



COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a

COUNCIL REGULATION (EC)

REGARDING THE IMPLEMENTATION OF MEASURES TO INTENSIFY
THE EC-TURKEY CUSTOMS UNION

Proposal for a

COUNCIL REGULATION (EC)

REGARDING THE IMPLEMENTATION OF MEASURES TO PROMOTE
ECONOMIC AND SOCIAL DEVELOPMENT IN TURKEY

(presented by the Commission)

Explanatory Memorandum

Since the EC-Turkey customs union came into force on 31 December 1995 Turkey has been pressing ahead with far-reaching reforms to improve its economic competitiveness, restructure and increase the efficiency of its public sector, modernise its economic and social infrastructure and develop its manufacturing sector. At a meeting on 6 March 1995 the Council agreed to provide financial backing for the customs union in the form of ECU 375 million of special budget aid and ECU 750 million of EIB special loans. Turkey is also eligible for budget aid and EIB loans under the Meda programme.

The Luxembourg European Council on 12/13 December 1997 confirmed Turkey's eligibility for accession to the European Union, and said it was important for a strategy to be drawn up to prepare it for accession by bringing it closer to the European Union in every field. The strategy was to consist of:

- development of the possibilities afforded by the Ankara Agreement;
- intensification of the customs union;
- implementation of financial cooperation;
- approximation of laws and adoption of the Union *acquis*;
- participation, to be decided case by case, in certain Community programmes and agencies.

On 4 March the Commission presented a communication to prepare Turkey for accession entitled the *European Strategy for Turkey: the Commission's initial operational proposals*.

The Cardiff European Council on 15 and 16 June welcomed the communication as a platform for developing relations between the European Union and Turkey on a sound and evolutionary basis, calling on the Commission to implement the strategy and table any proposals which would be required to make it effective. It noted that the strategy required financial support and invited the Commission to make the necessary proposals.

In socio-economic terms Turkey is a country of stark contrasts, on the one hand pressing ahead with the approximation of its laws on those of the EU but on the other displaying severe regional economic disparities and a lack of the basic infrastructure needed to allow an even spread of sustainable development. In some regions and sectors it resembles a developed country, in others an LDC.

Preparing the country for accession to the EU will entail not only approximation of laws but also, simultaneously, EU aid to help meet the basic needs of the population as a whole.

EU aid for implementation of the European strategy for Turkey will therefore be split into two parts, the first intended to help Turkey gradually take over the *acquis communautaire* and hence intensify the customs union, the second, a response to the regional development inequalities within the country, earmarked for measures to strengthen its economic and social cohesion and allow a more even countrywide spread of development.

To enable it to respond to the request made by the Cardiff European Council on 15/16 June, the Commission is asked to approve the two attached draft proposals for Regulations.

They were drawn up account being taken of the fact that, as pointed out by the Luxembourg European Council, the strengthening of the links between the EU and Turkey depends also on whether Turkey continues the political and economic reforms it initiated, in particular in aligning human rights standards and practices on those of the EU and respecting and protecting minorities.

The draft proposals concern:

- measures to intensify the EC-Turkey customs union. The Regulation would provide Turkey with a total of ECU 15 million in the form of grant aid during a three-year period (1991-2001);

- measures to promote economic and social development in Turkey. The Regulation would provide Turkey with a total of ECU 135 million in the form of grant aid during a three-year period (1991-2001);

COUNCIL REGULATION (EC) No.....

of.....

98/ 0299(CNS)

REGARDING THE IMPLEMENTATION OF MEASURES TO INTENSIFY
THE EC-TURKEY CUSTOMS UNION

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community and in particular Article 235 thereof,

Having regard to the proposal from the Commission,

Having regard to the Opinion of the European Parliament,

Whereas the Luxembourg European Council on 12 and 13 December 1997 confirmed that Turkey was eligible to accede to the European Union;

Whereas on 4 March 1998 the Commission presented to the Council a communication entitled *the European strategy for Turkey: the Commission's initial operational proposals* to prepare Turkey for accession;

Whereas the Cardiff European Council on 15 and 16 June 1998 welcomed the Commission's communication as a platform for developing relations between the European Union and Turkey on a sound and evolutionary basis;

Whereas the Commission was requested by the Cardiff European Council to table any proposals which would be required to implement the European strategy;

Whereas the Cardiff European Council pointed out that the European strategy would require financial support;

Whereas, since the EC-Turkey customs union came into force on 31 December

1995, Turkey has been pushing ahead with economic reform;

Whereas the provisions of this Regulation are based on respect for democratic principles, the rule of law, human rights and fundamental freedoms and respect for international law, which underpin the policies of the European Community and its Member States;

Whereas the Community attaches great importance to the process on which Turkey has embarked to improve its democratic practices, promote respect for fundamental human rights and more closely involve civil society in its development;

Whereas a financial reference amount within the meaning of point 2 of the Declaration of the European Parliament, the Council and the Commission of 6 March 1995 has been included in this Regulation for the period 1999-2001, although it does not affect the competence of the budgetary authority as defined by the Treaty;

Whereas the projects and programmes financed on this basis must help achieve the objectives laid down in the Commission communication to the Council of 4 March 1998, and in particular approximation of legislation, the adoption by Turkey of the Union *acquis* and the institutional development connected with adopting the Union *acquis*;

Whereas the Treaty does not provide any powers other than those pursuant to Article 235 for the adoption of this Regulation,

HAS ADOPTED THIS REGULATION:

Article 1

The Community shall assist Turkey in preparing for accession by establishing closer links with the European Union in all fields connected with the intensification of the customs union.

Article 2

The financial reference amount for this Regulation is ECU 15 million for the period 1999-2001.

The annual appropriations shall be authorised by the budgetary authority within the limits of the financial perspectives.

Article 3

1. The beneficiaries of cooperation projects and operations may include not only the Turkish state and regions but also local authorities, regional organisations, public agencies, local or traditional communities, business support organisations, cooperatives and civil society, in particular associations, foundations and non-governmental organisations.
2. When an essential element for the continuation of assistance to Turkey is lacking, in particular in the case of violation of democratic principles; the rule of law, human rights and fundamental freedoms and international law, the Council, acting by qualified majority on a proposal

from the Commission, may decide upon appropriate measures.

Article 4

Cooperation projects and operations may be financed in the following indicative areas:

- support for the alignment of Turkish legislation on that of the Community and assistance with the institutional development connected with that adjustment;
- access to the single market, including development of the requisite certification and quality instruments;
- assistance for the liberalisation of capital movements between the Community and Turkey;
- cooperation to develop the customs union between the European Community and Turkey, in particular integrating Turkey into the pan-European rules of origin system and supporting its participation in the Transit and Single Administrative Document Conventions;
- helping Turkey to adapt its agricultural policy to incorporate the CAP measures needed to establish the free movement of agricultural goods;
- cooperation in veterinary and plant health matters;

- Turkish participation in a number of Community programmes and agencies dealing with matters including the environment, research, education, training and youth;
- cooperation on competition policy and consumer policy, new technologies and the information society;
- cooperation on justice and home affairs;
- any form of cooperation seeking to defend and promote democracy, the rule of law, human rights and the protection of minorities.

Article 5

1. Community assistance under this Regulation shall be in the form of grants.
2. The instruments to be employed in the course of the operations covered by this Regulation shall include technical assistance, training or other services, supplies and works, along with audits and evaluation and monitoring missions.
3. Community financing may cover investment, with the exception of the purchase of buildings, and recurring costs (including administrative, maintenance and operational costs), taking account of the fact that the project must aim to have the recurring costs taken over by the beneficiaries.

4. A financial contribution from the partners defined in Article 3 shall be sought for each cooperation operation. The contribution requested shall be within the means of the partners concerned and shall depend on the nature of the operation. In specific cases where the partner is an NGO or a community-based organisation, a contribution in kind may be made.
5. Opportunities may be sought for cofinancing with other providers of funds, especially with Member States.
6. The necessary measures shall be taken to emphasise the Community character of the aid provided under this Regulation.
7. The Commission, in conjunction with the Member States, may take any initiatives necessary for ensuring good coordination with the other providers of funds involved.

Article 6

1. The Commission shall appraise, approve and administer operations covered by this Regulation according to the budgetary and other procedures in force, and in particular those laid down in the Financial Regulation applicable to the general budget of the European Union.
2. Project and programme appraisal shall take into account the following factors:
 - effectiveness and viability of operations,

- cultural, social, gender and environmental aspects,
- institutional development necessary to achieve project goals,
- experience gained from operations of the same kind.

3. Decisions relating to grants of more than ECU 2 million for individual operations financed under this Regulation shall be taken under the procedure laid down in Article 7.

The Commission shall inform the Committee referred to in Article 7 succinctly of any financing decisions it intends to take with regard to projects and programmes of less than ECU 2 million in value. The information shall be made available at least one week before the decision is taken.

4. The Commission is authorised to approve, without seeking the opinion of the Committee referred to in Article 7, any extra commitments needed for covering expected or real cost overruns in connection with the operations, provided that the overrun or additional requirement is not more than 20% of the initial commitment fixed by the financing decision.

Where the additional commitment referred to in the previous subparagraph is less than ECU 4 million, the Committee referred to in Article 7 shall be informed of the decision taken by the Commission. Where the said additional commitment is more than ECU 4 million but less than 20%, the Committee's opinion shall be sought.

5. All financing agreements or contracts concluded under this Regulation shall provide for the Commission and the Court of Auditors to conduct on-the-spot checks according to the usual procedures laid down by the Commission under the rules in force, and in particular those of the Financial Regulation applicable to the general budget of the European Union.
6. Where operations are the subject of financing agreements between the Community and Turkey, such agreements shall stipulate that the payment of taxes, duties or any other charges is not to be covered by the Community.
7. Participation in invitations to tender and the award of contracts shall be open on equal terms to natural and legal persons of the Member States and Turkey.
8. Supplies shall originate in the Member States or Turkey.

Article 7

The Commission shall be assisted by the committee set up by Regulation (EC) No 1488/96 of 23 July 1996,¹ known as the MED Committee, composed of the representatives of the Member States and chaired by the representative of the Commission, in accordance with the following procedure.

The representative of the Commission shall submit to the Committee a draft of

¹ OJ L 189, 30.7.1996, p. 1.

the measures to be taken. The Committee shall deliver its opinion on the draft, within a time limit which the Chairman may lay down according to the urgency of the matter. The opinion shall be delivered by the majority laid down in Article 148(2) of the Treaty in the case of decisions which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States within the Committee shall be weighted in the manner set out in that Article. The Chairman shall not vote.

The Commission shall adopt the measures envisaged if they are in accordance with the opinion of the Committee.

If the measures envisaged are not in accordance with the opinion of the Committee or if no opinion is delivered, the Commission shall without delay submit to the Council a proposal relating to the measures to be taken. The Council shall act by qualified majority.

If, on the expiry of a period of three months from the date of referral to the Council, the Council has not acted, the proposed measures shall be adopted by the Commission.

Within one month of taking a decision, the Commission shall inform the Member States of the measures and projects approved, describing their nature, the sums attached to them and the partners involved.

Article 8

An exchange of views shall take place, once a year, on the basis of a presentation by the Commission's representative of the general guidelines for the operations to be carried out in the year ahead, in a meeting of the committee referred to in Article 7.

Article 9

After each budget year, the Commission shall report to the European Parliament and the Council, summarising the operations financed in the course of that year and assessing the implementation of this Regulation in that period.

The summary shall in particular contain information about those with whom implementation contracts have been concluded.

The report shall also include a summary of the conclusions of any evaluations, including those relating to specific operations.

Article 10

The Commission shall regularly assess operations financed by the Community in order to establish whether the objectives of the operations have been achieved and to provide guidelines for improving the effectiveness of future operations. The Commission shall submit to the Committee referred to in Article 7 a summary of the assessments made, which the latter may, if necessary, examine. Assessment reports shall be made available to any Member States requesting them.

Article 11

Three years after this Regulation enters into force, the Commission shall submit to the European Parliament and the Council an overall assessment of operations financed by the Community under this Regulation, together with suggestions regarding the future of this Regulation and, where necessary, proposals for amending it.

Article 12

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

FINANCIAL STATEMENT

1. TITLE OF OPERATION

Implementation of measures to intensify the EC-Turkey customs union.

2. BUDGET HEADING INVOLVED

New heading B7-4035 to be established for budget 1999, by an amending and supplementary budget.

3. LEGAL BASIS

Draft proposal for a Council Regulation on measures to intensify the EC-Turkey customs union (attached).

4. DESCRIPTION OF OPERATION

4.1. General objective

Financial support for measures to intensify the EC-Turkey customs union, in particular the alignment of Turkish legislation on Community legislation, action on quality, the integration of Turkey into the pan-European system of rules of origin or participation in certain Community programmes.

4.2. Period covered and arrangements for renewal or extension.

The programme will last three years (1999-2001).

5. CLASSIFICATION OF EXPENDITURE OR REVENUE

5.1. Non-compulsory expenditure.

5.2. Differentiated appropriations

5.3. Type of revenue involved.

None, except the reimbursement of risk capital if the operation financed is an economic success.

6. TYPE OF EXPENDITURE OR REVENUE

- *Subsidy: yes*
- *Subsidy for joint financing with other sources in the public and/or private sector: yes, for certain operations*
- *Interest subsidy: none*
- *Other*
- *Should the operation prove an economic success, is there provision for all or part of the Community contribution to be reimbursed? no*
- *Will the proposed operation cause any change in the level of revenue? If so, what sort of change and what type of revenue is involved? none*

7. FINANCIAL IMPACT.

7.1. Method of calculating total cost of operation (definition of unit costs)

Evaluation of the funds needed to implement the operations essential for intensifying EC-Turkey customs union.

7.2. Itemised breakdown of cost.

EC ECU Million (current prices)

Indicative breakdown	Year						Total
	n	n + 1	n + 2	n + 3	n + 4	n + 5 and subs. yrs	
- Technical assistance	1	1	1				3
- "institution building"	1	1	1				3
- training	1	1	1				3
- equipment	1	1	1				3
- other	1	1	1				3
Total	5	5	5				15

7.3. Operational expenditure on studies, experts, etc., included in Part B of Budget

7.4. Indicative schedule of commitment/payment appropriations.3. Indicative schedule of appropriations

	Year n	N + 1	n + 2	n + 3	n + 4	n + 5 and subs. yrs	Total
Commitment appropriation	5	5	5				15
Payment appropriations							
year n	2						2
n + 1	2						2
n + 2	1	2					2
n + 3		2	2				3
n + 4		1	2				4
n + 5			1				3
n + 6							1
n + 7							
Total	5	5	5				15

8. FRAUD PREVENTION MEASURES

- Specific checks planned

Checks will be carried out at all levels of implementation of projects (invitations to tender, selection, drawing-up of contracts, provision of services and payments) by Commission staff and the Commission's Representation in Turkey and by the Court of Auditors.

The checks will take account of contractual obligations and the principles of sound and efficient management.

Provisions concerning supervision (presentation of reports, coordination with the Commission, etc.) will be included in all the agreements or contracts concluded between the Commission and those receiving payment.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1. Specific and quantified objectives; target population.

Specific objectives: links with general objective

Implementation of objectives set out in the Commission Communication to the Council of 4 March 1998 entitled "European strategy for Turkey: the Commission's initial operational proposals" and in particular the approximation of legislation and the adoption by Turkey of the EU *acquis*.

– *Target population: distinguish as applicable for each objective; indicate the end-beneficiaries of the Community's financial contribution and the intermediaries involved.*

- public administration
- socio-economic agents
- farmers
- industrialists
- research workers
- scientists
- civil society

9.2. Grounds for the operation

– *Need for Community financial aid, having particular regard to the principle of subsidiarity: impact of operations, economies of scale, visibility of EU aid*

– *Choice of ways and means*

The various ways and means used will depend on the situation of the country and of each sector involved. The operations to be financed will be preceded by identification and feasibility studies.

- *advantages over possible alternatives (comparative advantages)*
- *explanatory reference to similar Community or national operations*
- *spin-off and multiplier effects expected*

- development and progress of EU-Turkey relations;
- harmonisation of legislation and practices with Community *acquis*

- *Main factors of uncertainty which could affect the specific results of the operation*

Turkey's political and economic stability.

Our partners' determination to implement the planned operations.

9.3. Monitoring and evaluation of the operation

- *Performance indicators selected*

- *output indicators (measuring activities used)*

the number of cooperation schemes conducted between Turkish and Community institutions

- *impact indicators (measuring performance against objectives)*

- harmonisation of Turkey's legislation and standards with the EU's
- increase in trade
- access to new technologies
- transfer of know-how
- impact on European investment in Turkey
- impact on trade balance and balance of payments

- *Details and frequency of planned evaluations*

The projects will be monitored and evaluated at regular intervals by the bodies implementing them, Commission staff and independent experts.

On completion of an operation an evaluation report will be produced on its content and on the consequences and follow-up.

- *Assessment of the results obtained (in the event of continuation or repeat of an existing operation)*

10. ADMINISTRATIVE EXPENDITURE (PART A OF SECTION III OF THE GENERAL BUDGET).. ADMINISTRATIVE EXPENDITURE (PART A OF THE BUDGET)

This section of the financial statement must be sent to DGs IX and XIX; DG IX will then forward it to DG XIX with its opinion.

Actual mobilisation of the necessary administrative resources will result from the annual Commission decision on the allocation of resources, account being taken of the staff and additional amounts granted by the budgetary authority.

10.1 Impact on the number of posts

Types of post		Staff to be allocated to managing the operation		Posts supplied		time
		<u>Permanent posts</u>	<u>Temporary posts</u>	by using resources existing within the DG or department concerned	by using additional resources	
Officials or temporary staff	A		0.25	0.25		3 years
	B					
	C	0.25		0.25		3 years
Other resources						
Total		0.25	0.25	0.50		3 years

For additional resources, indicate at what rate they are to be made available.

10.2 Overall financial impact of additional human resources

(ECU)

	Amounts	Method of calculation
Officials	81 000	$0.25 \times 108\,000 \times 3 \text{ years}$
Temporary staff	81 000	$0.25 \times 108\,000 \times 3 \text{ years}$
Other resources (indicate budget heading)		
Total	162 000	

Using the existing resources needed to administer the operation.

The calculation is based on A-1, A-2, A-4, A-5, A-7

The amounts express the total cost of the additional posts for the total length of the operation if it is of a specific duration, or for 12 months if it is of unspecified duration.

10.3 Increase in other operating expenditure arising from the operation

COUNCIL REGULATION (EC) No.....

of.....

98/ 0300(SYN)

**REGARDING THE IMPLEMENTATION OF MEASURES TO PROMOTE
ECONOMIC AND SOCIAL DEVELOPMENT IN TURKEY**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community and in particular Article 130W thereof,

Having regard to the proposal from the Commission,

Acting in accordance with the procedure referred to in Article 189c of the EC Treaty,

Whereas relations between the European Union and Turkey are based mainly on the Association Agreement of 12 September 1963 and the decisions of the Association Council which the Association Agreement set up;

Whereas Turkey is engaged in substantial reform to improve its economy, restructure and increase the efficiency of its public sector, modernise its economic and social infrastructure and develop its manufacturing sector;

Whereas the Cardiff European Council on 15 and 16 June 1998 affirmed the importance it attached to the implementation of the European strategy for Turkey and requested the Commission to table proposals (including proposals on financial matters) in that connection;

Whereas income is unequally distributed across Turkey's provinces; whereas it will not be possible to act on the conclusions of the Cardiff European Council unless these disparities are remedied by backing the development of regions which are lagging behind and by strengthening economic and social cohesion;

Whereas the provisions of this Regulation are based on respect for

Communication 6 + 1er pilier & fiche -- version 6

democratic principles, the rule of law, human rights and fundamental freedoms and respect for international law, which underpin the policies of the European Community and its Member States;

Whereas the Community attaches great importance to the process on which Turkey has embarked to improve its democratic practices, promote respect for fundamental human rights and more closely involve civil society in its development;

Whereas a financial reference amount within the meaning of point 2 of the Declaration of the European Parliament, the Council and the Commission of 6 March 1995 has been included in this Regulation for the period 1999-2001, although it does not affect the competence of the budgetary authority as defined by the Treaty;

Whereas the projects and programmes financed on this basis must further Turkey's development, the reform of its development policies and the restructuring of its institutional framework

Whereas the projects and programmes financed on this basis must benefit the entire population affected by Turkey's development lag,

HAS ADOPTED THIS REGULATION:

Article 1

The Community shall assist Turkey in its efforts to achieve economic and social development.

Article 2

The financial reference amount for this Regulation is ECU 135 million for the period 1999-2001.

The annual appropriations shall be authorised by the budgetary authority within the limits of the financial perspectives.

Article 3

1. The beneficiaries of cooperation projects and operations may include not only the Turkish state and regions but also local authorities, regional organisations, public agencies, local or traditional communities, business support organisations, cooperatives and civil society, in particular associations, foundations and non-governmental organisations.
2. When an essential element for the continuation of assistance to Turkey is lacking, in particular in the event of the violation of democratic principles, the rule of law, human rights and fundamental freedoms, and international law, the Council, acting by qualified majority on a proposal from the Commission, may decide upon appropriate measures.

Article 4

1. Cooperation projects and operations may be financed in the following indicative areas:

- modernising manufacturing, improving institutional and infrastructure capacity in areas including the environment, energy and transport;
- promotion of industrial cooperation by methods including support for diversification in industry and

the establishment of small and medium-sized enterprises;

- cooperation in telecommunications, infrastructure, rural development and social services;
- boosting the capacity of the Turkish economy, *inter alia* by measures to encourage the restructuring of the country's private sector and private initiative;
- cooperation in protecting health;
- regional and cross-border cooperation;
- any form of cooperation seeking to defend and promote democracy, the rule of law, human rights and the protection of minorities;
- cooperation on humanitarian issues;
- all forms of assistance aimed at promoting the development of relations between the European Union and Turkey.

2. Where appropriate, measures could be taken to underpin a structural adjustment programme on the basis of the following principles:

- support programmes must be tailored to Turkey's particular circumstances and take account of economic and social conditions;
- support programmes must include measures to alleviate any

negative impact of the structural adjustment process in social and employment terms, in particular for the most disadvantaged sectors of the population;

- account must be taken of Turkey's economic situation, and in particular its level of indebtedness, debt servicing charges, balance of payments and foreign currency supply, monetary situation, per capita gross domestic product and unemployment level.

Article 5

1. Community assistance under this Regulation shall be in the form of grants.
2. The instruments to be employed in the course of the operations covered by this Regulation shall include technical assistance, training or other services, supplies and works, along with audits and evaluation and monitoring missions.
3. Community financing may cover investment, with the exception of the purchase of buildings, and recurring costs (including administrative, maintenance and operational costs), taking account of the fact that the project must aim to have the recurring costs taken over by the beneficiaries.
4. A financial contribution from the partners defined in Article 3 shall be sought for each cooperation operation. The contribution requested shall be within the means of the partners concerned and shall

depend on the nature of the operation. In specific cases where the partner is an NGO or a community-based organisation, a contribution in kind may be made.

5. Opportunities may be sought for cofinancing with other providers of funds, especially with Member States.
6. The necessary measures shall be taken to emphasise the Community character of the aid provided under this Regulation.
7. In order to achieve the objectives of coherence and complementarity referred to in the Treaty and with the aim of guaranteeing optimum efficiency for these action as a whole, the Commission will take all necessary coordination measures, notably:
 - (a) the establishment of a system for systematic exchange and analysis of information on operations financed or for which financing is foreseen by the Community and the Member States;
 - (b) on-the-spot coordination of these operations by means of regular meetings and exchange of information between the representatives of the Commission and Member States in the beneficiary country.
8. The Commission, in conjunction with the Member States, may take any initiatives necessary for ensuring good coordination with the other providers of funds involved.

Article 6

1. The Commission shall appraise, approve and administer operations covered by this Regulation according to the budgetary and other procedures in force, and in particular those laid down in the Financial Regulation applicable to the general budget of the European Union.
2. Project and programme appraisal shall take into account the following factors:
 - effectiveness and viability of operations,
 - cultural, social, gender and environmental aspects,
 - institutional development necessary to achieve project goals,
 - experience gained from operations of the same kind.
3. Decisions relating to grants of more than ECU 2 million for individual operations financed under this Regulation shall be taken under the procedure laid down in Article 7.

The Commission shall inform the Committee referred to in Article 7 succinctly of any financing decisions it intends to take with regard to projects and programmes of less than ECU 2 million in value. The information shall be made available at least one week before the decision is taken.

4. The Commission is authorised to approve, without seeking the opinion of the Committee referred to in Article 7, any extra commitments needed for covering expected or real cost overruns in connection with the operations, provided that the overrun or additional requirement is not more

than 20% of the initial commitment fixed by the financing decision.

Where the additional commitment referred to in the previous subparagraph is less than ECU 4 million, the Committee referred to in Article 7 shall be informed of the decision taken by the Commission. Where the said additional commitment is more than ECU 4 million but less than 20%, the Committee's opinion shall be sought.

5. All financing agreements or contracts concluded under this Regulation shall provide for the Commission and the Court of Auditors to conduct on-the-spot checks according to the usual procedures laid down by the Commission under the rules in force, and in particular those of the Financial Regulation applicable to the general budget of the European Union.
6. Where operations are the subject of financing agreements between the Community and Turkey, such agreements shall stipulate that the payment of taxes, duties or any other charges is not to be covered by the Community.
7. Participation in invitations to tender and the award of contracts shall be open on equal terms to natural and legal persons of the Member States and Turkey.
8. Supplies shall originate in the Member States or Turkey.

Article 7

The Commission shall be assisted by the committee set up by Regulation (EC) No 1488/96 of 23 July 1996,² known as the MED Committee, composed of the representatives of the Member States and chaired by the representative of the Commission, in accordance with the following procedure.

The representative of the Commission shall submit to the Committee a draft of the measures to be taken. The Committee shall deliver its opinion on the draft, within a time limit which the Chairman may lay down according to the urgency of the matter. The opinion shall be delivered by the majority laid down in Article 148(2) of the Treaty in the case of decisions which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States within the Committee shall be weighted in the manner set out in that Article. The Chairman shall not vote.

The Commission shall adopt the measures envisaged if they are in accordance with the opinion of the Committee.

If the measures envisaged are not in accordance with the opinion of the Committee or if no opinion is delivered, the Commission shall without delay submit to the Council a proposal relating to the measures to be taken. The Council shall act by qualified majority.

If, on the expiry of a period of three months from the date of referral to the Council, the Council has not acted, the proposed measures shall be adopted by the Commission.

² OJ L 189, 30.7.1996, p 1.

Within one month of taking a decision, the Commission shall inform the Member States of the measures and projects approved, describing their nature, the sums attached to them and the partners involved.

Article 8

An exchange of views shall take place, once a year, on the basis of a presentation by the Commission's representative of the general guidelines for the operations to be carried out in the year ahead, in a meeting of the committee referred to in Article 7.

Article 9

After each budget year, the Commission shall report to the European Parliament and the Council, summarising the operations financed in the course of that year and assessing the implementation of this Regulation in that period.

The summary shall in particular contain information about those with whom implementation contracts have been concluded.

The report shall also include a summary of the conclusions of any evaluations, including those relating to specific operations.

Article 10

The Commission shall regularly evaluate operations financed by the Community in order to establish whether the objectives of the operations have been achieved and to provide guidelines for improving the effectiveness of future operations. The Commission shall submit to the Committee referred to in

Article 7 a summary of the evaluations made, which the latter may, if necessary, examine. Evaluation reports shall be made available to any Member States requesting them.

Article 11

Three years after this Regulation enters into force, the Commission shall submit to the European Parliament and the Council an overall evaluation of operations financed by the Community under this Regulation, together with suggestions regarding the future of this Regulation and, where necessary, proposals for amending it.

Article 12

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

FINANCIAL STATEMENT

1. TITLE OF OPERATION

Implementation of measures to promote economic and social development in Turkey.

2. BUDGET HEADING(S) INVOLVED

New heading B7-4036 to be established for the 1999 budget, by an amending and supplementary budget.

3. LEGAL BASIS

Draft proposal for a Council Regulation on the implementation of measures to promote economic and social development in Turkey (attached).

4. DESCRIPTION OF OPERATION

4.1. General objective

Financial support for measures to promote economic and social development in Turkey, in particular increased cooperation in the following areas: industry, telecommunications, health protection, environment, energy, transport and democracy and human rights.

4.2. Period covered and arrangements for renewal or extension.

The programme will last three years (1999-2001).

5. CLASSIFICATION OF EXPENDITURE OR REVENUE

5.1. Non-compulsory expenditure:

5.2. Differentiated appropriations

5.3. Type of revenue involved:

None, except the reimbursement of risk capital if the operation financed is an economic success.

6. TYPE OF EXPENDITURE OR REVENUE

- *Subsidy: yes*
- *Subsidy for joint financing with other sources in the public and/or private sector: yes, for certain operations*
- *Interest subsidy: none*
- *Other*
- *Should the operation prove an economic success, is there provision for all or part of the Community contribution to be reimbursed? no*
- *Will the proposed operation cause any change in the level of revenue? If so, what sort of change and what type of revenue is involved? none*

7. FINANCIAL IMPACT

7.1. Method of calculating total cost of operation (definition of unit costs)

Evaluation of the funds needed to implement the operations essential for assisting economic and social development in Turkey.

7.2. Itemised breakdown of cost.

EC ECU Million (current prices)

Indicative breakdown	Year						Total
	n	n + 1	n + 2	n + 3	n + 4	n + 5 and subs. yrs	
- Technical assistance	9	9	9				27
- "institution building"	9	9	9				27
- training	9	9	9				27
- equipment	9	9	9				27
- other	9	9	9				27
Total	45	45	45				135

7.3. Operational expenditure on studies, experts, etc., included in Part B of Budget

7.4. Indicative schedule of commitment/payment appropriations..3. Indicative schedule of appropriations

7.3.1. Schedule for proposed new operation

	Year n	N + 1	n + 2	n + 3	n + 4	n + 5 and subs. yrs	Total
Commitment appropriation	45	45	45				135
Payment appropriations							
year n	9						9
n + 1	12.5	9					21.5
n + 2	14.5	12.5	9				36
n + 3	9	14.5	12.5				36
n + 4		9	14.5				23.5
n + 5			9				9
n + 6							
n + 7							
Total	45	45	45				135

8. FRAUD PREVENTION MEASURES

- Specific checks planned

Checks will be carried out at all levels of implementation of projects (invitations to tender, selection, drawing-up of contracts, provision of services and payments) by Commission staff and the Commission's Representation in Turkey and by the Court of Auditors.

The checks will take account of contractual obligations and the principles of sound and efficient management.

Provisions concerning supervision (presentation of reports, coordination with the Commission, etc.) will be included in all the agreements or contracts concluded between the Commission and those receiving payment.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1. Specific and quantified objectives; target population.

Specific objectives: links with general objective

Promoting sustainable development in Turkey, ensuring greater economic and social cohesion and reducing regional disparities.

– *Target population: distinguish as applicable for each objective; indicate the end-beneficiaries of the Community's financial contribution and the intermediaries involved.*

- public administration
- socio-economic agents
- farmers
- industrialists
- research workers
- scientists
- civil society.

9.2. Grounds for the operation

– *Need for Community financial aid, having particular regard to the principle of subsidiarity*

Community aid: greater impact of operations, economies of scale, visibility of EU aid

– *Choice of ways and means*

The various ways and means used will depend on the situation of the country and of each sector involved. The operations to be financed will be preceded by identification and feasibility studies.

- *advantages over possible alternatives (comparative advantages)*
- *explanatory reference to similar Community or national operations*
- *spin-off and multiplier effects expected*

- socio-economic development of Turkey;

- *Main factors of uncertainty which could affect the specific results of the operation*

Turkey's political and economic stability.

Our partners' determination to implement the planned operations.

9.3. Monitoring and evaluation of the operation

- *Performance indicators selected*

- *output indicators (measuring activities used)*

the number and diversity of infrastructure, economic sectors, administrations and citizens concerned by the projects

- *impact indicators (measuring performance against objectives)*

- impact on the trend in per capita income
- impact on infrastructure and in particular its modernisation and conformity with EU standards
- reduction in regional economic disparities
- improvement of management of administrations
- access to new technologies
- transfer of know-how
- improved conservation of the environment
- impact on agriculture
- impact on job creation

- *Details and frequency of planned evaluations*

The projects will be monitored and evaluated at regular intervals by the bodies implementing them, Commission staff and independent experts.

On completion of an operation an evaluation report will be produced on its content and on the consequences and follow-up.

- *Assessment of the results obtained (in the event of continuation or repeat of an existing operation)*

10. ADMINISTRATIVE EXPENDITURE (PART A OF SECTION III OF THE GENERAL BUDGET)..

This section of the financial statement must be sent to DGs IX and XIX; DG IX will then forward it to DG XIX with its opinion.

Actual mobilisation of the necessary administrative resources will result from the annual Commission decision on the allocation of resources, account being taken of the staff and additional amounts granted by the budgetary authority.

10.1 Impact on the number of posts

Types of post		Staff to be allocated to managing the operation		Posts supplied		time
		<u>Permanent posts</u>	<u>Temporary posts</u>	by using resources existing within the DG or department concerned	by using additional resources	
Officials or temporary staff	A		0.25	0.25		3 years
	B					
	C	0.25		0.25		3 years
Other resources						
Total		0.25	0.25	0.50		3 years

For additional resources, indicate at what rate they are to be made available.

10.2 Overall financial impact of additional human resources

(ECU)

	Amounts	Method of calculation
Officials	81 000	$0.25 \times 108\,000 \times 3 \text{ years}$
Temporary staff	81 000	$0.25 \times 108\,000 \times 3 \text{ years}$
Other resources (indicate budget heading)		
Total	162 000	

Using the existing resources needed to administer the operation.

The calculation is based on A-1, A-2, A-4, A-5, A-7

The amounts express the total cost of the additional posts for the total length of the operation if it is of a specific duration, or for 12 months if it is of unspecified duration.

10.3 Increase in other operating expenditure arising from the operation

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