

FINANCING AGREEMENT

The European Commission, hereinafter referred to as "THE COMMISSION", acting for and on behalf of the European Community, hereinafter referred to as "THE COMMUNITY"

on the one part, and

The Government of the Republic of Turkey, hereinafter referred to as "THE RECIPIENT"

on the other part,

HAVE AGREED AS FOLLOWS:

The measure referred to in Article 1 below shall be executed and financed out of the budget resources of THE COMMUNITY in accordance with the provisions set out in this Agreement. The technical, legal, and administrative framework within which the measure referred to in Article 1 below shall be implemented is set out in the General Conditions annexed to the Framework Agreement of 14 May 2004 between THE COMMISSION and THE RECIPIENT, and supplemented by the terms of this Agreement and the Special Provisions annexed hereto.

ARTICLE 1 - NATURE AND SUBJECT

As part of its aid programme, THE COMMUNITY shall contribute, by way of grant, towards the financing of the following MEASURE:

Programme number: 2006/018-079
Title: 2006 National Programme for Turkey – PART I b
Duration: Until November 30, 2008
(Expiry Date for Contracting)

The financing of project TR 06 04 01 "Promotion of the Civil Society Dialogue between EU and Turkey" is covered by a separate Financing Agreement signed on 25 August 2006 and the present Financing Agreement covers the remainder of the 2006 National Programme for Turkey.

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of € 83.856.600 hereinafter referred to as "THE EC GRANT".

ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until 30 November 2008 subject to the provisions of this Agreement. All contracts must be signed by this date. Any balance of funds of the EC GRANT, which have not been contracted by this date shall be cancelled.

The deadline for execution of contracts of THE EC GRANT is until 30 November 2009, except for the following contracts: TR 0602.01 and TR0602.02: November 30, 2010.

THE COMMISSION may however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the contract execution period, should this be requested in due time and properly justified by THE RECIPIENT. Disbursements of funds may continue for up to 12 months after the deadline for the execution of contracts to meet liabilities properly incurred through the execution of the contracts entered into under this programme. This Financing Agreement shall expire once those disbursements have been completed. All the funds which have not been disbursed by that time shall then be returned to the Commission.

ARTICLE 4 - ADDRESSES

Correspondence relating to the execution of THE MEASURE, stating THE MEASURE'S number and title, shall be addressed to the following:

for the COMMUNITY:

*Delegation of the European Commission in Turkey
Ugur Mumcu cad. No. 88/4
Gazi Osman Pasa 06700
Ankara Turkey
Fax: (+90.312) 446 6737*

for THE RECIPIENT:

*The Secretariat General for European Union Affairs
Eskisehir Yolu
9.km.06900
Ankara, Turkey*

ARTICLE 5 - NUMBER OF ORIGINALS

This Agreement is drawn up in duplicate in the English language.

ARTICLE 6 - ENTRY INTO FORCE

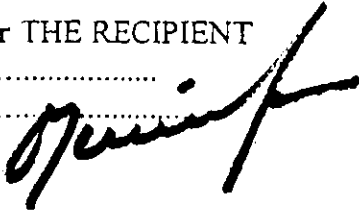
This Agreement shall enter into force on the date on which it has been signed by both parties. No expenditure incurred before this date is eligible for the EC GRANT.

The Annexes shall be deemed an integral part of this Agreement.

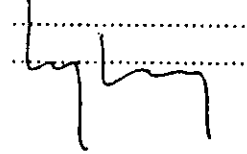
Done at Ankara
Date 19/07/2007

Done at Ankara
Date 04/06/2007

for THE RECIPIENT

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for THE COMMUNITY

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Annexes

1. Framework Agreement
2. Special Provisions
3. Visibility/Publicity

FINANCING AGREEMENT

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The measure referred to in Article 1 below shall be executed and financed out of the budget resources of THE COMMUNITY in accordance with the provisions set out in this Agreement. The technical, legal, and administrative framework within which the measure referred to in Article 1 below shall be implemented is set out in the General Conditions annexed to the Framework Agreement of 14 May 2004 between THE COMMISSION and THE RECIPIENT, and supplemented by the terms of this Agreement and the Special Provisions annexed hereto.

ARTICLE 1 - NATURE AND SUBJECT

As part of its aid programme, THE COMMUNITY shall contribute, by way of grant, towards the financing of the following MEASURE:

Programme number: 2006/018-430
Title: 2006 National Programme for Turkey – PART II
Duration: Until November 30, 2008
(Expiry Date for Contracting)

The financing of project TR 06 04 06 "Participation in Community Programmes and Agencies" is covered by a separate Financing Agreement signed on 9 April 2007 and the present Financing Agreement covers the remainder of the 2006 National Programme for Turkey Part II.

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of € 273.783.078 hereinafter referred to as "THE EC GRANT".

ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until 30 November 2008 subject to the provisions of this Agreement. All contracts must be signed by this date. Any balance of funds of the EC GRANT, which have not been contracted by this date shall be cancelled.

The deadline for execution of contracts of THE EC GRANT is until 30 November 2009, except for the following contracts: TR0602.08 TR0602.10, TR0602.11, TR0602.12: November 30, 2010.

THE COMMISSION may however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the contract execution period, should this be requested in due time and properly justified by THE RECIPIENT. Disbursements of funds may continue for up to 12 months after the deadline for the execution of contracts to meet liabilities properly incurred through the execution of the contracts entered into under this programme. This Financing Agreement shall expire once those disbursements have been completed. All the funds which have not been disbursed by that time shall then be returned to the Commission.

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Ugur Mumcu cad. No. 88/4
Gazi Osman Pasa 06700
Ankara Turkey
Fax: (+90.312) 446 6737*

for THE RECIPIENT:

*The Secretariat General for European Union Affairs
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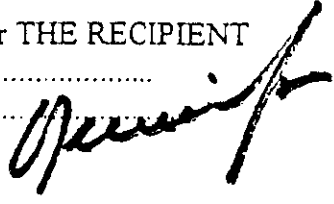
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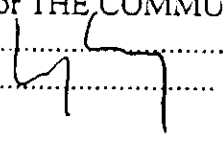
This Agreement shall enter into force on the date on which it has been signed by both parties. No expenditure incurred before this date is eligible for the EC GRANT.

The Annexes shall be deemed an integral part of this Agreement.

Done at Ankara
Date 19/07/2007

Done at Ankara
Date 04/06/2007

for THE RECIPIENT
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for THE COMMUNITY
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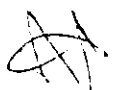
Annexes

1. Framework Agreement
2. Special Provisions
3. Visibility/Publicity

SPECIAL PROVISIONS

PRE-ACCESSION FINANCIAL ASSISTANCE: 2006 NATIONAL PROGRAMME FOR TURKEY - PART 1

These Special Provisions concern the implementation of the entire 2006 National Programme for Turkey. The financing of project TR 06.04.01 "*Promotion of the Civil Society Dialogue between EU and Turkey*" is covered by a separate Financing Agreement, signed on 25 August 2006 and the present Financing Agreement covers the remainder of the 2006 National Programme for Turkey – Part 1b.



1. SUMMARY

As indicated in the Planning Document presented to the Phare Management Committee on February 17, 2006, some EUR 450-470 million, out of an overall pre-accession assistance envelope of EUR 500 million, will be available for the Turkey 2006 National Programme. (Emergency assistance to Turkey addressing the outbreak of Avian Influenza is the subject of a separate Financing Decision within the overall 2006 pre-accession assistance envelope). Given the considerable budget of the 2006 National Programme, this will be the subject of two Financing Decisions. The present Financing Proposal represents the first part of the 2006 National Programme. It includes some initial actions to promote the Turkey-EU Civil Society Dialogue, which the Commission wishes to launch as soon as possible, and it also takes up projects that were deferred from the 2005 programme as well as recurring programme needs.

2. STRATEGY

The preparation of the 2006 pre-accession financial assistance programme takes into account several developments in EU-Turkey relations. These include the opening of accession negotiations, the assessment provided by the 2005 Progress Report, the Commission's Communication on the Civil Society Dialogue adopted in June, 2005, the adoption of the revised Accession Partnership, and the planned introduction -- as of 2007 -- of the Instrument for Pre-accession Assistance (IPA).

The priorities, reflecting the Commission's pre-accession strategy for Turkey set out in its recommendation of October 6, 2004, and unchanged with respect to the 2005 programme, are:

- The political criteria, including some closely-related subjects in the sector of Justice, Liberty and Security;
- Economic and Social Cohesion, targeted on the poorest regions in Turkey, and emphasising strategic planning, capacity building and project preparation;
- Implementation of the *acquis*, with projects being developed in 2006 in the sectors such as Customs Union, Internal Market Agriculture Environment, Energy, Transport, Social policy and Statistics;
- EU-Turkey Civil Society Dialogue

The promotion of Civil Society Dialogue represents a new development in pre-accession assistance. The long-term objective of the dialogue is to prepare civil society from the EU and candidate countries for future enlargement, by encouraging a societal debate around related issues and allowing a wide participation and information of civil society during the enlargement process. In this first year of implementation, the programme will target youth, universities, professional organisations, municipalities, and NGOs.

In accordance with the guidelines established for the programming and implementation of assistance to Turkey, an approximately even allocation among themes of institution building, investment in the *acquis*, and investment in economic and social cohesion (i.e. approximately one third to each theme) will be sought.

Part I of the National Programme concentrates on:

- A pilot Civil Society Dialogue project. The activities to be financed under the 2006 programme will tend to have a pilot character: depending on the results, more ambitious actions may be considered under future programmes, on the basis of the experience gained;
- projects deferred from the 2005 programme, due to lack of maturity or failure to reach agreement on critical issues;
- Some recurring programme needs (continuation of Jean Monnet scholarships).

In view of continuing deficiencies in the administrative structures for programme implementation, the present Financing Proposal will be implemented through 2 separate Financing Agreements. The first Financing Agreement, covering the 2006 Turkey National Programme – Part 1a (project *TR 06 04 01 Promotion of the Civil Society Dialogue EU-Turkey*, described in section 4) will be signed between the Commission and the Turkish authorities as soon as possible in order to permit an early launch of the Civil Society Dialogue. The second Financing Agreement, covering the 2006 Turkey National Programme – Part 1b (the remaining projects described in section 4) will be signed between the Commission and the Turkish authorities only when the conditionality formulated in section 4 has been met.

3. OBJECTIVES AND DESCRIPTION

2006 Turkey National Programme- Part 1a

Objective 4: Promotion of the EU-Turkey Civil Society Dialogue and Support for the European Integration Process

TR 06 04 01 Promotion of the Civil Society Dialogue between EU and Turkey

The objective of this project is to strengthen contacts between civil society in the Member States and Turkey, thereby fostering a better understanding of Turkey within the European Union and better knowledge of the European Union within Turkey. It answers to a short term priority of the Accession Partnership to facilitate and encourage open communication and cooperation between all sectors of Turkish civil society and European partners. This project will be implemented through separate grant schemes supporting cooperative projects implemented by Turkish and EU counterparts within four target groups: Local administrations, Universities Professional Organisations and Youth. In addition the project will establish a translation and interpretation facility in order to assist Turkish civil society in establishing contacts with EU counterparts.

Turkey National Programme- Part 1b

Objective 1: Addressing the Copenhagen political criteria, including some closely-related subjects in the sector of Justice, Liberty and Security

TR 06 01 01 Support to the set up an Asylum and country of origin and information (COI) system



The main purpose of this project is to enable the Turkish Ministry of Interior to implement and use a Country of Origin Information (COI) system and get full ownership of the Refugee Status Determination (RSD) procedure in Turkey, while carrying out training of staff for a future asylum unit. It builds on a 2002 project (*TR0204.02 Support for the development of an Action Plan to implement Turkey's asylum and migration strategy*) and thereby addresses an Accession Partnership priority to continue efforts to implement the National Action Plan on Migration and Asylum. The activities are intended to result in fully functioning COI and asylum information systems, into which individual asylum files are scanned and from which access is ensured to the relevant users. The project will increase the capacity within the Turkish administration as regards EU administrative law, including appeals procedures for asylum and migration cases, and EU and international human rights law. The strengthening of the asylum administration in Turkey, resulting from this project, will have a cross border impact, both on the inflow of asylum seekers and illegal migrants to Turkey and the pattern of population movements in the region. This project is composed of a Twinning element, a service contract for language training, and an investment component.

Objective 2: Economic and Social Cohesion

TR 06 02 01 Nevsehir Wastewater Treatment Plant Project

This project will assist Turkey to achieve a high level of environmental protection and compliance with the EU directives concerning water quality. It addresses a short term priority of the Accession Partnership, namely the continuation of implementation of the acquis related to legislation on water quality. The project aims at improving the water quality of Kizilirmak River, through a significant reduction of the pollution loads from Nevsehir municipality. The main project activity will be the construction of a Waste Water Treatment Plant for the municipality of Nevsehir. The treatment plant will be an extended aeration activated sludge plant with physical and biological stages servicing a population of 125,000 persons and 9,000 industrial p.e. The discharge will meet the effluent requirements of the EU UWWT directive as well as Turkish effluent requirements. Training and institutional strengthening of the municipality and supervision of the WWTP construction will be provided through technical assistance. The main source for lessons learned regarding project design and preparation is the ISPA assistance to Central and Eastern Europe. The project will be implemented through one work contract and one service contract.

TR 06 02 02 Tokat Wastewater Treatment Plant Project

This project will assist Turkey to achieve a high level of environmental protection and compliance with the EU directives concerning water quality. It addresses a short term priority of the Accession Partnership, namely the continuation of implementation of the acquis related to legislation on water quality. The project aims at improving the water quality of Yeşilirmak River, through a significant reduction of the pollution loads from Tokat municipality. The main project activity will be the construction of a Waste Water Treatment Plant for the municipality of Tokat. The treatment plant will be a Biological Nitrogen Removal plant with physical and biological stages servicing a population of 200,000 persons and 33,000 industrial p.e. It will lead to increasing the overall effectiveness and efficiency of water management in the region and will help improve the health standards of the public on the downstream. The project will be implemented through one work contract and one service contract.

The discharge will meet the effluent requirements of the EU UWWT Directive as well as Turkish effluent requirements. Training and institutional strengthening of the municipality and supervision of the WWTP construction will be provided through technical assistance.

Objective 3: Approximation to the *acquis communautaire*

TR 06 03 01 Establishment of a pilot Turkish Farm Accountancy Data Network (FADN)

The overall objective of the project is to establish a Farm Accountancy Data Network (FADN) at regional and farm level in compliance with the EU requirements. This will help to provide reliable information on the Turkish agricultural and rural sectors to the EC and Turkish policy makers, thereby addressing a short term priority of the Accession Partnership to set up suitable administrative structures to operate EU instruments related to rural development. In particular, it aims at introducing the FADN system in 9 pilot provinces with the implementation of pilot studies and establishment of legal and administrative framework in accordance with the relevant EU legislation. Under this project, the administrative body for the implementation of the FADN system will be established and the required infrastructure will be improved. Training will be provided to staff on data collection and its organization at central level, and on the introduction of FADN to farmers to encourage them to participate in the network. Project activities will be carried out through equipment supply and twinning.

TR 06 03 02 Control of Foot and mouth disease in Turkey

The overall objective of the project is to eradicate Food and Mouth Disease (FMD) in Turkey to ensure a high level of animal health status like in the EU. This will help to provide reliable information on the Turkish agricultural and rural sectors to the EC and Turkish policy makers, thereby addressing a short term priority of the Accession Partnership to reinforce the development of agricultural statistics. The project aims in particular to control the FMD in Turkey through a mass vaccination policy in accordance with other EU control measures such as animal identification and movement and market controls. The actions will comprise vaccination, sero surveillance, control measures and disinfection. Activities will be carried out through supply of laboratory equipment. The vaccination campaign for bovine and ovine animals will be carried out under the control of veterinarians for 3 years. Based on the experience gained through a similar project in 2002, the full eradication of FMD in Turkey will represent a substantial financial burden and requires an eradication programme to be implemented for 3 years. The competent authorities will also gain experience regarding the eradication of other animal diseases through the implementation of this project. The project will be implemented through 3 supply contracts.

TR 06 03 03 Improvement of the conditions for cross-border electricity trade in Turkey in compliance with the best practice in EU

Within the overall objective of fully integrating the Turkish electricity market to the EU Internal Electricity Market, this project aims to establish a cross-border electricity trading environment in Turkey by removing legal and administrative restrictions. This project tackles a short term priority of the Accession Partnership to support the creation of a gradually integrated regional energy market as part of a wider European energy market

and to remove restrictions on cross-border trade and third party access. Earlier projects addressing technical issues of synchronous interconnection. However, experience of cross border trading in isolated systems in Turkey and abroad shows that unless legal and administrative restrictions are also removed, the integration of national markets with the internal EU Electricity Market will not provide desired results. The project will be implemented through a Twinning.

TR 06 03 04 Capacity building support to the water sector in Turkey

This project aims overall to introduce a water management system at river basin level in Turkey through strengthening of the relevant institutions and water management instruments and to facilitate the design of a framework for action in the field of water policy. It addresses a short term priority of the Accession Partnership to adopt a revised programme for transposition and implementation of the acquis and to continue to transpose and implement the acquis related to the framework legislation on water quality. The project will include a legal and institutional analysis of the Water Framework Directive (WFD), the Urban Waste Water Treatment Directive (UWWTD), and the Dangerous Substance Directive (DSD) in the Turkish context, as well as the development of implementation plans for the WFD and DSD. It will also undertake pilot implementation of the principles of the WFD, UWWTD and DSD in the Buyuk Menderes River Basin. The project will be implemented through Twinning and a supply contract.

Objective 4: Promotion of the EU-Turkey Civil Society Dialogue and Support for the European Integration Process

TR 06 04 02 Continuation of the "JEAN MONNET" Scholarship Programme for post-graduates in Turkey

The objective of the project is to support Turkey in its efforts towards accession by raising awareness and understanding of European integration and by developing trained human resources in disciplines relevant to the EU integration process. It answers to a short term priority of the Accession Partnership to facilitate and encourage open communication and cooperation between all sectors of Turkish civil society and European partners. It aims 1) to broaden young people's perspectives and perceptions of European integration through post-graduate studies and 2) to strengthen the bonds between young Turkish citizens (civil servants, graduates and those working in the private sector or in NGOs) and EU citizens by providing them with the experience of living and studying in one of the member states of the European Union. The project will be implemented through a grant scheme to finance some 100 post-graduate scholarships (including publication of the scholarship competition, selection of candidates, identification of EU universities and institutions meeting the needs of the scholars and the objectives of the scholarship programme, and establishment of an alumni network). In addition, the implementation of the scholarship programme will be supported by technical assistance procured through a service contract.

References to the number and nature of contracts expected in the implementation of a particular project are of an indicative nature. The exception is where the means of implementation is specified as twinning or twinning light or where reference is made to direct agreements.

Lessons learned

In designing the 2006 programme, careful account has been taken of the results of projects programmed in previous years, particularly since 2002 since the programmes prior to 2002 had socio-economic development objectives that were not directly related to the institution building focus of pre-accession financial assistance. Lessons learned are usually drawn on a case by case basis, building upon relevant experience in the implementation of previous projects in a specific area and the Interim Evaluations of programme implementation. Relevant information in that respect is provided in each project fiche.

Project preparation in the environment sector, undertaken in the frame of the 2002 programme, has led to the development of several infrastructure projects that will be represent an important component of the 2006 programme. Similarly, the National Action Plan for Asylum and Migration, developed under *TR0204.02 Support for the development of an Action Plan to implement Turkey's asylum and migration strategy*, has guided the development of the project in this area included in the present proposal.

Conditionality

Agreement on the 2006 pre-accession financial assistance programme will depend on the Turkish authorities' commitment to the continued forceful implementation of the pre-accession strategy, giving attention to the establishment of adequate administrative structures for programme implementation, in order that EU financial supports are used in the most effective manner.

Before the Financing Agreement for the 2006 Turkey National Programme – Part 1b between the Commission and the Government of Turkey is signed, the National Aid Co-ordinator will satisfy the Commission that adequate steps are being taken to maintain and resource adequately the National Fund, CFCU, and other agencies involved in implementing this programme, and that findings of the DIS follow-up audit carried in the autumn of 2005 are being appropriately addressed. It is expected that the CFCU will reach a level of around 100 staff through phased recruitments in the course of 2006.

The specification of conditions that need to be fulfilled before implementation can begin continues to be used as appropriate; however it cannot be used to substitute for project maturity and proper project preparation. Projects were only considered for inclusion in this proposal if they met the criteria of adequate design, readiness for implementation upon signature of the Financing Agreement, ensured co-financing in keeping with the programming guidelines developed for Turkey, and conformity with Accession Partnership priorities.

4. BUDGET

4.1. Budget Table

Turkey National Programme- Part 1a

CRIS Code	DAC Code	Objective	Pre-accession instrument Funding			Total Co-financing of Project	Total (EU plus Co-financing)
			Institution Building	Investment	Total (IB & INV)		
2005-.....	43010	Objective 4 <i>Promotion of the Civil Society Dialogue EU-Turkey</i>	21.500.000	0	21.500.000	0	21.500.000
		TOTAL	21.500.000	0	21.500.000	0	21.500.000

(The distribution of figures between the budget lines is indicative within the limits of Art. 5 MoU NF)

Turkey National Programme- Part 1b

CRIS Code	DAC Code	Objective	Pre-accession instrument Funding			Total Co-financing of Project	Total (EU plus Co-financing)
			Institution Building	Investment	Total (IB and INV)		
005-.....	15130	Objective 1 Addressing the Copenhagen political criteria and JLS issues	3.020.000	6.773.250	9.793.250	2.257.750	12.051.000
2005-.....	16100	Objective 2 Economic and Social Cohesion	0	16.300.000	16.300.000	5.600.000	22.400.000
2005-.....	15040	Objective 3 Harmonisa	3.930.000	49.933.350	53.913.350	16.644.450	70.557.800

		tion with the acquis					
2005-.....	43010	Objective 4 CSD and support for European Integration	3.350.000	0	3.350.000	0	3.350.000
		TOTAL	10.350.000	73.506.600	83.856.600	24.502.200	108.358.800

(The distribution of figures between the budget lines is indicative within the limits of Art. 5 MoU NF)

Turkey National Programme- Part 1a and 1b

Objective	Pre-accession instrument Funding			Total Co-financing of Project	Total (EU plus Co-financing)
	Institution Building	Investment	Total (IB & INV)		
Total P.1a	21.500.000	0	21.500.000	0	21.500.000
Total P.1b	10.350.000	73.506.600	83.856.600	24.502.200	108.358.800
TOTAL P.1a & P.1b	31.850.000	73.506.600	105.356.600	24.502.200	129.858.800

4.2. Principle of Co-Financing

In accordance with the Phare Guidelines, all investment projects supported by the Turkey pre-accession instrument must receive co-financing from national public funds.

The Community contribution may amount to up to 75% of the total eligible public expenditure. Taxes are not an element eligible for co-financing.

Co-financing for Institution Building projects is provided by the Beneficiary Country bearing certain infrastructure and operational implementation costs, through financing the human and other resources required for effective and efficient absorption of pre-accession instrument assistance.

5. IMPLEMENTING AGENCIES

The Implementing Agency responsible for the programme is the Central Finance and Contracts Unit of Turkey.

6. IMPLEMENTATION ARRANGEMENTS

6.1. Method of Implementation

Implementation of the programme will follow Art. 53 (1) b (second alternative) of the Financial Regulation¹.

The Beneficiary Country will continue to ensure that the conditions laid down in Art. 164 (1) (a) - (e) of the Financial Regulation are respected at all times.

Prior to the accreditation of Implementing Agencies foreseen by Art. 7 (2) of Regulation 2500/2001, project selection, tendering and contracting by the Beneficiary Country will be subject to ex-ante approval by the Commission.

6.2. General rules for Procurement

Procurement shall follow the provisions of Part 2, Title IV of the Financial Regulation and Chapter 3 of Part 2, Title III of its Implementing Rules², as well as the Commission Decision SEC (2003) 387/2³.

The Contracting Authorities shall also use the procedural guidelines and standard templates and models facilitating the application of the above rules provided for in the "Practical Guide to contract procedures financed from the general EC budget in the context of external actions" ("Practical Guide") as published on the EuropeAid website⁴ at the date of the initiation of the procurement or grant award procedure.

6.3. Grant Schemes

For grant schemes the precise implementation arrangements will be specified in the relevant project fiches in line with the following principles:

The procedures and formats to be used in the implementation of the schemes and award of the grants will follow the procurement rules for External Actions. In particular, due care will be given to the selection process of the projects. Grants will be awarded in conformity with the provisions of chapter 6 of the Practical Guide, and following the principles of Phare decentralised management. Prior to EDIS accreditation, the ex-ante approval of the Commission Delegation in Ankara will be required.

The competent PAO for the programme under which the grant scheme is financed has to retain his/her contractual and financial responsibility for the implementation

¹ Council Regulation (EC, Euratom) 1605/2002 of 25 June 2002; OJ L 248; 16.9.2002; p. 1

² Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 as amended by Commission Regulation (EC, Euratom) No 1261/2005 of 20 July 2005, Official Journal L 201, 02/08/2005 p. 3

³ Commission Decision SEC (2003) 387/2 on Rules and procedures for service, supply and works contracts financed from the general budget of the European Communities in the context of co-operation with third countries, adopted on March 25, 2003

⁴ Current address: http://europa.eu.int/comm/europeaid/tender/gestion/index_en.htm

of the schemes. In particular, the PAO has to formally approve the call for proposals, application forms, evaluation criteria, as well as the selection process and results. The PAO also has to sign the grant agreements with the beneficiaries and to ensure adequate monitoring and financial control under his/her authority and responsibility. With this reservation, the management can be decentralised from the PAO to the appropriate bodies at sectoral or regional level.

The implementation of selected projects through provision of works, supplies and services, which are sub-contracted by the final beneficiaries of the individual grants, shall be subject to the procurement rules for External Actions at the time of implementation. Following a positive assessment of the Implementing Agency's capacity to operationally and financially manage the schemes in a sound and efficient manner⁵, the Commission Delegation may decide to waive its ex-ante approval of sub-contracting carried out by the final beneficiaries of the individual grants. The detailed provisions governing the role of the Delegation in the above-mentioned sub-contracting phase will be specified, as appropriate, in the Exchange of Letters between the Delegation and the national authorities following the above-mentioned assessment exercise.

Grant schemes will not involve projects for which the pre-accession instrument contribution is below € 50.000 or above € 2 million. This lower limit may be waived as a result of the above-mentioned assessment of the Implementing Agency's capacity of giving assurance of sound financial management. The lower limit is not applicable in the case of NGOs.

The financial commitments will take effect at the date of signature of the grant agreements by the competent PAO. The projects should be fully implemented before the expiry date for contract execution of the corresponding Financing Agreement.

6.4. Implementation Principles for Twinning Projects

Twinning projects are set up in the format of a grant contract (twinning contract) whereby the selected Member State administration agrees to provide the requested public sector expertise (including the long term secondment of an official assigned to provide full time counsel to the beneficiary administration as Resident Twinning Advisor) against the reimbursement of the expenses thus incurred. This twinning contract is in line with the provisions of Article 27 of the Financial Regulation and of Part One, Title VI on grants of the Financial Regulation and its Implementing rules.

Further to the provisions of Article 160, first paragraph of the aforementioned Implementing Rules, the Contracting authority shall use the rules and proceedings set out in the regularly updated Twinning Manual (which includes a system of fixed rates and prices for the reimbursement of the provided public sector expertise by the selected Member state administration for launching, selection, implementation and closing of twinning projects).

⁵ see section 11 and Annex 4 of the 2004 Phare Programming Guide

LIST OF PROJECTS FOR 2006 – PART I – INVOLVING TWINNING

Project code	Twinning code	Project Title
<i>TR 06 01 01</i>	TR 06 IB JH 01	Support to the set up an Asylum and Country of Origin Information (COI) system
<i>TR 06 03 01</i>	TR 06 IB AG 01	Establishment of a pilot Turkish Farm Accountancy Data Network (FADN)
<i>TR 06 03 03</i>	TR 06 IB EY 01	Improvement of the conditions for cross-border electricity trade in Turkey in compliance with the best practice in EU
<i>TR 06 03 04</i>	TR 06 IB EN 01	Capacity building support to the water sector in Turkey

7. MANAGEMENT OF ASSISTANCE

7.1. Project Management

7.1.1. Responsibilities

The National Aid Co-ordinator (NAC) will have overall responsibility for programming and monitoring of pre-accession instrument programmes.

The NAO and the Project Authorising Officer (PAO) will ensure that the programmes are implemented in line with the procedures laid down in the instructions of the Commission. They will also ensure that all contracts required to implement the Financing Agreement are awarded using the procedures and standard documents for External Actions in force at the time of implementation, and that EU state aid rules are respected.

7.1.2. Project Size

All projects will be greater than 2 M €, except the following:

TR 06 03 01 Establishment of a pilot Turkish Farm Accountancy Data Network (FADN)

TR 06 03 03 Improvement of conditions for cross-border electricity trade in Turkey in compliance with the best practice in EU

In the case of the first two projects listed, the activities concern relatively specialised areas of acquis implementation, and in the opinion of the Commission services larger projects are not warranted.

The third project represents the final of 3 projects related to the interconnection of the Turkish electricity grid with neighbouring networks.

7.1.3. Deadline for contracting and execution of contracts, programming deadline

(1) All contracts must be concluded by no later than November 30, 2008. In no case can the contracting period for projects implemented under this programme exceed three years after the date of the global commitment (Art. 166 (2) FR).

(2) All contracts must be executed by no later than November 30, 2009 with the following exceptions: for projects *TR 0602.01* and *TR 0602.02* the execution deadline for contracts will be November 30, 2010.

Budgetary commitments which have not given rise to payments during three years counted from the date of the legal commitment will be decommitted (Art. 77 (3) FR).

(3) Under DIS, a complete tender dossier must be submitted to the Delegation for approval by no later than 31 May, 2007. In case of non-compliance, the Beneficiary Country will inform the JMC, which may recommend reallocation of funds in accordance with Art. 5 of the MoU on the National Fund.

7.1.4. Environmental Impact Assessment and Nature Conservation

The procedures for environmental impact assessment as set down in the EIA-directive⁶ are fully applicable for all investment projects under the pre-accession instrument. If the EIA-directive has not yet been fully transposed, the procedures should be similar to the ones established in the above-mentioned directive. If a project would fall within the scope of annex 1 or annex 2 of the EIA-directive, the carrying out of the EIA-procedure must be documented⁷.

If a project is likely to affect sites of nature conservation importance, an appropriate assessment according to Art. 6 of the Habitats-directive must be documented⁸.

All investments shall be carried out in compliance with the relevant community environmental legislation. The project fiches will contain specific clauses on compliance with the relevant EU-legislation in the field of the environment according to the type of activity carried out under each investment project.

⁶ DIR 85/337/EEC; OJ L 175/40; 5.7.1985, as amended

⁷ In Annex EIA to the corresponding investment project fiche.

⁸ In Annex Nature Conservation to the corresponding investment project fiche

7.2. Financial Management

7.2.1. Principles and Responsibilities

The National Fund in the Undersecretariat of Treasury, headed by the NAO, will supervise the financial management of the programme, and will be responsible for reporting to the European Commission. The NAO shall have the overall responsibility for financial management of the Phare/ pre-accession instrument funds, and the full accountability for the Phare/ pre-accession instrument funds of a programme until the closure of that programme.

The NAO shall ensure that the Phare rules, regulations and procedures pertaining to reporting and financial management are respected, and that a reporting and project information system is functioning.

The Commission will make payments to the NF in accordance with the Memorandum of Understanding signed between the Commission and Turkey on 14 February 2002, and amended on 3 September 2003.

Payments will be made following requests from the NAO onto a separate bank account, denominated in €, which will be opened and managed by the National Fund in the Central Bank of Turkey.

According to Articles 3 & 4 of the implementing rules of the Financial Regulation accrued interest is the property of the Beneficiary Country. The NAO must however ensure that the accrued interest is actually registered in its entirety as revenue in the national budget. Furthermore the NAO will ensure a regular reporting of the interest via Perseus.

7.2.2. Payments to the National Fund

A first payment⁹ of up to 20% of the funds to be managed locally¹⁰ will be sent to the NF following signature of the Financing Agreement and the Implementing Agreements between the NF and the Central Finance and Contracts Unit (CFCU). Furthermore, the NAO must submit to the Commission the designation of the PAOs and a description of the system put in place, highlighting the flow of information between the NF and the CFCU and the manner in which the payment function between them will be carried out.

Two further payments¹¹ of up to 30% of the funds to be managed locally¹² will be made. The second payment will be triggered when 5 % of the total budget in force¹³

⁹ Representing pre-financing as defined in Art. 105 (1) of the Implementing Rules to the Financial Regulation

¹⁰ excluding the amount foreseen for Community Programmes

¹¹ Representing interim payments or the renewal of pre-financing as defined in Art. 105 (1) of the Implementing Rules to the Financial Regulation

¹² excluding the amount for Community Programmes

¹³ excluding the amount for Community Programmes

has been disbursed by the CFCU. The third payment may be requested when 35% of the total budget in force¹⁴ has been disbursed.

A final fourth payment will be made when 70 % of the total budget in force¹⁵ has been disbursed and all contracts have been signed.

Exceptionally the NAO may request more than the percentage agreed where it can be demonstrated by a cash-flow projection that the cash-flow requirements in the subsequent period will exceed such percentage. In cases where the aggregate of the funds deposited in the NF and CFCU accounts exceeds 15% of the total budget in force for the programme the Commission may exceptionally authorise a payment, if the NAO provides duly substantiated evidence that contractual obligations cannot be met with the funds available.

7.2.3. Payments from the National Fund to the Implementing Agency

The National Fund will make payments to the CFCU, in accordance with Implementing Agreements signed between the NF and the CFCU. Bank accounts for sub-programmes shall be opened in the name of the CFCU in charge of financial management of the sub-programme in line with Art. 13 of the MoU on the National Fund.

As long as implementation follows DIS, each individual Implementing Agreement must be endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the CFCU there will be no payments from the NF to the CFCU. The CFCU must be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all operations carried out by the CFCU.

7.2.4. Payments in Case of Contractual Retention Clauses

For those contracts with contractual retention clauses (e.g. funds retained for a warranty period), the Implementing Agency assumes full responsibility for managing the funds until final payment is due, as well as for ensuring that the said funds will only be used to make payments related to the retention clauses.

The IA further assumes full responsibility towards the contractors for fulfilling the obligations related to the retention clauses. Funds not paid out to the contractors after final payments have been settled shall be reimbursed to the Commission.

7.2.5. Closure of Expenditure and Clearance of Accounts

No later than 16 months after the end of the execution of contracts, the NF will submit a final declaration of expenditure and a final progress report covering both Turkey pre-accession instrument support and co-financing and an attestation regarding the regularity, accuracy and veracity of the accounts transmitted. The final certified expenditure should at this point equal the original value of the contracts minus any deductions and savings agreed with contractors in the course of

¹⁴ excluding the amount for Community Programmes

¹⁵ excluding the amount for Community Programmes

implementation. This should also equal payments made plus any sums outstanding on account of contractual retention.

If the payments received from the Commission exceed the final certified expenditure, the NF shall return the excess to the Commission at the time of submitting the final declaration. If there are any outstanding payments (with the exception of contractual retention funds), the NF should provide an explanation and a forecast when payment will be finalised. The NF shall report on progress on contractual retention funds and outstanding payments on a quarterly basis. If they are not paid to the contractor, they shall be returned to the Commission.

After evaluation of the final declaration, the Commission will state its view on any expenditure to be excluded from Community funding, where it finds that expenditure has not been executed in compliance with Community rules.

The results of the Commission's checks and its conclusions to exclude expenditure from financing will be notified in writing to the NF, which shall be given one month to transmit its reply in writing.

If no agreement is reached within one month of receipt of the NF's written reply, the Commission shall decide and establish the amounts to be excluded, having regard in particular to the degree of non-compliance found, the nature and gravity of the infringement as well as the financial loss suffered by the Community.

Following the decision about amounts to be excluded, all ineligible expenditure will be recovered without prejudice to the treatment of irregularities and subsequent financial corrections stipulated below.

The funds will be recovered either by direct reimbursement from the NF or by compensation in accordance with Community rules.

8. MONITORING AND EVALUATION

Project implementation will be monitored through the Joint Monitoring Committee (JMC). It includes the NAO, the NAC and the Commission services. The JMC will meet at least once a year to review all pre-accession instrument funded programmes in order to assess their progress towards meeting the objectives set out in the Financing Agreements and the Accession Partnership. The JMC may recommend a change of priorities and/or reallocation of pre-accession instrument funds. Furthermore, the JMC will review the progress of all pre-accession EU-funded assistance programmes once a year.

For the pre-accession instrument programme, the JMC will be assisted by Sectoral Monitoring Sub-Committees (SMSC), which will include the NAC, the PAO of the CFCU and the Commission Services. The SMSC will review in detail the progress of each programme, including its components and contracts, assembled by the JMC into suitable monitoring sectors. Each sector will be supervised by one SMSC on the basis of regular monitoring reports produced by the Implementing Agency, and interim evaluations undertaken by independent evaluators. The SMSC will put forward recommendations on aspects of management and design, ensuring that these are effected. The SMSC will report to the JMC, to which it will submit overall detailed opinions on all pre-accession instrument financed programmes in its sector.

The Commission services shall ensure that this programme will be subject to interim (either centralised or decentralised) and/or ex post evaluations.

9. AUDIT, FINANCIAL CONTROL, ANTI-FRAUD MEASURES, PREVENTIVE AND CORRECTIVE ACTIONS

9.1. Supervision and Financial Control by the Commission and the European Court of Auditors

All Financing Agreements as well as all resulting contracts are subject to supervision and financial control by the Commission (including the European Anti-Fraud Office) and audits by the European Court of Auditors. As long as EDIS is not yet applicable to the Implementing Agencies in the Beneficiary Country, this includes measures such as ex-ante verification of tendering and contracting carried out by the Delegation in the Beneficiary Country.

In order to ensure the efficient protection of the financial interests of the Community, the Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96¹⁶.

The controls and audits described above are applicable to all contractors and subcontractors who have received Community funds.

Without prejudice to the responsibilities of the Commission and the European Court of Auditors¹⁷, the accounts and operations of the National Fund and, where applicable, the CFCU may be checked at the Commission's discretion by the Commission itself or by an outside auditor contracted by the Commission.

9.2. Obligations of the Beneficiary Country

9.2.1. *Audit and Financial Control*

In order to ensure sound financial management of the pre-accession instrument funds, the Beneficiary Country must have a system for management and control of assistance in accordance with generally accepted principles and standards in place. This system shall fulfil the requirements set out in Art. 164 of the Financial Regulation and in particular provide adequate assurance of the correctness, regularity and eligibility of claims on Community assistance.

The Beneficiary Country's management and control systems shall provide a sufficient audit trail, as defined in Art. 7 (2) of Commission Regulation 438/2001¹⁸.

The competent national financial control authority shall carry out appropriate financial controls of all actors involved in the implementation of the programme.

¹⁶ Council Regulation (EC, Euratom) 2185/96 of 11. November 1996, OJ L 292; 15.11.1996; p. 2

¹⁷ as referred to in the General Conditions relating to the Financing Memorandum" attached to the Framework Agreement

¹⁸ Commission Regulation (EC, Euratom) 438/2001 of 2 March 2001, OJ L 63; 3.3.2001, p.21

Each year an audit plan and a summary of the findings and main recommendations of the audits carried out and an outline of the follow-up given to past audit recommendations shall be sent to the Commission. Audit reports shall be at the disposal of the Commission.

9.2.2. *Preventive Measures*

The Beneficiary Country shall take any appropriate measure to prevent and counter active and passive corruption¹⁹ practises at any stage of the procurement procedure or grant award procedure, as well as during the implementation of corresponding contracts.

The authorities of the beneficiary country, including the personnel responsible for the implementation of the programme, shall also undertake to take whatever precautions are necessary to avoid any risk of conflict of interest, and shall inform the Commission immediately of any such conflict of interest or any situation likely to give rise to any such conflict.

9.2.3. *Anti-Fraud Measures and Corrective Actions*

Beneficiary Countries shall, in the first instance, bear the responsibility to ensure investigation and satisfactory treatment of suspected or actual cases of fraud and irregularities following national or Community controls.

The national authorities shall ensure the functioning of a control and reporting mechanism equivalent to the one foreseen in Commission Regulation 1681/1994²⁰ as last modified by Commission Regulation 2035/2005²¹.

In particular, all suspected or actual cases of fraud²² and irregularity²³ as well as all measures related thereto taken by the national authority must be reported to the

¹⁹ Active corruption is defined as the deliberate action of whosoever promises or gives, directly or through an intermediary, an advantage of any kind whatsoever to an official for himself or for a third party for him to act or to refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties in a way which damages or is likely to damage the European Communities' financial interests.

Passive corruption is defined as the deliberate action of an official, who, directly or through an intermediary, requests or receives advantages of any kind whatsoever, for himself or a third party, or accepts a promise of such advantage, to act or to refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties in a way which damages or is likely to damage the European Communities' financial interests.

²⁰ Commission Regulation (EC) 1681/94 of 11. July 1994; 12.7.94; p. 43

²¹ Commission Regulation (EC) 2035/2005 of 12 December 2005 ; 15.12.2005 ; p.8

²² Fraud shall mean any intentional act or omission relating to: the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of, the European Communities; non disclosure of information in violation of a specific obligation with the same effect; the misapplication of such funds for purposes other than those for which they are originally granted.

²³ Irregularity shall mean any infringement of a provision of national or Community law, this Financing Agreement or ensuing contracts, resulting from an act or omission by an economic operator, which has,

Commission services without delay. Should there be no suspected or actual cases of fraud or irregularity to report; the Beneficiary Country shall inform the Commission of this fact within two months following the end of each quarter.

In case of irregularity or fraud, the Beneficiary Country shall make the necessary financial corrections required in connection with the individual irregularity. The corrections made by the Beneficiary Country shall consist in cancelling all or part of the Community contribution. The Community funds released in this way may be re-used by the NF for the purpose of the programme, in compliance with Art. 5 of the MoU on the National Fund.

9.3. Recovery of Funds in Case of Irregularity or Fraud

Any proven irregularity²⁴ or fraud²⁵ discovered at any time during the implementation of the programme or as the result of an audit will lead to the recovery of funds by the Commission.

If, after completing the necessary verifications, the Commission concludes that:

- (a) The Beneficiary Country has not complied with the obligations to prevent, detect, and correct irregularities or
- (b) The implementation of a project appears not to justify either part or the whole of the assistance allocated or
- (c) There are serious failings in the management or control systems which could lead to irregularities,

The Commission may suspend further financing of the programme in question, and, stating its reasons, request that the Beneficiary Country submit comments and, where appropriate, carry out any corrections within a specified period of time.

If no agreement is reached by the end of the period set by the Commission and if the required corrections have not been made, the Commission may – taking into account any comments made by the Beneficiary Country – decide within three months to:

- (a) Reduce or cancel any payment for the programme in question, or
- (b) Make the financial corrections required by cancelling all or part of the assistance granted to the programme concerned.

The Commission shall, when deciding on the amount of a correction, take into account the principle of proportionality, the type of irregularity and the extent and

or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, by an unjustified item of expenditure. The term "Community law" in this context shall be defined as the entirety of Community rules applicable between the Parties of the Financing Memorandum (e.g. the Europe Agreements, Framework Agreements, the MoU on the Establishment of the National Fund etc.)

²⁴ see definition above

²⁵ see definition above

financial implications of the shortcomings found in the management and control system of the Beneficiary Country.

In the absence of a decision to do either (a) or (b), further financing of the programme shall immediately resume.

The National Authorising Officer will ensure the reimbursement of any unused funds or any sum wrongly paid within sixty calendar days of the date of the notification. If the NAO does not repay the amount due to the Community, the Beneficiary Country shall refund this amount to the Commission.

Interest on account of late payment shall be charged on sums not repaid by applying the rules specified in the Financial Regulation.

10. VISIBILITY AND PUBLICITY

The PAO in charge will be responsible for ensuring that the necessary measures are taken to ensure appropriate publicity for all activities financed from the programme. This will be done in close liaison with the Commission. Further details are set down in the Annex on Visibility and Publicity.

11. SPECIAL CONDITIONS

In the event that agreed commitments are not met for reasons which are within the control of the Government of Turkey, the Commission may review the programme with a view, at the Commission's discretion, to cancelling all or part of it and/or to reallocate unused funds for other purposes consistent with the objectives of the pre-accession instrument programme.
