

SHADOW SECTORAL MONITORING COMMITTEE FOR THE REGIONAL COMPETITIVENESS OPERATIONAL PROGRAMME

Meeting on the 5th of June 2008 at 14:00h, at the EUSG premises

DRAFT MINUTES

The second *Shadow Monitoring Committee for the Regional Competitiveness Operational Programme (SMC RCOP)* was held in Ankara, on 5th of June 2008, between 14:00-17:00 pm, at the premises of the Secretariat General for European Union Affairs.

All participants (*Representatives of the European Commission (EC), Delegation of the European Commission to Turkey (ECD), Secretariat General for European Union Affairs (EUSG), Ministry of Industry and Trade (MoIT), Undersecretary of State Planning Organization (SPO), National Authorizing Officer (NAO), National Fund (NF), Audit Authority, Ministry of Finance, Ministry of Labour and Social Security, Ministry of Agriculture and Rural Affairs, CFCU, Undersecretariat for Foreign Trade, KOSGEB, TÜBİTAK, TOBB, TTGV, MPM, TESK, TİSK, GAP-RDA, South East Anatolia Exporters Union, Middle Anatolia Exporters Union, Harran University, Kafkas University, Kayseri Governorship, Sivas Governorship, Gaziantep Governorship, Samsun Chamber of Commerce and Industry*) are listed in the ***Annex 1***.

1. Opening Statements

At the beginning of the meeting, **Co-chairperson, the representative of the Ministry of Industry and Trade, Deputy Undersecretary and Head of Operating Structure Yavuz CABBAR** gave brief information about the decisions taken during the first meeting and summarized the issues discussed in the meeting. Mr. CABBAR informed the members of the Committee that the main aim of the meeting is to inform and to take opinions of the all relevant parties on the activities planned and carried out by the MoIT for the implementation of the Regional Competitiveness Operational Programme (RCOP).

Co-chairperson, the representative of the European Commission (Directorate General for Regional Policy), Head of Unit, Mr. Eric UNTERWURZACHER, underlined the importance of the operational and action oriented Work Plan, including technical assistance measures and mentioned that the technical assistance is crucial for the absorption of the funds allocated to the RCOP.

Mr. UNTERWURZACHER mentioned that there are still key aspects for the implementation of the OP, namely accreditation of the implementing bodies and the signature of the Framework Agreement. He underlined that without these two conditions, accreditation and the Framework Agreement in place, the Financing Agreement can not be signed and without having Financing Agreement signed the OP can not be implemented.

Mr. UNTERWURZACHER also underlined that it is of paramount importance to think simple and operational. He mentioned that complexity will delay the process and the main challenge is to absorb the funds within the “n+3” decommitment deadlines. Therefore, he mentioned that

simplicity and operationality should be taken into account in all the actions to be carried out for the implementation of the OP. Finally, he reminded that the regulatory requirements such as submitting the documents for consideration within the limits specified in the rules of procedures, (15 working days), still have to be kept whether the SMC is formal or not.

2. Approval of the Minutes of the Last Meeting

With regards to the minutes of the last meeting, **Mr. CABBAR** mentioned that the minutes were sent to the members of the SMC in order to take their opinions into account and after getting the comments of the members the final version of the minutes was signed by the co-chairs of the SMC and this signed version of the minutes was submitted to the members by an official letter and it was also uploaded into the web site of the Ministry.

Mr. UNTERWURZACHER underlined that the minutes are quite important documents since they are official and operational. He also mentioned that the Court of Auditors, for example, will look into these minutes and the way the decisions has been taken and how these decisions facilitate the implementation of the OP.

After these statements of the co-chairpersons, the minutes of the last meeting were approved by the members of the SMC.

3. Approval of the Agenda of the Sectoral Monitoring Committee

Concerning the agenda, **Mr. UNTERWURZACHER** reminded that the role of the SMC is also to be informed of the annual audit activity report and therefore he noted that the report should be put into agenda when it exists. He mentioned that it will be a yearly report, prepared according to the Article 29 of the IPA Implementing Regulation and the Framework Agreement. He mentioned that the report should be included in the agenda for the records even if it has not been prepared. He underlined that Article 167 of the IPA Implementing Regulation on the functions of the SMC also requires that the SMC should be informed of the annual audit activity report.

Mr. Mustafa BORAN, representative of the NAO, expressed that Audit Authority Report has not been prepared yet since there isn't any implementation for the whole IPA system, but he mentioned that there will be Audit Authority Report for the next meeting. **Mr. BORAN** also mentioned that the Audit Authority should not be the member of the SMC, but they should attend to the SMC meetings as observer.

Mr. Mehmet ÜVEZ, representative of the Audit Authority, stressed that the Board of Treasury Controllers has been appointed as Audit Authority by the Prime Ministry Circular dated 21 November 2007 and there were only 9 days to give an annual audit opinion and report, therefore the annual audit activity report has not been prepared for the last period, but he mentioned that for the next period the report will be prepared and submitted to the National Authorising Officer (NAO) or directly to the SMC.

Finally, it was decided that the Audit Authority will prepare the Annual Audit Activity Report for the next period and submit the report to the SMC and it will also be included to the agenda of the next meeting.

After these statements, the agenda was approved by the members of the SMC. The agenda of the meeting is provided in *Annex-2*.

4. Consideration and Adoption of the Composition of the SMC

Mr. CABBAR underlined that the composition of the SMC was approved by the Committee during the first meeting. On the other hand, he mentioned that according to the Article 3 of the Internal Rules of Procedures the Committee composition can be reviewed and extended by the Head of the Operating Structure, in agreement with the Commission, in order to guarantee sufficient representation and membership.

Mr. CABBAR mentioned that the Ministry of Labour and Social Security and the Ministry of Agriculture and Rural Affairs have been included to the SMC as permanent members in order to ensure consistency and complementarity among the activities to be financed under the Human Resources Development OP and Rural Development OP. He also expressed that the Ministry of Finance has been included to the SMC as a permanent member in terms of securing necessary co-financing and all these Ministries have also been included to the Project Selection Sub-Committees.

Furthermore, **Mr. CABBAR** also stressed that the MoIT has agreed with the Commission on the issue that Audit Authority should be systematically invited to the SMC meetings as a matter of consistency with the approach followed by the other EU-funded regional development programmes. He also underlined that in case the agenda of a particular committee meeting includes the discussion of operations or measures receiving significant co-funding from an international financing institution, the organisation concerned should be invited to attend the SMC meetings as an observer.

Mr. UNTERWURZACHER explained that the inclusion of the Ministry of Agriculture and Rural Affairs and the Ministry of Labour and Social Security is quite important in terms of avoiding potential overlaps and ensuring demarcation with the Rural Development and Human Resources Development OPs. He also underlined that avoiding overlaps and reinforcing the cooperation is essential particularly with the HRD OP since some activities under the RCOP and HRD OP might actually have spill over effects and they should be done in a coordinated manner. He mentioned that the composition of the SMC is very large but it is important to have representatives from the regions and Growth Centres around the table which should be on permanent bases involved in the works of the SMC and monitor the activities carried out by the Operating Structure.

Mr. UNTERWURZACHER also underlined that the regulations and the rules of procedure require the nomination and appointment of the members of the SMC and their substitute. He mentioned that the members of the institutions and their substitutes should be nominated as soon as possible by the relevant institutions and they should be appointed by the Head of Operating Structure as the co-chair of the SMC.

Mr. CABBAR expressed that the nomination of the members and their substitutes has already been done by the institutions represented in the SMC and underlined that the most of the institutions have sent the names of the titular and substitute members to the MoIT.

Mr. CABBAR mentioned that the MoIT and the Commission have agreed on the inclusion of the Ministry of Labour and Social Security, Ministry of Agriculture and Rural Affairs and the Ministry of Finance to the SMC and asked the approval of the SMC members on the revised composition of the Committee.

Composition of the SMC as revised by the Operating Structure in agreement with the Commission was approved by the members of the Committee. Revised composition of the SMC is provided in *Annex 3*.

5. Rotational membership for the Project Selection Sub-Committees (Rotating Participation Plan)

Concerning with the rotational membership mechanism for the Project Selection Sub-Committees **Mr. CABBAR** mentioned that the composition of the Project Selection Sub-Committees were approved by the members of the SMC in the first meeting and in accordance with the opinions brought by the SMC members during the first meeting it was decided that the project selection sub-committees should be composed of the three types of members: permanent, measure specific and rotating.

Mr. CABBAR stressed that a “*Rotating Participation Plan*” has been prepared by the MoIT with a view to providing a timetable to the rotating members for their participation in the Project Selection Sub-Committees and a short presentation on the Plan was made by the MoIT.

Mr. UNTERWURZACHER mentioned that it is important to start to implement the selection procedure and underlined that simplicity and operationality are the key criteria for implementing the RCOP and the procedures established by the MoIT will always be benchmarked against this two criteria.

Mr. UNTERWURZACHER also raised questions with regard to the progress achieved in the actual implementation of the selection committees and he also mentioned that technical assistance funds under Priority 3 can only be used for assisting the project selection process once the Financing Agreement is signed. Therefore, he mentioned that the MoIT have to think about other means to provide technical assistance for the project selection process..

Mr. Antonio GONCALVES, representative of the DG for Regional Policy of the Commission, explained that the system presented by the MoIT corresponds to the decisions taken in the first meeting of the SMC. He underlined that the system appears to be complex but it is a necessary compromise between the objective of having people that participate in the selection committee on the basis of their technical expertise and their knowledge of regions and also to involve the broader partnership.

Mr. GONCALVES mentioned that the institutions that have been designated to nominate persons to participate in these project selection sub-committees are very careful in selecting the persons that have an expertise and a real knowledge not only of the programme but also of the competitiveness issues that need to be addressed in the regions covered by the programme. He mentioned that it is not an “honorary title” to be a member of the project selection sub-committees, it is rather a mandate to apply technical expertise and knowledge to help select

projects that are mature and realistic and correspond to the effective needs of the region and contribute to the effective implementation of the programme..

Mr. GONCALVES mentioned that it will also be necessary that the persons participated in the project selection sub-committees exercise their duties with total objectivity, impartiality and honesty and that they are free from conflicts of interest. .

With regards to the question raised by **Mr. UNTERWURZACHER** it was explained by the **MoIT** that the Ministry is planning to use the Support to European Integration (SEI) funds for the urgent needs in case of delays in the conferral of management. It was stated that two Terms of Reference (TOR) have already been sent to the relevant authorities.

Mr. Holger SCHROEDER, the representative of the ECD, gave brief information on the use of the SEI funds. He stated that the contracting deadline for the SEI funds is November 2008. He mentioned that the framework contract procedure can only be launched. He also underlined that the utilisation of SEI funds in 2007 is also subject to the accreditation and signature of the Financing Agreement.

It was stated by the MoIT that two framework contracts have been prepared and submitted to be financed under the SEI funds and that these contracts also include trainings on the project appraisal and selection for the members of the Project Selection Sub-Committees.

“Rotating Participation Plan” was approved by the members of the SMC.

6. Discussion and approval of “Code of Conduct and Impartiality Declaration”

Mr. CABBAR expressed that according to the Internal Rules of Procedures of the Committee, each Committee member is to sign a Declaration of Impartiality. He mentioned that a model Declaration has been received from the Commission. (See *Annex 4*)

Mr. GONCALVES explained that there are two forms. One is the short code of conduct for the SMC members which includes basically four areas stating that the members must exercise their duties with impartiality, that their decisions must be taken solely for the commonwealth of the programme, not in line with the individual interest of the institutions that they represent and that the members must exercise their duties with total independence so that they will not take any financial material obligations as individuals or on behalf of their organisation that may affect or compromise their impartiality in the decision making process of the SMC. He mentioned that all the members of the SMC must be accountable of their decisions whether they are public servants or not.

Mr. GONCALVES also expressed that any statements to be made to the media must be made by the Head of Operating Structure (HOS) or by the Commission as the co-chairs of the SMC. He underlined that the members of the SMC must abstain from publicising information brought to their knowledge through the SMC or any documents that are distributed for the preparation or discussion of the SMC. He stated that each person that has been nominated and appointed to be member of the SMC must sign the declaration adhering to this principle. He mentioned that since most of the nominations for the SMC members and substitute members have already been made,

the persons that have been nominated should sign and send the declaration to the MoIT before the next SMC meeting.

Mr. GONCALVES underlined that even if observers are not required to sign the declaration because they are not effective members of the Committee, it is important that the Code of Conduct is respected by everybody that participates in the Committee as members or observers and confidentiality of the documents that they have access to or the discussions that take place in the Committee should be respected.

Mr. CABBAR mentioned that there are two possibilities to have this form signed. First one is to download these forms from the web site of the Ministry and sign and sent to the Ministry. The second possibility is that Ministry will send the form as annex of the formal letter and ask from the members to sign and submit the forms to the Ministry.

Mr. CABBAR asked the opinion of the members on these two methods and *it was agreed that the members of the Committee will sign and send the declaration to the Ministry and if the members does not send the signed declarations within a period of time, the Ministry will send the official letter to the members of the Committee for the submission of the signed declarations to the Ministry. Code of Conduct and Impartiality Declaration was also approved by the members of the SMC.*

7. Discussion and endorsement of Annual Work Plan (OS)

Mr. CABBAR mentioned that a Multi-Annual Work Plan has been prepared in order to provide a clear road map to all the relevant parties including the members of the SMC for the implementation of the OP and a short presentation on the Multi-Annual Work Plan was made by the MoIT.

Mr. UNTERWURZACHER mentioned that the Work Plan covers most of the significant actions for the implementation of the programme. However, he underlined that the reconciliation with n+3 spending targets to avoid decommitment has not been provided in the Work Plan. He mentioned that some sort of implementation profile in relation to payments should be given in the Work Plan, together with the necessary measures against unforeseeable events, such as delays in tendering, should be taken in order to comply with n+3 rule.

Mr. UNTERWURZACHER underlined that the Work Plan is not a document which will be endorsed and then put into the shelf, it will be a document which is action oriented and dynamic in a sense that it needs to be updated, modified and reconciled with actual progress. It should also help the MoIT to revise action planning and monitor possible deviations from the n+3 spending targets.

Mr. GONCALVES stated that during the first SMC meeting of November, 2007 it was agreed that the MoIT would prepare an Annual Work Plan. He mentioned that in the first four months of 2008 MoIT and the Commission worked together in order to put into the Work Plan the key issues that have to be developed during the coming years, in order to ensure that the whole programme is implemented, projects are executed and payments are made by the end of the

deadline for n+3 decommitment which is 2012. He stressed that the MoIT has made great efforts in terms of identifying all these activities and grouping them in the three packages of projects.

The representative of the MoIT underlined that the crucial point for the first package of projects is the use of suspension clause facility; therefore the Work Plan has been designed according to this approach. It was stated that the implementation of the operations submitted by the national public bodies will start in this year, based on the preparation of project fiches and Terms of Reference (ToR) for the strategic projects in the first package which will start in July, 2008. It was mentioned that this is also applicable for the Technical Assistance projects and preparation of ToR documents for the Technical Assistance projects will start in July, 2008. It was also mentioned that the time schedule foreseen in the Work Plan is still indicative and any delays in the process such as delays in the conferral of management or in the signature of the Framework and Financing Agreements will shift the time schedule.

Mr. SCHROEDER mentioned that it will be necessary to check whether the timetable foreseen in the Work Plan is realistic. He mentioned that in terms of project preparation we are still in the project development phase. He mentioned that the ECD is aware of the particularities of IPA III and IV, but he underlined that the ECD has experience for IPA I and has also supported some similar projects that now can be supported under IPA III..

Mr. SCHROEDER gave a specific example from IPA Component I with regards to the implementation schedule. He mentioned that project identification and development takes about 8 to 9 months, only then the process of preparing the tender documents starts and then the procurement process, which takes 6 to 8 months depending on the type of procedures, will be launched. Therefore, it is not feasible in this year to launch any procedure under the first package of projects. He mentioned that, for the first package of projects, the bottleneck for the absorption will be the project preparation; therefore the risks for the non absorption of the funds are particularly high under the RCOP.

Mr. UNTERWURZACHER mentioned that he also shares this non-absorption concern for the OP and recommended that the Commission and the MoIT should identify quickly ready projects which can be implemented and tendered as soon as possible and which fit into the strategic framework of the OP. He also mentioned that he shares the concerns of the MoIT on the signature of the Framework Agreement. He underlined that this is an external risk but in parallel the internal risks stemming from the immature projects should be eliminated.

Mr. UNTERWURZACHER indicated that the MoIT should work closely with the Commission and the Delegation, to identify a suitable list of projects which can be implemented quickly, and to concentrate on the preparation of the projects which can help to the absorption. He underlined that the Commission is concerned about absorption since the beginning of the RCOP, not because there is a lack of commitment or lack of capacity but because it is complex. He also underlined that it is important to look to the list of projects in the first package and focus not just on the ones which are mature but also focus on the ones which help to absorb the funds. He underlined that absorption is also helped by strong commitment by the partners which should actually implement the projects and be the beneficiary of the OP projects. He mentioned that the number of projects and operations that will be needed in the end are extremely important.

Mr. Fatih YILDIZ, representative of the CFCU, mentioned that comments of the CFCU on the Work Plan were submitted to the MoIT. He mentioned that within these comments it was also emphasized that indicative number of projects should be given in the plan since the tendering and contracting will be carried out by the CFCU and the CFCU have to take into account these numbers in order to make their own workload analysis. He also mentioned that when the timetable of the Work Plan is taken into account it can be seen that some packages will overlap in terms of tendering and contracting periods at least for the first and second packages. Therefore, he underlined that the indicative numbers of projects should be known so that CFCU can give an idea on when the tendering will be completed and when the contract will be signed. He also mentioned that the way the call for proposal is launched and the way the evaluation process is carried out are also important for the timetable.

Mr. UNTERWURZACHER underlined that the CFCU should consider itself as the part of the Operating Structure, and mentioned that the obligation of the CFCU is also to assist the Operating Structure.

Mr. CABBAR explained that the term used under the RCOP is “call for project proposal” and “call for proposal” will not be launched under the RCOP since the RCOP does not have any grant scheme. He also mentioned that a series of meetings were held with the national public authorities in the last two months for the selection of the strategic projects. In this respect, project ideas have been received from the relevant institutions and these projects were also discussed with the Commission and the Delegation. He mentioned that these projects will also be further discussed with the relevant national public bodies together with the Delegation and the Commission in the next couple of weeks and the first package of projects that are ready to implement will be finalised in couple of months. He also stressed that the MoIT expects that the tendering and contracting documents will be prepared in time as planned if there is not any delays in the conferral of management and signature of the Framework and Financing Agreements.

Mr. UNTERWURZACHER stressed that there is a confusion between the “identification of operations through a competitive selection procedure” and a “call for proposals” as mentioned in Article 158 of the IPA Implementing Regulation. He also asked whether the MoIT intends or envisages to select grant schemes through a call for project proposal or not.

It was explained by the MoIT that calls for proposal will not be launched to select grant scheme under the RCOP.

Mr. SCHROEDER explained the four ways of signing a contract. These are service contract, supply contract, works contract and grant agreement. He underlined that the Commission does not have any other possibility of spending money and each contract whether it is grant, supply, services or works it needs to be signed by the CFCU as the Contracting Authority.

Mr. SCHROEDER expressed surprise that there will be no calls for proposal for grants. With regards to the first package of projects, he underlined that we are now in a project identification process and then we have to move to the development stage where the operations, projects/project proposals are really developed. Only then these projects will be translated into procurement documents. He also mentioned that drafting of TOR and TS takes several months

and only once that work has been done procurement procedures can be launched and then contracts can be signed.

In order to clarify the issues discussed under this agenda item **Mr. GONCALVES** gave brief information to the members of the Committee about the design and structure of the RCOP that was agreed between the Commission and the MoIT.

Mr. GONCALVES explained that during the programme negotiation it was made clear between the Commission and the national authorities that all the actions under the programme would be implemented through contracts, either supply, services or works contracts. Therefore, no grant scheme has been foreseen in the RCOP.

Mr. GONCALVES also underlined that it is not foreseen that there would be any “secondary procurement”, in terms of the programme awarding a grant to an organisation that would receive the money and then that organisation would do its own contracting, i.e. recruitment of consultants or supplies, etc. He mentioned that it has not been foreseen to be in that way because it would imply consequences in terms of the accreditation process, since the programme needs to receive an accreditation for decentralised management by the Commission before one Euro can be spent. In this respect, in order to keep very close control of this process, it was not foreseen that there would be any project implemented under anything other than contracts for services, supply and works that have to be identified in the projects. The project fiches are developed and approved by the Operating Structure, then the Operating Structure will sign an agreement with the beneficiary of the project. It cannot be called as grant agreement to avoid confusion of terms but an agreement by which the OS would agree to allocate part of the programme resources for the implementation of that project. However the implementation will be done through contracts tendered by the CFCU at this stage, and later on when the OS will set up its own tendering and contracting facility by the OS. This is the concept that has been designed for the implementation of the RCOP.

Mr. GONCALVES also gave information about the n+3 process. When the Financing Agreement will be signed the Commission will be able to pay to the National Fund 30% of the total amount of the RCOP, which corresponds to more than the allocations for 2007. Hence, the n+3 de-commitment target for the allocation for 2007, which has to be spent by 2010, will be met by the pre-financing. By the end of 2011 sufficient expenditure must be generated to absorb entirely the allocation for the programme under the 2008 contribution and then by 2012 the contribution from the 2009 commitment and so forth. He also underlined that the pre-financing that is paid upfront has to be absorbed by expenditure declarations by the 2012 de-commitment deadline. In summary, the total amount of the IPA contribution to the RCOP, has to be 100% spent and declared to the Commission by 2012; if that does not happen the balance will be lost irrevocably.

8. Discussion and endorsement of Technical Assistance Plan (OS)

Under this agenda item, a brief presentation on the objectives and activities of the Technical Assistance Plan was made by the MoIT.

Mr. GONCALVES underlined that the Technical Assistance Plan is not a plan to provide technical assistance only to the Operating Structure, but it is also a facility that is available under the programme to ensure that the programme management structure and also the partners that will have role in implementing the programme through projects will have the necessary capacity and know-how in order to implement the programme fully, efficiently and correctly and also to ensure that the funds will be absorbed entirely in a sound and efficient manner.

Mr. GONCALVES mentioned that the technical assistance is not included in the calls for project proposals. It is a rolling forward facility, it is important therefore that the use of these resources is made according to a plan that has been prepared by the MoIT, sent to the Commission for consultation and is then approved by the SMC. It must ensure that the Plan covers the needs of the programme and of the potential programme beneficiaries in order to ensure the correct implementation of the programme. He also underlined that the SMC should exercise in a certain way a monitoring role in terms of ensuring that the money is used correctly and that the technical assistance is implemented in accordance with the programme needs.

Mr. GONCALVES also mentioned that there are specific references to the technical assistance activities in the Measure 3.1 of the RCOP, namely to assist to the preparation of projects and assist to carry sectoral and strategic studies as necessary, that are crucial not only for this programme but also for the preparation of future programmes, as well as for the preparation of projects which should be ready and mature for the implementation under the successor programmes. This element and the link with the activities that are foreseen under the Measure 3.1 of the RCOP should be clearly reinforced in the Technical Assistance Plan.

After the comments raised by the Commission, the Technical Assistance Plan was endorsed by the SMC members.

9. State of play in the preparation of the Communication Action Plan

Mr. CABBAR explained that as the Operating Structure of the RCOP MoIT is responsible for the preparation of a “Communication Strategy and Action Plan” covering the period of 2007-2013 in order to inform the potential beneficiaries on IPA assistance through the most effective information distribution channels, and he mentioned that a plan was drafted by an external communication expert of the State Planning Organization’s project. The content of the plan is composed of the objectives, target groups, and principles of communication, visibility rules and methods, Promotional materials, annual and random information events at central and regional level, publications, media relations, monitoring and evaluation of publicity activities, timetable of activities and the indicative budget for 2007-2013 period. Mr. CABBAR expressed that the final version of the “Communication Action Plan” will be submitted for the information of the committee members in the next meeting of the committee, and it will also be submitted to the Commission within four months after the date of the signature of the financing agreement.

Mr. UNTERWURZACHER also underlined that it is a legal obligation once the financing agreement has been signed and mentioned also that a revised plan should be tabled for the next monitoring committee which is then complete.

10. Discussion and endorsement of the first Sectoral Annual Implementation Report

Mr. CABBAR mentioned that as it is referred in the IPA Implementation Regulation, the first annual implementation report has been prepared by MoIT for the Regional Competitiveness Operational Programme, covering the year 2007 and the first half of 2008. It is also mentioned that as there is little progress to report in terms of the programme implementation, the first sectoral report consist of brief information about the process undertaken for the preparation and approval of the programme as well as the preparations carried out for the implementation of the OP. It is underlined that before the official submission of the report to the Commission by the end of this month, the comments of the committee members can be sent to the MoIT.

Mr. UNTERWURZACHER underlined that there is an obligation to send an annual implementation report to the National IPA Coordinator and to the Commission by the end of June. Once the Commission receives the report, it has ten working days to declare the report admissible. Admissible means very all essential parts as provided for in the regulation are covered. Once the report is declared admissible, the Commission has two months to provide substantive comments. The importance of this annual implementation report must be underlined in relation to payments from the Commission to the National Fund; indeed the acceptance of the annual implementation report is a condition for paying interim payments.

11. Information on state of play in the first package of strategic projects

Under this agenda item, **Mr. Mehmet AYDIN**, the Head of Regional Competitiveness Programme Coordination and Implementation Centre, made a brief explanation about the first Package of strategic projects. It was mentioned that because of the time limitations in the implementation of the projects, the Ministry has developed “three different package” approach for the determination of the projects to be financed under the RCOP in accordance with the Article 158 of the IPA Implementing Regulation. As it was expressed that the first package would be mainly composed of the strategic projects of national public bodies, while the following packages of projects would mainly consist of the projects received from the target region of the operational program upon call for project proposals. In accordance with this approach a series of meetings have been organised by the RCP - CIC with the key stakeholders of the RCOP to discuss their strategic projects. In this regard, from January to April, several meetings were held with ; Small and Medium Sized Industry Development Organisation (KOSGEB), The Scientific and Technical Research Council of Turkey (TUBİTAK), National Productivity Centre, Ministry of Culture and Tourism , Ministry of National Education, Undersecretariat of Foreign Trade, Undersecretariat of Treasury, Technology Development Foundation of Turkey, Turkish Development Bank, Credit Guarantee Fund, Southeastern Anatolia Project Regional Development Administration, SME Venture Capital Investment Fund Corporation, Export Credit Bank of Turkey. During these meetings, preparation of project proposals that are fully in line with the operational program was requested from the key central stakeholders of the RCOP and it was agreed that these institutions will prepare Operation Identification Sheets (OIS) by taking into account the strategy, objectives, measures and eligible actions of the operational program and submit them to the MoIT till mid-March, 2008. In this respect, he expressed that totally **52** OISs with a total budget of **272.408.644** have been received from 10 different institutions. All these OISs were analyzed by the RCP – CIC in terms of the nature of the interventions, eligibility of actions, eligibility of the region, budgetary limitations, eligibility of applicant and beneficiaries

as defined in the admission criteria of the RCOP and ineligible projects were eliminated prior to the further assessment in accordance with the selection criteria. In this respect, 5 out of these project proposals were rejected since they don't fall under the scope of the RCOP. Some of the institutions were asked to combine their project proposals which were very similar in terms of theme and intervention and finally we came up with 14 project proposals which 7 of these were evaluated as priority projects for our Ministry. The project proposals which passed the admission process successfully were grouped under each measure and subjected to the secondary evaluation in accordance with the strategic and measure specific selection criteria set out in the RCOP.

It was underlined that during this selection process, project maturity and readiness, ownership and co-financing capacity of the applicant and involvement of the local and regional partners to the implementation of the project were also assessed. Revised project proposals according to the comments of the staff of the RCP – CIC, were further analyzed and prioritized by the MoIT by also taking the budgetary limitations of the RCOP into account and a list of project proposals to be discussed with the Commission under the first package of the RCOP was finalized. This list has been shared with the Commission in April in order to reach an agreement on the final list of the strategic projects of the national public institutions and discussed in depth with the Commission on the 22nd of May. In this meeting, the proposals developed by KOSGEB, TÜBİTAK and Ministry of Culture and Tourism (total 4 operations) have been evaluated considerable by the Commission.

It was expressed that after the meeting, there will be a series of meetings with all these central public institutions which have project proposals and share the outputs of the meeting with the Commission and reconsider the revision of the projects to enhance their readiness and maturity, and after that MoIT will finalize the formulation of first package covering all measures as soon as possible taking into account the recommendations of the Commission.

Mr. GONCALVES stated that during the first monitoring committee in November the operating structure received the endorsement of the monitoring committee to prepare a first package of strategic projects put forward by national public institutions, to be ready for implementation immediately after the signature of the financing agreement. In accordance with the work plan that was discussed under item 7 of the agenda, this first package of projects should absorb the resources that are allocated under the program for 2007. The objective is to ensure that there is a package of projects that are sound, mature, and ready for implementation, including signature of contracts, as soon as the financing agreement is signed. It was also expressed that, the first package of projects needs to have a strategic nature, whereas the projects that have only regional dimension, would be put forward under the calls for project proposals.

Mr. GONCALVES also mentioned that there would be other opportunities during this current program for putting forward projects which have regional dimension as well as some other projects with strategic dimension. All together, the projects under this first package and the two packages that will come out from the two calls for project proposals needed to be projects that have a sufficient dimension in order for the programme to be manageable and to be implemented within the very narrow period of time available.

According to the first assessment of projects to be implemented under this first period of the program 2007 – 2009, the Commission estimated that in the end it should not be aimed more than around 40 projects total.

On the basis of the total value of the programme of 180 million euros, it would be aimed to have around 40 projects, so the average cost of each project would be around 4.5 million euros. It is aimed to select projects which can cause an impact at strategic level of the 12 NUTS II regions or projects that can have strategic impact in individual regions that are implemented. There isn't much time to implement large number of small actions. He gave these numbers as a reference for what kind of projects, value and actions that should be foreseen. He advised that it should be looked at in all possibilities of combining smaller actions, giving them a strategic dimension, implemented by key organizations that will be responsible for coordination with the other organizations.

Mr. GONCALVES underlined that projects under measure 1.2 regarding SME access to finance, such as loan funds, guarantee funds, equity funds, should not be included in this first package. He mentioned that this measure and the activities that can be implemented in this area need to be analyzed in a comprehensive way. He mentioned that it is necessary to take a holistic view at what are the needs of the SMEs within the 12 regions in terms of access to finance. He also stressed that for measure 1.2 it is necessary to have a clear involvement from national financial institutions as the measure is about financial engineering type of projects. He underlined that it would be important that Treasury and Ministry of Finance also follow the preparation of projects under this measure very closely. He mentioned that association with the international financial institutions is also necessary since they will bring not only additional money but also their expertise. He also stated that the key international financial institutions including the European Investment Bank, European Investment Fund, KfW or other international institutions that have been working with Turkey should be associated to this process.

Mr. SCHROEDER raised a question about the implementation period of the first package of strategic projects. The representative of CFCU mentioned that as still there are no tenders, the implementation period can not be two years.

Mr. GONCALVES clarified that the n+3 rule is not linked to projects, there is no obligation anywhere under the rules that a project needs to be finished by 2010 because of n+3. He mentioned that under the first package it is aimed to generate projects that will absorb the funds that are available under the 2007 commitment which has to be spent by 2010 and he underlined that it doesn't mean that every one of these projects needs to be completed by 2010. He mentioned that some projects will be implemented before 2010 but some others will continue beyond that date, to be finished by 2011 and 2013 at the maximum. He explained that the goal is to ensure that the generation of projects has as a target to generate sufficient expenditure that will absorb the funding that is available under each one of the three years of commitment.

Mr. UNTERWURZACHER mentioned that major projects need a Commission decision. He mentioned, by referring to article 157 of the IPA Implementing Regulation, that if a project meets all the criteria to be considered as a major project except that it has a value of less than 10 million and in the end after tendering and it found that it will cost more than 10 million, its implementation can not be started before the Commission adopts a funding decision for that project.

The National Authorizing Officer, the National Fund or the CFCU could not authorize payment claims for a major project unless a bilateral project agreement has been signed.

Mr. CABBAR mentioned that as MoIT they are aware of the definition of the major projects, and the so called projects would be revised by means of budget, activities or the visibilities of the projects.

Mr. BORAN asked to the Commission that whether by the end of 2010 the National Authorizing Officer should submit to the Commission the certified expenditure claims which are received from the Operating Structure, from the CFCU, or it is the deadline for the transfer of the funds actually from the Commission to the National Fund.

Mr. GONCALVES clarified that the RCOP has a smaller allocation in 2007 increasing then in 2008, 2009. He mentioned that its profile is different from the Transport Programme which has a more flat profile. That means 30 percent of the pre-financing is in more than the 2007 commitment, therefore the advance payment will absorb the 2007 commitment. As it is an advance it has to be justified during the life of the programme by effective payments at the latest by 2012. The first effective deadline for generation of real payments to meet the n+3 target is 2011. By 31 December 2011 the NAO must have sent to the Commission sufficient payment declarations corresponding to the allocation of 2008 To count for n+3 the declaration of expenditure needs to arrive to the Commission by 31 December. The Commission can pay 60 days later, but what counts is that the declaration of the payment has been sent to the Commission by 31 December.

12. Calls for Proposals and Regional Information Meetings

Mr. GONCALVES expressed that the Commission attaches as a particular importance to the need to promote the programme with the ultimate beneficiaries which are the regions and its stakeholders.

Mr. GONCALVES underlined that the actions to promote the program and to inform the regional stakeholders should be take place as quickly as possible. He mentioned as a good example the meeting of 23 of May in Trabzon which brought together representatives from universities, organized industrial zones and governorships, generating some ideas about projects. He underlined that it is an important objective of the program to ensure that project ideas come from the partners in the region. It is important therefore to bring the programme to the regions so that the regions take ownership of the programme and that they have real opportunities to have their ideas translated into projects. He expressed that it is also important that SMC members inform their partners in the regions about the programme and that they set up local networks and to invite them to come to participate in the meetings to put their ideas forward

After the explanations of **Mr. GONCALVES**, a short presentation on the Calls for Proposals and Regional Information Meetings was made by the MoIT.

Mr. UNTERWURZACHER asked how the call for project proposals under the measure 1.1 is going to be implemented in practice and what MoIT will do after the calls for project proposals.

MoIT explained that in the Operational Program there is a part called eligible actions and gave some examples such as a common facility, a logistic center from a certain regional stakeholder or a common facility for packaging in an organized zone can be financed under Measure 1.1.

Mr. UNTERWURZACHER asked if the MoIT would indicate a lower threshold. The **MoIT** explained that the lower limit for the operations will be 2 million euro and the upper limit will be 10 million euro. **MoIT** also expressed that they establish the project selection infrastructure not just for one measure, but infrastructure will work for all the measures under the Operational Program.

Mr. CABBAR also mentioned that it is not expected that all the project proposals will have 2 million budgets. Most of them will be higher. As it is also seen that some of project proposals from the national public bodies are more than 10 million euros.

MoIT mentioned that it is a good approach to take the upper limit of the grant schemes as the lower limit. It was also mentioned that in the light of discussion carried out maximum 40 projects is the reasonable number and it is also good for the Operating Structure to limit the maximum number of the projects. MoIT also mentioned that while launching the project proposals they can limit lower limit to 4 or 3 or 3.5 million euros and the upper limit to 10 million euros which is the lower limit for the major projects.

Mr. GONCALVES expressed that there are certain considerations that have to be taken into account in terms of limiting the value of the projects. As an example, when the first call for project proposals is launched and realized that instead of having projects for 173 million there are good projects that total 130 million, then it may be considered whether there is really a need for second call for proposals. The limit of 73 million should not be considered as an absolute ceiling. A second element which he mentioned about is that when designing the specifications for the calls for project proposals it should be ensured that there is a sufficient coverage in terms of projects put forward for the all the measures of the program and projects which contribute to delivering the expected outputs.

He also stated a third element which might justify an upper limit to ensure a fair distribution of projects across all the regions. The objective is to ensure that the 12 regions will be covered. That does not mean that every region will have a project but that there is a fairly reasonable coverage of the 12 regions by the program.

He underlined that the main concern however should be to generate a sufficient number of good and mature projects that can absorb the funding available as quickly as possible. If the first call for project proposals turns out that there are sufficient projects to absorb the whole program then the SMC should consider if there is a need to have a second call for project proposals.

Mr. GONCALVES also underlined the issue that the launching of the first call for project proposals is no related to the accreditation process. Generation of expenditure can not take place before the signature of the financing agreement but the preparatory stages, calls for project proposals and launching of tenders can be done ahead of conferral of management.

He stressed that there are some conditions for launching of tenders under suspension clause. One of the conditions is the submission of the accreditation package to the Commission.

The questions that should be asked before launching the first call for project proposals are: “are the region is ready?, “have we had enough information meetings, have we had enough training sessions?”, so that when the call for project proposals is launched there will be an adequate response. Therefore it is important to launch the communication events as quickly and as possible as extensively as possible. A second issue is “Are we ready”, have we done our preparatory work in terms of defining what do we include in the calls for proposals, what are the guidelines, what are the mechanisms etc.

MoIT mentioned that there are two real justifications for waiting. One is that the regional conferences and publicity activities have not been finalised yet. And second they don't want to raise an expectation in the region at the very beginning.

13. Presentation of the next stages in accreditation process and conferral of management powers

Under this agenda item, the representative of the **NAO office** made a presentation about the accreditation process.

Mr. UNTERWURZACHER expressed that the decision of the conferral of management is hard for this year. And he also mentioned that the Financial Agreement can only be signed once the Framework Agreement is signed.

Regarding the question raised by **Mr. SCHROEDER** about the gap plugging issue and the conclusions of the work load analysis, **Mr. BORAN** gave an explanation that; everything about the package for the compliance auditors to be submitted, is 91 % almost finished, only the qualities of the documents are need to be improved. According to the work load analysis, he mentioned that after their checks, staff planning was requested from the Ministries, if they need more staff. And it is included in the accreditation package.

14. Indicative date for the next Sectoral Monitoring Committee

The indicative date for the next Sectoral Monitoring Committee was approved that it would be in November 2008.

15. AOB

Mr. Hakan KARATAŞ, Representative of TÜBİTAK, underlined the importance of the sustainable use of the IPA funds for research and development -which, without arguing, is one of the most important pillars of competitiveness- during the 2007-2013 period. He also mentioned that usually R&D expenditures or R&D personnel are highly concentrated in a few regions per country. In UK, about 40% of the nation-wide R&D employees have their workplace in the London region; in France, the respective figure for the Île de France is 48%, and in Italy for Milan (Lombardy) 32%.

Representative of Kafkas University asked if there would be an information meeting in KARS. **MoIT** mentioned that Kars will be invited to the regional conference that would take place in Erzurum.

16. Conclusions/Decisions

- Annual Audit Activity Report, which will be prepared by the Audit Authority for the next period, will also be submitted to the SMC and it will also be included to the agenda of the next meeting.
- Composition of the SMC as revised by the Operating Structure in agreement with the Commission was approved by the members of the Committee.
- “Rotating Participation Plan for the Project Selection Sub-Committees” was approved by the members of the SMC.
- Code of Conduct and Impartiality Declaration was approved by the members of the SMC and it was agreed that the members of the SMC will sign and send the declaration to the Ministry and if the members does not send the signed declarations within a period of time, the Ministry will send the official letter to the members of the Committee for the submission of the signed declarations to the Ministry.
- Technical Assistance Plan was endorsed by the SMC members.
- It was decided that the next meeting of the SMC will be held in November 2008.

Assoc. Prof. Dr. Yavuz CABBAR

Head of
Operating Structure
Ministry of Industry and Trade

Eric UNTERWURZACHER

Head of Unit
Directorate-General Regional Policy
European Commission

ABBREVIATIONS

CFCU	Central Finance and Contracts Unit
EC	European Commission
ECD	European Commission Delegation
EUSG	Secretariat General for European Union Affairs
HOS	Head of Operating Structure
IPA	Instrument for Pre-Accession Assistance
KOSGEB	Small and Medium Sized Industry Development Organisation
MoIT	Ministry of Industry and Trade
NAO	National Authorizing Officer
OP	Operational Programme
RCOP	Regional Competitiveness Operational Programme
SEI	Support to European Integration
SF	Structural Funds
SMC	Sectoral Monitoring Committee
SPO	State Planning Organization
ToR	Terms of Reference
TÜBİTAK	The Scientific and Technical Research Council of Turkey

ANNEX – 1

List of Participants							
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TÜRK-İŞ	Titular Member						

	Substitute Member						
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	Substitute Member						
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	Substitute Member						
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***Draft Agenda
for the Second Shadow Sectoral Monitoring Committee Meeting
for the Regional Competitiveness Operational Programme in Turkey***

1. Opening statements – by the Head of the Operating Structure, and by the Commission (HOS + EC)
2. Approval of the Minutes of the last meeting
3. Approval of the agenda of the Sectoral Monitoring Committee (HOS)
4. Consideration and adoption of the Composition of the SMC
5. Rotational membership for the Project Selection Sub-Committees (Rotating Participation Plan) (OS)
6. Discussion and approval of “Code of Conduct and Impartiality Declaration”
7. Discussion and endorsement of Annual Work Plan (OS)
8. Discussion and endorsement of Technical Assistance Plan (OS)
9. State of play in the preparation of the Communication Action Plan (OS)
10. Discussion and endorsement of the first Sectoral Annual Implementation Report (OS)
11. Information on state of play in the first package of strategic projects (OS)
12. Calls for Proposals and Regional Information Meetings (OS)
13. Presentation of the next stages in accreditation process and conferral of management powers (NAO)
14. Indicative date for the next Sectoral Monitoring Committee (HOS + EC)
15. AOB

Revised Composition of the Sectoral Monitoring Committee

1.	Co-Chairs		Yavuz CABBAR, Head of Operating Structure	Ministry of Industry and Trade	1	
			A representative of the Commission	EC Commission	1	
2.	Public Institutions	IPA Specific Bodies	A representative of the NIPAC	EUSG	1	
			A representative of the Strategic Coordinator	SPO	1	
			A representative of the NAO	Undersecretary of Treasury	1	
			Head of the National Fund, Head of Department	Undersecretary of Treasury	1	
			Head of the CFCU	CFCU	1	
			A representative of the Ministry of Labour and Social Security		1	
			A representative of the Ministry of Agriculture and Rural Affairs		1	
			A representative of the Ministry of Finance Representative from	Undersecretary of Foreign Trade	1	
			Director General or Deputy Director General	Ministry of Culture and Tourism	1	
			3.	Economic and Social Partners	Sectoral Policy making bodies	Chairperson or Deputy Chairperson
Chairperson or Deputy Chairperson	MPM	1				
Chairperson or Deputy Chairperson	TUBITAK	1				
Deputy Chairperson or General Secretary	TOBB	1				
Deputy Chairperson or General Secretary	TESK	1				
Deputy Chairperson or General Secretary	SEDEFED	1				
Deputy Chairperson or General Secretary	TUSIAD	1				
Deputy Chairperson or General Secretary	MÜSİAD	1				
Deputy Chairperson or General Secretary	TÜRK-İS	1				
Deputy Chairperson or General Secretary	TISK	1				
Chairperson or Deputy Chairperson	TTGV	1				
National level non-governmental Organizations	Chairperson or Deputy Chairperson	GAP Regional Development Administration				1
	Representatives from	Gaziantep University (Gaziantep)* Atatürk University (Erzurum)* Ondokuz Mayıs University (Samsun)* Diyarbakır Governorship*				3
Regional Public	Deputy Governor	Van Governorship* Trabzon Governorship*				3
	Regional non-governmental	Exporter Unions	East Anatolia Exporters Union South East Anatolia Exporters Union Blacksea Exporters Union Middle Anatolia Exporters Union Batman (C of C&I)* Sivas (C of C&I)* Kayseri , Chamber of Industry* Kahramanmaraş (C of C&I)* Malatya (C of C&I)* Kastamonu (C of C&I)* Kars (C of C&I)* Şanlıurfa (C of C&I)* Elazığ (C of C&I)*	4		
Chamber of Industry and Commerce (C of C&I)			9			
Total				43		

Code of Conduct and Impartiality Declaration

DECLARATION

The undersigned

.....

in his/ her capacity of a *member / substitute / observer of SMC of RCOP*

and as a representative of.....

(organisation, institution)

DECLARE:

1. I don't have any trade and/ or financial interests in connection with the implementation of functions of the Sectoral Monitoring Committee of Regional Competitiveness Operational Programme (RCOP), of which I am a titular / substitute/ observer.
2. I will carry out my responsibilities honestly and impartially, only for the purpose of the public interest. My participation in the preparation of documents connected with the proceedings of the Sectoral Monitoring Committee of RCOP will be objective and will entirely observe the principles of honestly competition and prevention of circumstances that create priority for any beneficiary or activity.
3. I confirm that I will observe these principles and immediately will inform the Monitoring Committee secretariat of any situation, which may be considered as real conflict of interests. I am aware that every registered infringement will result in my elimination from the members of the Sectoral Monitoring Committee of RCOP and in enduring measures according to the add country legislation.

Date:

Sign:

Place:

Code of Conduct of Sectoral Monitoring Committee of Regional Competitiveness Operational Programme

The Sectoral Monitoring Committee (SMC) of Regional Competitiveness Operational Programme shall ensure effectiveness and quality of the implementation of the Operational Programme. The members of the SMC shall abide to the following principles:

Impartiality

The Members of the SMC shall decide solely for common wealth. The decisions of the members of the SMC could not be taken in order to gain financial or material advantages of their own, of their relatives and/or of other related persons. The members are obliged to declare any private interests relevant to their activities as members of the SMC.

Independence

The members of the SMC must not undertake any financial or material obligations to individuals or organisations that may affect the impartial and scrupulous performing of their functions as members of the SMC.

Accountability

The members of the SMC shall account to the society for the decisions and activities undergone and shall provide proof of their decisions. The members are obliged to observe confidentiality in their work and by announcing of information when required for common wealth. Summary of approved minutes from every session of the SMC shall be announced for the public.

Official statements of the SMC shall be announced to the media by the Chairman / Co-Chairman and/or a voted Speaker/Spokesman. The remaining members of the Committee may announce statements for the public but not as interpreter of official statements of the Committee.

Giving a lead

The members of the SMC shall encourage and support these principals giving a lead / setting example.