

ADDENDUM N°1

TO THE MEMORANDUM OF UNDERSTANDING ON THE ESTABLISHMENT OF A CENTRAL FINANCE AND CONTRACTS UNIT (CFCU) BETWEEN THE GOVERNMENT OF TURKEY AND THE EUROPEAN COMMISSION

The European Community, represented by the European Commission, hereinafter referred to as “The Commission”,

of the one part, and

The Government of Turkey, acting on behalf of the Republic of Turkey, hereinafter referred to as “The Recipient”,

of the other part,

Have agreed as follows:

Within the frame of pre-accession assistance to Turkey, and following the decision made by the Turkish Authorities to relocate the CFCU to the Undersecretariat of Treasury (hereinafter referred as Treasury) the parties to the Memorandum of Understanding on the establishment of the CFCU in Turkey (MoU) signed on February 14, 2002 between the Government of Turkey and the European Commission and adopted by Law No. 4802, have agreed that the following provisions of the MoU are hereby modified as follows :

ARTICLE 1- NATURE AND SUBJECT

Article 1 – Definitions

National Aid Co-ordinator (NAC)

The State Minister responsible for EU affairs in charge of the programming within the Recipient. The NAC also ensures a close link between the general accession process and the use of Community financial assistance, and is responsible for the monitoring and assessment of EU programmes.

National Authorising Officer (NAO)

The State Minister responsible for the Treasury heading the NF. The NAO has the overall responsibility for the financial management of EU funds.

is replaced by

Article 1 – Definitions

National Aid Co-ordinator (NAC)

The EU Secretary General in charge of the programming within the Recipient. The NAC also ensures a close link between the general accession process and the use of Community financial assistance, and is responsible for the monitoring and assessment of EU programmes.

National Authorising Officer (NAO)

The Undersecretary of Treasury heading the NF. The NAO has the overall responsibility for the sound financial management of EU funds.

The NAC may not also be the NAO or a PAO and conversely the NAO may not also be the NAC or a PAO

Article 2 – PAO and CFCU

1. *A CFCU will be established as an integral part of the Turkish administration and will take all decisions autonomously under the responsibility of a Programme Authorising Officer (PAO). The management of EU funds by the CFCU shall be subject to the provisions of this Memorandum and EU rules governing the use of external aid. The CFCU will administratively be linked (e.g. for logistic support) to the EU Secretariat General.*

is replaced by

Article 2 – PAO and CFCU

1. A CFCU will be established as a unit which will be administratively linked to the Undersecretariat of Treasury and will take all decisions autonomously relating to functions as defined in Article 3.1, under the responsibility of a Programme Authorising Officer (PAO). The management of EU funds by the CFCU shall be subject to the provisions of this Memorandum and EU rules governing the use of external aid.

Article 3 - Tasks of the CFCU

2. *The technical issues of programme implementation will be the full responsibility of the authority responsible for implementing each individual programme (SPO).*

is replaced by

2. Under the overall supervision of the PAO, the technical issues of the programme will be the responsibility of the authority responsible for implementing each individual programme (SPO).

Article 3 - Tasks of the CFCU

f) Fund requests and management of account:

Preparation of requests for advance payments as set out in the Financing Agreement with the National Fund. Such requests are to be approved and certified by the PAO and sent to the National Authorising Officer for approval and certification prior to transmission to the European Commission.

Operation of an account for each Programme to be managed by the CFCU in accordance with the relevant Financing Agreement. The CFCU will be accountable for the operation of the account to the National Fund.

Maintaining, monitoring and arranging for replenishment of the bank accounts, based on the disbursement performances, reporting on a monthly basis on the status of the bank account; preparation of requests to the National Fund for advance payments.

is replaced by

Article 3 - Tasks of the CFCU

f) **Fund requests and management of account:**

Preparation of requests for funds as set out in the Financing Agreement with the National Fund. Such requests are to be approved and certified by the PAO and sent to the National Fund for approval by the National Authorising Officer.

Operation of an account for each Programme to be managed by the CFCU in accordance with the relevant Financing Agreement. The CFCU will be accountable for the operation of the account to the National Fund.

Maintaining, monitoring and arranging for replenishment of the bank accounts, based on the disbursement performances, reporting on a monthly basis on the status of the bank account; preparation of requests to the National Fund for funds.

Article 4 – CFCU Staff

Organigramme of the CFCU will be subject to the endorsement of the NAO, NAC and the Delegation. The Pao will ensure appropriate staffing of the CFCU with the approval of the NAC and the NAO. The Government of Turkey shall cover all staff costs without prejudice to Article 5.2 of this Memorandum of Understanding. The principles and procedures regarding the staff of the CFCU will be regulated within the framework of Turkish legislation.

is replaced by

Article 4 – CFCU Staff

The organigramme of the CFCU will be subject to the joint endorsement of the NAO and the European Commission Delegation in Turkey. The PAO will ensure appropriate staffing of CFCU under relevant regulations and approval of the NAO. The Government of Turkey shall cover all staff costs. The principles and procedures regarding the staff of the CFCU will be regulated within the framework of Turkish legislation.

Article 5 – CFCU Location, Facilities and Operational Cost

- 1. The CFCU shall be located at premises identified by the NAC and provided by the Turkish authorities. The premises shall comprise ample and adequate office space for the staff of the CFCU, including space for meetings, advisory support, training and visiting audit staff.*
- 2. The administrative, salary and all other operating costs of the CFCU shall in principle be covered by the national budget of the Turkish Government. In the initial start up phase and subject to an explicit agreement of the European Commission, some of these costs may however be financed from the national allocation for Turkey on a digressive basis over the three years (100% first year, 66% second year, 33% third year).*

is replaced by

Article 5 – CFCU Location, Facilities and Operational Cost

1. The CFCU shall be located at premises identified and provided by the Undersecretariat of Treasury. The premises shall comprise ample and adequate office space for the staff of the CFCU, including space for meetings, advisory support, training and visiting audit staff.
2. The administrative, salary and all other operating costs of the CFCU shall be covered by the national budget of the Turkish Government.

Article 9 - Payments

Once advance payments have been received in the bank account, the funds will be used to execute payment against invoices relating to EU funded contracts signed by the CFCU, after confirmation of the Implementing Authorities.

is replaced by

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Once funds have been received in the bank account, the funds will be used to execute payment against invoices relating to EU funded contracts signed by the CFCU, after confirmation of the Implementing Authorities.

ARTICLE 2

All other Terms and Conditions of the Memorandum of Understanding on the establishment of a Central Finance and Contracts Unit remain unchanged.

ARTICLE 3- OTHER PROVISIONS

CFCU shall be administratively linked to Treasury with all of its staff and assets under following provisions;

1. Real persons and civil servants whose technical and professional expertise are needed may be employed on a contractual basis in accordance with provisions of the Decree Law No. 631.
2. Civil servants who are offered a service contract by CFCU shall gain a no-pay-leave status from their original institutions without any further action on the date of signature of the service contract.
3. Details and the scope of such issues as the administrative relationship with Treasury, staffing, status of staff, remuneration of staff, and budget shall be regulated with an appropriate legal arrangement.

ARTICLE 4

This Addendum is drawn up in duplicate in English and shall enter into force on the date on which it has been signed by both parties¹.

On behalf of the European Commission

On behalf of the Republic of Turkey

Date:.....

Date:

Place:.....

Place: ANKARA

İbrahim H. ÇANAKCI
Undersecretary of Treasury

¹ Without prejudice to the ratification of the Addendum to the Memorandum of Understanding on the Establishment of the CFCU by the Turkish Grand National Assembly.