapter 8 - Competition policy). The area of gender equality is partially aligned with the *acquis* in Turkey's and accordingly further legal adjustments are needed. Turkey needs to establish an equality body as required by the *acquis* (see also chapter 19 - Social policy and employment). Despite of specific legislation in the field, the overall level of transposition of the environmental *acquis* remains low in Turkey. This represents a particular challenge for Turkey, as any investment financed by the EU will have to comply with the relevant environmental *acquis* (see also chapter 27 – Environment).

Turkey's provisional classification for statistical regions (corresponding to NUTS level II) of 2002 may need to be adjusted in view of the requirements of the regulation on territorial units for statistics (NUTS) of 2003 and for an effective implementation of regional policy, at the territorial levels foreseen in the Council Regulation EC N° 1083/2006. Turkey has administrative structures at provincial and municipal level but not at regional/NUTS II or NUTS I level. In view of their implementation, and in the course of preparing operational programmes for regional development, Turkey will need to establish the necessary management structures at NUTS I or II level. The Development Agencies' (DA) Law is not

compatible with the Structural Funds regulations in the sense that in its current form it would not allow the DA (to be established at NUTS II level) to become Managing Authorities or Intermediate Bodies for the implementation of Structural Funds programmes.

III.b. Institutional framework

Turkey has made a provisional designation of structures for the implementation of the IPA instrument notably with regard to the management of the four OPs prefiguring the SF/CF. These structures, it has indicated, will directly flow into the future Structural Funds implementation system. With the State Planning Organisation having an important coordinating role with regard to OP programming and monitoring at this early stage of IPA preparation, Turkey should pay attention to rapidly ensure a full integration and transfer of responsibilities of relevant functions to line Ministries. These should gradually obtain full responsibility and ownership of policy preparation and implementation.

Turkey has identified on a preliminary basis institutional structures with financial control functions under IPA but has not yet formally designated and established these structures and systems; it will have to do so rapidly.

With regard to the Structural Funds, Turkey has at this early stage not yet formally designated the implementation structures. According to the number and type of operational programmes, additional managing authorities will need to be designated. The precise position and function of some Ministries with a role under the Structural Funds, but which have no direct management task, will also need to be established.

Turkey's coordination functions under IPA are split between the Secretariat General for EU affairs and the State Planning Organisation (SPO), the latter nevertheless playing the leading role, as far as regional development and human resources development components are concerned. The Undersecretariat of the Treasury, through the National Aid coordinator, is responsible for the financial management and control of pre-accession assistance. The Ministry of Finance has a key role with regard to the PIFC. Inter-ministerial coordination has been established but its operational efficiency needs to be verified.

Considering the multitude of functions which future structural and cohesion funding will entail, Turkey should take the necessary steps to ensure a coherent structure of coordination is established which is both stable and competence based.

In particular, such a coordination structure should have the capacity to meet the requirements of budgetary planning and arbitration, provision of co-financing, monitoring and management information system, annual reporting, control, certification.

At the same time, the functional independence of the structure as a whole should be ensured in particular as it relates to the future management and certification authorities and their respective responsibilities. In particular, this coordination structure should support the Managing Authorities in fully discharging their responsibilities and decision-making capacity to manage and implement the relevant programmes under their control.

At a wider level, and within the framework of increasing transparency and accountability in the management of Funds, the coordination structure should provide the necessary assurance on maintaining coherence between macro-economic policy objectives on the one hand and Cohesion and Structural Funds co-financing needs and objectives on the other.

Regarding coordination at regional level, Turkey is at an early stage in establishing Regional Development Agencies (DA) and Regional Development Councils (RDC) that would take up a leading role in this context. In view of the Structural Funds, the DA Law needs to be adapted if these Development Agencies were to become Managing Authorities or Intermediate Bodies. Turkey has not determined yet how DAs and RDCs would coordinate the different OP measures at regional level. Besides, and in addition to the above considerations, due to the lack of financial resources and the constraints deriving from the accreditation requirements, the development agencies can not be granted with management tasks under IPA.

For both – central and regional coordination - Turkey should adapt and or develop, in due course, the existing structures, streamline the procedures and set up the appropriate action plans on capacity building.

With regard to the partnership principle, while Turkey is involving different partner organisation in consultation on programming, overall the planning and implementation of development programmes is fairly centralised and concentrated and not based on partnership principles. Turkey should create and allow genuine partnerships for regional development both at national and regional level.

III.c. Administrative capacity

While having done a training needs analysis for 2007 for IPA implementing structures, Turkey has not yet prepared broader organisational development strategies for bodies involved in the implementation of IPA and the future Structural Funds.

Turkey should pursue its plan to prepare an overall strategy for capacity building under IPA as a matter of priority, including the official appointment of central structures and their appropriate staffing. This should also address the necessary organisational adaptations, changes to procedures and organisation charts and the preparation of accompanying documents. Turkey should address as a matter of priority the lack of staff and administrative capacity in key implementation bodies under the pre-accession instrument including the CFCU and the EUSG as well as line Ministries.

Training on specific programme preparation and implementation aspects needs to be intensified for all key line Ministries and extended to other bodies involved in IPA and the future Structural Funds. Turkey should also pay particular attention to provide adequate training and advisory support to final beneficiaries and at the appropriate territorial level (i.e. NUTS II). Training of major municipalities particularly those who will have a role in implementing IPA programmes should be undertaken as a matter of urgency.

Turkey needs to ensure it applies an efficient and attractive career planning and salaries policy for civil servants across all bodies involved in the Structural Funds.

III.d. Programming

Turkey has produced a wide range of programming documents notably at national policy level but also at sector/thematic level and to some limited extent at regional level. However, the operational value of these programming documents (especially with regard to the national budgeting process) is limited. All documents also suffer from not sufficiently taking past experience into account.

Turkey has built up considerably programming capacity notably at the State Planning Organisation (SPO). While line ministries are involved in the process, due to the overriding role and responsibility of the SPO their contribution to and sense of ownership of the programming documents are limited.

Turkey has not yet produced a comprehensive and credible strategy/plan on how to address regional development challenges, notably the enormous regional disparities, in the medium to long run. Regional development plans only exist for a few regions.

Turkey has made plans to establish a project pipeline under IPA but is at an early stage in actually setting this pipeline of projects up. It will have to mobilize substantial additional resources to prepare a comprehensive and good quality project pipeline for immediate implementation under future Structural Funds (including the preparation of accompanying technical studies and financial analyses). Preparing good quality projects at regional level represent a particular challenge.

Turkey will have to make provisions for the carrying out of specific information and publicity measures with regard to the Structural Funds

III.e. Monitoring and evaluation

Turkey has established separate monitoring information systems for its national public investment programmes and for its EU funded regional development programmes including the recording of financial and physical data in electronic format. It has also established the “say2000i Web Based Accounting Office Automation System”, which records financial data relating to public sector expenditure in electronic format. Turkey indicated that the integration of the monitoring systems with the accounting system would not pose a problem in the long run.

Turkey’s monitoring system is not yet an integrated electronic nor an online system. Turkey will need to develop its monitoring information system further to meet the specific requirements of the Structural Funds. This includes aspects such as specific (strategic) reporting requirements and the requirement of interconnectivity and integration of physical monitoring with the payments/accounting monitoring system. Turkey will also need to ensure access and contribution to the data collection and entry by a broad group of management bodies and final beneficiaries.

Turkey has only a very modest experience in relation to evaluation. It will need to prepare an overall evaluation strategy and establish appropriate departments in relevant bodies (notably Ministries) dealing with all forms of evaluation. Turkey needs to build up adequate administrative capacity in this area at an early stage.

In future, monitoring and evaluation capacity and responsibilities should reside within line ministries in charge of the respective programmes. Independence of evaluations should be ensured, namely through independent evaluation units and external assistance, while coordination and standards are set by a separate coordinating body such as currently the SPO.

III.f. Financial management and control

Turkey has a legal framework for financial management and control and is committed to further amend this to bring it in line with *acquis* requirements (see section III.a above). It has established a financial management and control (FMC) system including audit, which

satisfies the requirements for the management of current EU pre-accession funds (leading to the conferral of management on a decentralised basis while maintaining the ex-ante control functions). Financial control and audit structures are being established in all public bodies since beginning of 2006. The system will have to be adapted to the IPA instrument in line with the IPA Implementation Regulation.

Turkey is at an early stage with regard to the setting up of a financial management and control system satisfying the relevant requirements of the Structural Funds and the Cohesion Fund. Structures identified on a preliminary basis (not designated yet) will need to be scrutinized by the Commission and preliminary decisions may be revised in 2009-2010. Turkey has not yet identified implementing systems and mechanisms.

Turkey needs to designate its FMC system (including audit) for the Structural Funds and pay due attention to the separation of functions and the independence of key bodies such as the audit authority. It should also pay attention to a clear allocation of all external audit functions to a single competent body. It needs to establish mechanisms, appropriate staffing and quality standards, which will guarantee the reliability, amongst other factors, of the public procurement system.

A review and remedies system does exist, but there are no control mechanisms guaranteeing that procurement procedures have been correctly applied by the contracting authorities.

The duties of accounting and authorizing officers, at local level, can not be performed, according to the PFM Law, by the same person. However, this could prove insufficient to guarantee, for municipalities, the effective independence of the accounting officer, who acts under the hierarchical authority of the mayor. Turkey should thus envisage additional measures to secure this effective independence.

IV. CONCLUSIONS AND RECOMMENDATIONS

In view of the above, in particular the findings presented in part III, Turkey cannot be considered to be sufficiently prepared for negotiations on this chapter. Therefore, the Commission does not recommend at this stage the opening of accession negotiations with Turkey on chapter 22, Regional Policy and coordination of structural instruments.

Specific gaps remain to be addressed in relation to the establishment of the institutional and administrative capacity and with regard to implementation systems. In view of the current situation, it is recommended that this chapter be opened for negotiations once the following benchmark is met:

- Turkey presents to the Commission an action plan setting up clear objectives and a related timetable in order to meet regulatory and operational requirements deriving from Community cohesion policy.