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1. INTRODUCTION¹

1.1. Context

Turkey has been linked to the EU by an Association Agreement since 1964 and a customs union was established in 1995. The European Council granted the status of candidate country to Turkey in December 1999 and accession negotiations were opened in October 2005.

Within the framework of accession negotiations, 14 chapters have been opened so far and one of these was provisionally closed. Preparations started for the opening of chapter 17-economic and monetary policy which would underpin the envisaged high level economic dialogue with Turkey. Opening benchmarks for Chapters 23 and 24 on the rule of law still need to be defined so as to provide Turkey with a roadmap for reforms in this essential area. Turkey can accelerate the pace of negotiations by advancing in the fulfilment of the benchmarks, meeting the requirements of the negotiating framework and by respecting its contractual obligations towards the EU

The EU and Turkey continued to enhance dialogue and cooperation in the areas of joint interest, which support and complement the accession negotiations, including with a number of mutual visits at the highest level. Political dialogue on foreign and security policy continued, including on counter-terrorism, against the background of Turkey joining the international coalition against Da'esh. Cooperation on visas, mobility and migration was pursued in the framework of the visa liberalisation dialogue launched in December 2013. Turkey continued to provide unprecedented humanitarian aid and support to about 2.2 million refugees from Syria and Iraq. A Joint EU-Turkey Action Plan for refugees and migration management was welcomed by the European Council in October. The Commission and Turkey agreed to step up cooperation on energy and launched a High Level Energy Dialogue. Developing further close economic ties was also a shared priority and both sides agreed to initiate procedures in view of a modernisation and extension of the Customs Union.

1.2. Summary of the report

As regards the **political criteria**, the pace of reforms slowed down, also due to protracted elections. The outgoing government made efforts to reinvigorate the EU accession process. However, this repeated commitment was offset by the adoption of key legislation in the area of the rule of law, freedom of expression and freedom of assembly that ran against European standards. The political landscape continues to be divided.

The 7 June general election saw a record 84% turnout, a clear sign of the strength of Turkish democracy with all major political parties being represented in the new parliament. However, a government could not be formed by the constitutional deadline and repeat elections took place on 1 November. Amongst the shortcomings in the legal framework regulating elections, the 10% threshold of votes for parties to be represented in parliament need to be addressed as a priority.

In the reporting period Turkey saw its security situation increasingly deteriorate. The authorities launched an extensive anti-terror military and security campaign against the Kurdistan Workers' Party (PKK), which remains on the EU list of terrorist organisations, both

¹ This report covers the period from October 2014 to September 2015. It is based on input from a variety of sources, including contributions from the government of Turkey, the EU Member States, European Parliament reports and information from various international and non-governmental organisations. As a rule, legislation or measures which are under preparation or awaiting parliamentary approval have not been taken into account.

in Turkey and in Iraq. The settlement process of the Kurdish issue came to a halt despite earlier positive developments on the issue.

Turkey was struck by the deadliest terrorist attack in its modern history, on 10 October in Ankara, claiming the lives of scores of demonstrators gathering for a peace rally sponsored by trade unions and opposition parties' youth branches. It is essential that swift and transparent investigations are conducted into these heinous acts which were aimed to destabilise and harm Turkey's democracy.

Turkey is moderately prepared in the area of public administration reform. It has a strong public service and is committed to a user-oriented administration. However, impetus for a more comprehensive reform is weak. Recent dismissals and demotions in the context of the fight against the 'parallel structure' were a source of concern.

Civil society has remained active, growing in numbers and continuing to be involved in many spheres of public life, but restrictions to freedom of assembly remain a serious concern.

Turkey's judicial system has some level of preparation. The independence of the judiciary and the principle of separation of powers have been undermined and judges and prosecutors have been under strong political pressure. The government's campaign against the alleged 'parallel structure' within the state was actively pursued, at times encroaching on the independence of the judiciary. Substantial efforts are needed to restore and ensure its independence.

As regards the fight against corruption, Turkey has some level of preparation to effectively prevent and fight corruption. Turkey's track record in the fight against corruption remains inadequate. Corruption remains widespread. The undue influence by the executive in the investigation and prosecution of high-profile corruption cases continues to constitute a major concern.

Turkey has achieved some level of preparation in the fight against organised crime. Financial investigations remain under-used. Precautionary freezing of assets is rarely applied and the level of assets confiscated is low. The absence of data protection legislation is an impediment for wider cooperation with EU agencies and Member States.

Turkey's Constitution guarantees the protection of human rights and fundamental freedoms. Implementation had considerably improved over the past few years. However, major shortcomings remain. The enforcement of rights stemming from the European Convention on Human Rights (ECHR) and the case law of the European Court of Human Rights (ECtHR) is not fully ensured. There is an urgent need to adopt a comprehensive framework law on combating discrimination in line with European standards. Turkey also needs to effectively guarantee the rights of women, children, and lesbian, gay, bisexual, transgender and intersex (LGBTI) individuals and ensure sufficient attention to the social inclusion of vulnerable groups such as the Roma.

There was significant backsliding in the areas of freedom of expression and freedom of assembly. Legislation on internal security contradicts the measures outlined in the March 2014 action plan on the prevention of violations of the ECHR by granting broad discretionary powers to the law enforcement agencies without adequate oversight. After several years of progress on freedom of expression, serious backsliding was seen over the past two years, with some level of preparation in this field. While it had been possible to discuss some sensitive and controversial issues in a free environment, ongoing and new criminal cases against journalists, writers or social media users are of considerable concern. Changes to the internet law, which are a significant setback from European standards, increased the government's powers to block content without a court order on an unduly wide range of grounds.

Turkey supported the resumption of the talks on the Cyprus settlement in May and expressed its support for the UNSG Special Advisor's efforts. Turkey's continued commitment and contribution in concrete terms to this comprehensive settlement remains crucial. However, Turkey has still not fulfilled its obligation to ensure full and non-discriminatory implementation of the Additional Protocol to the Association Agreement and has not removed all obstacles to the free movement of goods, including restrictions on direct transport links with Cyprus. There was no progress on normalising bilateral relations with the Republic of Cyprus. The conclusions on Turkey that were adopted by the Council (General Affairs and External Relations) on 11 December 2006 and endorsed by the European Council on 14/15 December 2006 remain in force. They stipulate that negotiations will not be opened on eight chapters² relating to Turkey's restrictions regarding the Republic of Cyprus and no chapter will be provisionally closed until the Commission confirms that Turkey has fully implemented the Additional Protocol to the Association Agreement.

Turkey needs to commit itself unequivocally to good neighbourly relations and to the peaceful settlement of disputes in accordance with the United Nations Charter, having recourse, if necessary, to the International Court of Justice. In this context, the EU has expressed once again serious concern and urged Turkey to avoid any kind of threat or action directed against a Member State, or source of friction or actions that damages good neighbourly relations and the peaceful settlement of disputes.

Regarding the **economic criteria**, the Turkish economy is well advanced and can be considered a functioning market economy. Economic growth has been moderate. Turkey continued to face external and internal imbalances, calling for adjustments in monetary and fiscal policies as well as an acceleration of comprehensive structural reforms. The large current account deficit continued to contribute to the economy's vulnerability to shifts in global monetary conditions and risk sentiment. On the internal side, inflation continued to run at a relatively high rate, which is problematic in terms of macro-economic stability, resource allocation and re-distributive effects. It again exceeded the official target; nevertheless the central bank cut interest rates. Public debt has attained a sustainable level, but the general government structural balance has been significantly negative. Unemployment increased slightly to an annual average of 9.9 %. Some progress was made in structural reforms such as improving schooling rates and further liberalising the energy sector. Such reforms need to accelerate to improve the functioning of the markets for goods, services and labour.

Turkey has a good level of preparation in acquiring the capacity to cope with the competitive pressure and market forces within the EU. The quality of education and gender equality in education needs particular attention. Efforts are needed to ensure the transparency of state aid and to remove constraints and exceptions in the area of public procurement.

Regarding its **ability to take on the obligations of membership**, Turkey has continued to align with the *acquis*, albeit at a slower pace, and has achieved a good level of preparation in many areas. Turkey is well advanced in the areas of company law, financial services, trans-European networks and science and research. The country has also achieved a good level of preparation in the areas of free movement of goods, intellectual property law, enterprise and industrial policy, customs union and external relations. Turkey remained highly mobilised to tackle the extraordinary migration and asylum challenges. Turkey has achieved a good level of preparation in the area of financial control. Further significant efforts are however needed to implement public internal financial control at all levels. Turkey is only moderately prepared on public procurement as important gaps remain in its alignment. Turkey is also

² Free movement of goods, right of establishment and freedom to provide services, financial services, agriculture and rural development, fisheries, transport policy, customs union, and external relations.

moderately prepared in the area of statistics where further significant efforts are needed across the board. In all areas, more attention needs to be given to enforce legislation whilst many areas require further significant progress to achieve legislative alignment with the EU *acquis*.

In the past year, events in Syria and Iraq meant Turkey had to face a further increase in the number of **refugees and displaced people**. Turkey is currently hosting the largest refugee population in the world, of which close to 2 million are Syrians. Managing such a huge influx of refugees and displaced persons is a major challenge for Turkey, which has already spent more than EUR 6.7 billion to this purpose.

2. POLITICAL CRITERIA AND ENHANCED POLITICAL DIALOGUE

2.1. Democracy

Elections

The 7 June general election saw a very high 84 % turnout, a clear sign of the strength of Turkish democracy. All major political parties won seats in the new parliament. Fundamental freedoms in the election period were generally respected but a substantial number of attacks on candidates and party offices took place. The President's active role in the campaign, perceived as favouring the ruling party, and the increased pressure on the media gave cause for concern. A government could not be formed and repeat elections took place on 1 November, again with a very high turnout of 85 %. All major political parties re-won seats in the parliament with the ruling party securing enough votes to form a majority government. The security of the repeat election was ensured despite concerns due to the situation notably in the east and southeast of the country. Media freedom remained an area of serious concern. Shortcomings in the legal framework regulating elections need to be addressed as a priority, particularly the 10 % threshold of votes to be represented in parliament.

The general election took place on 7 June. The 550 members of parliament were elected for a four-year term under a proportional representation system. All four major parties won representation in the new parliament. The ruling Justice and Development Party, AKP, obtained 40.87 % (258 seats); the main opposition Republican People's Party, CHP, 24.95 % (132 seats); the Nationalist Movement Party, MHP, 16.29 % (80 seats); and the Peoples' Democratic Party, HDP, 13.12 % (80 seats). HDP competed for the first time as a party, instead of putting forward independent candidates. It succeeded in reaching out beyond its core voters to pass the 10 % national threshold necessary to obtain seats in parliament, the highest such threshold among Council of Europe member countries. Civil society played a valuable role in monitoring the electoral operations.

The campaign was confrontational and focused on a possible shift to a presidential system of governance, the Kurdish peace process and socioeconomic issues. Fundamental freedoms were generally respected. However, a high number of attacks on candidates and party offices took place, some resulting in fatalities. According to international observers, the involvement of the President was perceived as favouring the ruling party and as overstepping the President's constitutional prerogatives. The use of public resources to support the AKP campaign was criticised. The media faced increased pressure and intimidation, which contributed to self-censorship. Concerns were raised over the transparency and independence of the Radio and Television Supreme Council (RTÜK) and the transparency of the election administration, in particular the lack of judicial remedy in election matters.

A government could not be formed by the constitutional deadline and repeat elections took place on 1 November, again with a very high turnout of 85 %. Reported results show that the

AKP obtained 49.5 % (317 seats), CHP 25.3 % (134 seats), MHP 11.9 % (40 seats) and HDP 10.8 % (59 seats). The ruling AKP secured enough votes to form a majority government. The atmosphere of the campaign was affected by a challenging security environment, in particular the terrorist bomb attack in Ankara on 10 October. There were the increased tensions across the country which included attacks on media outlets and on party members, offices and campaign staff. According to international observers, citizens could choose between genuine and diverse political alternatives, however the campaign environment limited the ability to campaign freely and media freedom was an area of serious concern. Adopting a legal basis for international and domestic election observers would increase trust in the electoral process. Campaign financing is not regulated in a comprehensive manner, limiting the transparency and accountability of the process.

Parliament

Political confrontation ahead of the general election continued to hamper parliament's work. The parliament in office after the 7 June election convened only exceptionally as elections were repeated on 1 November. There was no progress in aligning the legal framework on political parties and parliamentary immunity with European standards. A comprehensive reform of parliament's rules and procedures is also needed to improve the inclusivity, transparency and quality of law-making and effective oversight of the executive. Structured civil society consultation arrangements should be developed as part of the legislative and policy-making processes. The new parliament needs to give priority to addressing these long-standing shortcomings.

The system of **parliamentary immunity** lacks specific and objective criteria for taking decisions on lifting immunity. Such decisions should be based on the merits of the case and not subject to political considerations. A restrictive interpretation of the Constitution and shortcomings in anti-terror legislation continue to pose a risk to the freedom of expression of members of parliament (MPs).

Legal framework on elections and political parties needs to be aligned with European standards. The election requirement that a party must obtain at least 10 % of valid votes to be represented in parliament is still in place. The rules on the closure of political parties are unchanged. There are important shortcomings on funding for political parties and election campaigns (see *Fight against corruption*). Comprehensive ethical regulations for members of parliament, such as declaration of assets and rules on conflict of interest, are yet to be adopted.

Parliament's ability to perform its key functions of **law-making and oversight of the executive** continued to be dominated by political confrontation and several plenary debates were marred by incidents. Key laws were most often prepared and adopted without sufficient consultation with stakeholders and debate in parliament. Drafts with significant impact on fundamental freedoms were not referred to the committee on human rights or to the committee for EU harmonisation. Omnibus laws were again widely used to amend legislation in unrelated policy fields. The absence of a stable and forward-looking agenda hampered the involvement of MPs and stakeholders. Media accreditation and rules for inviting stakeholders were applied selectively, limiting the transparency of parliamentary work. There was no progress on reforming the parliamentary rules and procedures to improve the inclusiveness, transparency and quality of law-making. Traditional instruments of parliamentary oversight of the executive, including parliamentary questions and investigative committees, were frequently used. However, the effectiveness of these instruments remained limited as the follow-up by the executive was generally insufficient. The work and reports of parliamentary investigative committees received good media coverage, but a court decision prohibited

media from reporting on the outcome of the investigative committee on allegations of high level corruption cases.

The parliament in office after the 7 June election convened only exceptionally as elections were repeated on 1 November.

There was no improvement in parliament's **oversight of public spending**. Scrutiny of public expenditure remained superficial in the absence of a specialised committee with technical expertise to follow up reports from the Turkish Court of Accounts.

Governance

A government could not be formed after the 7 June election and an interim government took office in the run up to the repeat election. The outgoing government made efforts to reinvigorate the EU accession process, which needs to be pursued with renewed determination. The outgoing government's campaign against the alleged 'parallel structure' within the state was actively pursued, at times encroaching on the independence of the judiciary. The President remained engaged in a wide range of domestic and foreign policy issues which led within Turkey to criticism that he was overstepping constitutional prerogatives. The Kurdish peace process effectively came to a halt in the wake of a resurgence of violence by the PKK leading to an extensive governmental response. It is imperative to resume the Kurdish peace process as a matter of urgency.

In his first year as Turkey's first directly elected **President**, Recep Tayyip Erdoğan remained actively engaged in key domestic and foreign policy issues. His priorities included the adoption of a new constitution setting up a presidential system of governance and fighting against the alleged 'parallel structure' within the state under the influence of the Gülen Movement. On several occasions the President publicly challenged other institutions, notably the judiciary and the central bank. He made a number of statements against the media or other forms of expression. The opposition criticised the President for overstepping his powers, in particular for not keeping to the traditional conciliatory role assigned by the Constitution. A **government** could not be formed after the 7 June election and an interim government took office on 30 August in the run up to the repeat election. In the period before the elections, the outgoing government led by Prime Minister Davutoğlu maintained continuity in key policy areas and put emphasis on the EU accession process. It implemented its communication strategy, including by holding a series of consultations with civil society across Turkey. Only a few reforms were introduced, and several pieces of legislation that were adopted, such as the internal security package, were not meeting key European standards.

After initial positive developments in settling the Kurdish issue, the peace process effectively came to a halt in July, in the wake of a resurgence of violence by the PKK and the government's extensive response that followed. The government holds a key responsibility to create the conditions for the resumption of the peace process (see *Situation in the east and south-east*).

The fight against the alleged 'parallel structure' was formally included in the governmental programme and in the agenda of the National Security Council. Significant reassignments and dismissals in the police, civil service and judiciary continued (see also *Public administration reform*). Members of the executive made public statements on the ongoing judicial investigations targeting members of the alleged 'parallel structure', thus interfering with the independence of the judiciary. These judicial investigations expanded significantly, with charges ranging from illegal wiretapping and espionage to belonging to an armed terror organisation. Any such allegation needs to be examined with due respect for the separation of

powers and the independence of the judiciary. Transparent procedures and due process need to be applied in line with the Constitution.

Regarding **local government**, fiscal decentralisation remains limited despite the 2012 amendment to the Law on Metropolitan Municipalities, which extended the scope of municipalities' powers. Municipalities need the necessary financial resources to carry out the responsibilities transferred to them.

The **Ombudsman** was active and has built up its capacity of handling ordinary cases of maladministration. In 2014, it took decisions on 89 % of 7 167 complaints received. In 2015, the caseload increased sharply, reaching 25 000 at the end of August. Public administration improved its follow-up on the Ombudsman's recommendations to 38 % in 2014 from 24 % in 2013. The Ombudsman lacks *ex officio* powers to initiate investigations and to intervene in cases with legal remedies. The institution was not involved in cases of human rights' violations in the east and south-east.

The legal framework insufficiently protects Turkey's eight independent **regulatory authorities** from undue political interference. Their work needs to become more transparent.

Civil society

Civil society has remained active, growing in numbers and continuing to be involved in many spheres of public life in Turkey, including electoral monitoring. Some progress was made in improving cooperation between the government and civil society organisations. The authorities have continued their engagement, albeit to a lesser degree, with organisations focused on human rights. Systematic and inclusive mechanisms for consulting civil society need to be put in place, notably on new legislation. The legal, financial and administrative environment needs to be more conducive to the development of civil society.

An empowered civil society is a crucial component of any democratic system and should be recognised and treated as such by the state institutions. There are good examples of interaction between the authorities and civil society, including preparation of the Tenth National Development Plan (2014-2018) and four well-attended meetings across the country focusing on EU issues. The EU-Turkey Civil Society Dialogue programmes have now involved more than 1 650 Turkish civil society organisations (CSOs) with their counterparts in the EU. The programmes contribute to the development of civil society and enable greater recognition of CSOs at the local level.

However, in the absence of structured arrangements for their participation, CSOs have frequently not been able to take an active part in the policy and legislative processes. Systemic problems, such as restrictions on registering and the procedures for the authorisation and functioning of associations, need to be addressed. A number of CSOs have also continued to see their regular operations challenged through court closure cases, penalties, restrictions or discriminatory practices by public authorities. Restrictions on freedom of assembly remained a problem for segments of civil society (see *freedom of association* and *freedom of assembly*). In some cases the activities of human rights defenders were also subject to penalties, investigations and court cases.

Current legislation, including tax rules, is not conducive to stimulating private donations to CSOs. Civil society remains financially vulnerable and dependent on public project grants. At the same time, public funding has not been sufficiently transparent.

Civilian oversight of the security forces

The situation in this area remained stable, without undue interference in politics by the military. Civilian oversight of the law enforcement duties of the gendarmerie was widened. The military and intelligence services lack accountability in parliament.

In the reporting period, the armed forces did not exert any undue influence on politics and abstained from commenting on political issues beyond their professional remit. The Supreme Military Council, composed of civilian and military leaders, appointed a new Chief of the General Staff and force commanders. The Chief of the General Staff continued to report to the Prime Minister rather than to the Minister of Defence. In March 2015, a High Criminal Court acquitted all defendants in the re-trial of the ‘Sledgehammer’ case of an alleged coup plot. The judicial investigation into the 28 February ‘postmodern coup’ of 1997 continued.

The parliamentary security and intelligence committee continued to have a very limited oversight mandate. The legal framework for overseeing military expenditure is yet to be improved. Access to audit reports from the Turkish Court of Accounts on security, defence and intelligence agencies remains constrained. On the positive side, the internal security package widened civilian oversight of the law enforcement duties of the gendarmerie. The authority to appoint, suspend and supervise gendarmerie personnel in the provinces was transferred from the Gendarmerie General Command to the Ministry of Interior. The Law on Provincial Administrations still provides for the involvement of the armed forces in domestic security operations without civilian oversight.

2.2. Public administration reform

Turkey is **moderately prepared** with the reform of its public administration. **Some progress** was made in the past year, mainly with service delivery to citizens and businesses, thanks to a strong commitment to a user-oriented administration.

Turkey benefits from a strong public service and administrative capacity. However, political and administrative engagement for a more comprehensive public administration reform remains a challenge. Recent dismissals and demotions in the context of the fight against the ‘parallel structure’ were a source of concern. In the coming year, Turkey should in particular:

- focus on more coordinated management of human resources, including introduction of a modern and integrated information system and more transparent procedures for recruitments, promotions and dismissals to safeguard merit-based principles;
- start to develop and systematically implement impact assessments to support policy- and law-making;
- allocate more funding to support strategic plans and legislative proposals.

Public service and human resources management

Turkey’s public service is regulated by the Law on Civil Servants which establishes several categories of civil servants covered by specific legal acts. **Recruitments and promotions** are in principle **merit-based** following mandatory centralised entry examinations. However, concerns remain as regards the application of the merit-based principle to senior management positions. As there is possible political influence during the oral interview phase of the entry examination and as a high number of employees have been converted into permanent civil servants without entry examinations, the credibility of the system is undermined. Female representation has slightly increased, reaching 36.5 % in the civil service and 9.7 % at senior management level in 2015. The 3 % quota for disabled persons could not be filled and more than 24 000 such posts remained vacant. Merit-based principles for **dismissals** have been legally established and procedures are in place to allow dismissed civil servants to appeal.

However, the recent dismissals and demotions of a significant number of civil servants in managerial positions on grounds of alleged participation in the ‘parallel structure’ within state institutions are a source of concern.

The State Personnel Administration, under the supervision of the Ministry of Labour and Social Security, has the central coordination responsibility for the **management of human resources**. However, it lacks the coordination and monitoring capacity to ensure that modern human resources management standards are systematically implemented. Human resources management units are in place in various services, but implement different approaches. A modern human resources management information system providing real-time data on the civil service is necessary to ensure efficient overall management of the civil service. The civil service **remuneration system** is regulated according to the principle of equal pay for equal work. In practice, however, there are some flaws when it comes to transparency. Training strategies and plans are in place to ensure **professional development** of civil servants, but they could be further improved.

Turkey has established an ethics board for civil servants in the Prime Ministry and has set up ethics committees in public authorities to foster **integrity in the civil service**. The Criminal Code criminalises active and passive bribery, corruption and abuse of office. Disciplinary procedures are regulated in the Law on Civil Servants. However, there are no integrity plans in place. In addition, the existing system of asset declaration and disclosure, conflict of interest and post-employment of civil servants fails to actively promote integrity in the civil service.

Policy development and coordination

Turkey has the legal and institutional structure in place to ensure a consistent **policy-making system**, including on European integration. Policy coordination among central government units is generally strong. However, there is no coordinated annual planning and monitoring of whole-of-government performance. Sectoral strategies are not developed in a uniform manner and they are not systematically costed, therefore potentially jeopardising their implementation, in case budgetary needs have been underestimated.

Current arrangements partially ensure that **policy and legislative development** is **inclusive and evidence-based**. Ministries have well-developed capacities with dedicated policy and legal units. The Ministry for European Affairs, in coordination with the Directorates-General for EU Affairs in relevant ministries, has developed a well-functioning system to steer alignment with the *acquis*, the body of EU law. A regulatory obligation exists for inter-ministerial and public consultations on draft policies and legislation, but in practice public consultations are neither systematically organised nor monitored. Regulatory impact assessments are also not systematically carried out, despite the legal requirement. Financial impact assessments are not generally published for strategy documents. Ensuring the quality and uniform application of impact assessments is a key challenge.

Public scrutiny of government work is weak and parliamentary scrutiny suffers from the limited capacity of the parliamentary committees. The oversight role has been weakened by the government’s slow response to parliamentary questions.

Accountability of the administration

The state administration is organised in a hierarchical and rational way. Ministries report to the Council of Ministers and constitutional bodies to the parliament. Public agencies have clearly established **lines of accountability** to their parent institutions. State institutions are required to submit annual accountability reports on the use of resources to achieve targets. These reports are, however, not specifically followed up by the Council of Ministers.

Regarding lines of accountability within institutions, there is a culture of managerial accountability and delegation of responsibilities (see *Chapter 32*). Legal privileges granted to public officials, notably the requirement for prior authorisation from their administrative hierarchy, continue to protect public officials from criminal and administrative investigations.

The relevant internal and external oversight arrangements are in place to ensure the **citizens' right to good administration**. The Ombudsman's active approach in this area is a positive development. In 2014 the administration improved its follow-up of the Ombudsman's recommendations (See *Governance*). The **right to access public information** is regulated by the law on the right to information. Broad exemptions are, however, allowed on the grounds of protecting state secrets, commercial secrets and personal data. There is no central body or independent commissioner to oversee the implementation of the law.

The **right to administrative justice** and fair treatment is regulated in the Code of Administrative Procedures. Administrative disputes are dealt with by the administrative courts, tax courts, regional administrative courts and the Council of State. The efficiency of administrative courts is considered to be high. The Constitution ensures public liability and the **right to seek compensation**, but practical application is difficult to assess since no institution is responsible for collecting the relevant data.

Public financial management

Turkey has pursued reforms in various public finance areas, but there is no overarching **public financial management reform programme** that would better ensure sequencing of these reforms. The annual budget is prepared as part of the medium-term budgetary framework. Overall fiscal discipline is ensured despite the absence of an independent fiscal council. The main elements for ensuring **budget transparency** are in place as the annual financial report includes full information and is made available to parliament on time. Since January a new accounting regulation aims to improve financial reporting during the year and provides a new format for end-of-year reporting. Revolving funds are a specific cause of concern as they are not included in the annual budget process or in the Treasury single account.

Service delivery to citizens and businesses

Turkey has a strong commitment to a **user-oriented administration**, in particular by expanding e-government services. The number of services provided through the e-government gateway has doubled over the past two years. At the end of 2014 a quarter of the population was using the e-services, and public satisfaction rate with them is high. General access to public services is good but disabled persons' access to public services, including public buildings, remained low.

In the absence of a law on general administrative procedures, the legal framework on administrative procedures is very fragmented. Further efforts are needed to **simplify administrative procedures**.

Strategic framework for public administration reform

Turkey has no overarching **strategy for public administration reform** but several planning documents, especially the 10th development plan, its 2014 annual programme and the strategic plans of the institutions, cover a number of relevant areas. **Political support** and administrative impetus for a more comprehensive reform agenda are a challenge. There is no cross-cutting system for monitoring and reporting on the planning documents, since management of public administration reform is highly decentralised and the department in the

Prime Ministry responsible for strengthening the administration lacks sufficient coordination mandate and capacity.

Financial sustainability of the overall public administration reform is not ensured, as the key planning documents do not specify the expected costs. They are also not reflected in the medium-term expenditure framework.

2.3. Rule of law

Functioning of the judiciary

Turkey's judicial system reached **some level of preparation**. Between 2007 and 2013, the judicial system had achieved significant improvements, related to its independence, the quality of trials, juvenile justice, a substantial reduction in use of police custody, more limited use of pre-trial detention, and respect for human and fundamental rights, including abiding by the case law of the European Court of Human Rights (ECtHR). Turkey also worked towards making the judiciary more efficient, achieving some real successes such as wider use of information and communication technologies.

However, there has been **no progress** since early 2014. The independence of the judiciary and respect of the principle of separation of powers have been undermined and judges and prosecutors have been under strong political pressure. In the coming year, Turkey should in particular:

→ create a political and legal environment that allows the judiciary to perform its duties in an independent and impartial manner, with the executive and legislature fully respecting the separation of powers;

→ limit the role and influence of executive power within the High Council of Judges and Prosecutors and provide sufficient guarantees against transfers of judges against their will;

→ introduce further safeguards against any interference by the High Council of Judges and Prosecutors in judicial proceedings.

Strategic documents

A revised judicial reform **strategy** was adopted in April 2015. The strategy targets the main shortcomings of the judicial system. However, it is a very general planning document, specifying lead institutions and broad timelines, but providing only limited detail on envisaged steps and actions and no assessment of budgetary implications.

Management bodies

The High Council of Judges and Prosecutors (HSYK) is the key institution managing the judiciary. It is responsible for **appointing**, transferring, promoting, suspending and **dismissing** judges and prosecutors, as well as for dealing with **disciplinary** issues. The Council also renders final decisions on Ministry of Justice proposals to abolish a court or change a court's jurisdiction. 15 of the HSYK's 22 members are chosen from among judges and prosecutors. The Council independently administers a **budget** of EUR 12.5 million. HSYK is supported by a well-staffed office led by a Secretary-General. However, annual reports, minutes of meetings and other relevant documents are not published.

Between 2007 and 2013 the process of judicial reform in Turkey has progressed towards implementing European standards of effectiveness, independence and impartiality. The most important building block was the reform of the HSYK in 2010. However, following legislative changes in 2014 and personnel changes in the Council, the executive reasserted its influence over the Council. As *ex officio* members, the Minister of Justice, acting as president

of the Council, and his Undersecretary play an extensive role in the work of the HSYK, particularly on disciplinary issues and transfers. The 2014 legislation also gave the Minister increased powers to appoint the **staff** of the Council's secretariat. More **transparency** in the work of HSYK and its strict adherence to procedures are needed to strengthen its credibility and trust in the judiciary.

Independence and impartiality

Judicial independence and impartiality are enshrined in the Constitution and the law. On the basis of the existing legislation, an electronic system **allocates cases** to the courts and judges which is though not entirely **random**. However, in practice, there are numerous reports of selective justice and political interference in court cases. Representatives of the executive have continued to publicly undermine the credibility of the judiciary as a whole.

The strong role of representatives of the executive in the HSYK raises concerns about the Council's independence. Decisions to launch disciplinary proceedings against judges and public prosecutors, as well as the annual routine inspection schemes, require approval by the Minister of Justice who, as *ex officio* president of the Council, supervises the inspection board. The Minister's power, again as *ex officio* president of the Council, to appoint the personnel of the Council secretariat also undermines the Council's independence. There are important limitations to the principle of **immovability** of judges. Accusations of conspiracy by the executive in the fight against the 'parallel structure' led to a high number of judges being transferred against their will in the past two years. With the exception of dismissals, HSYK decisions such as transfers of judges against their will are not open to judicial review. A number of disciplinary and criminal cases against judges and prosecutors have lacked due process, and in some instances have been based on their rulings. This contradicted basic principles of the rule of law and considerably undermined the independence of the judiciary. (See Chapter 23)

Accountability

There is no **code of ethics** for judges and prosecutors. Lawyers have to abide by the professional principles of the Union of Turkish Bar Associations. Integrity training is part of the curriculum for initial training but is not a criterion in the initial selection and nomination process, or in the appointments to senior positions. The HSYK inspection board is the authority responsible for launching disciplinary proceedings and for taking decisions on **disciplinary and ethical matters**. In 2013, 2014 and 2015, respectively, 13, 6 and 9 judges and prosecutors were dismissed. All judges/judges of High Courts, including members of HSYK, have to **declare their assets**.

Professionalism and competence

Candidates to become judges and prosecutors are **recruited** through a combination of a written examination and an interview. The interview is conducted by a board of seven members. Currently, five of them are senior officials of the Ministry of Justice and the other two come from the Justice Academy. The HSYK does not play any role in this process.

The HSYK exercises the power to **appoint** and transfer judges and public prosecutors. The Undersecretary of the Ministry of Justice has full voting rights on these issues. The HSYK is also responsible for **evaluating** the performance of and **promoting** judges and prosecutors. Assessment criteria for the promotion process are published in the Official Gazette. The HSYK can also **dismiss** a judge or prosecutor from his profession following a specified procedure. The dismissed judge or prosecutor has the right to appeal to judicial bodies. However, there have been numerous cases of dismissals being processed hastily.

Quality of justice

Pre-service and in-service **training** of candidate judges and prosecutors is given by the Justice Academy. The executive appoints the President of the academy and deputies, following the 2014 February legislative changes. There is no strategy for developing systematic training for legal practitioners and increasing the capacity of the academy.

With 11.9 professional judges and 6.2 prosecutors per 100 000 inhabitants and a **budget** of EUR 3.2 billion in 2015, representing 0.5% of GDP and 42 € per inhabitant, the judiciary's human and financial resources in 2015 seem proportionate to the challenges.

Mediation and other various alternative dispute resolution mechanisms are in place but are only marginally used. Overall, the quality of judicial decisions has improved in recent years, but the weak reasoning and poor quality of certain indictments – without appropriate selection and assessment of relevance of evidence to support the case – remain a serious criminal justice issue (e.g. in terrorism-related cases). Consideration is being given to establishing a court of appeals, which would help ensure consistency of case law.

Courts across the country tend to have modern **ICT** equipment. In most courts, cases are assigned through an automated IT system which offers lawyers and parties protected access to important information about judicial proceedings, and is used for the purpose of statistical reporting. Turkey has observer status in the European Judicial Training Network (EJTN). However, Courts do not issue regular activity reports.

Efficiency

In general, the Turkish judicial system has the capacity to handle the caseload it receives. In 2012, the **backlogs** of civil, criminal and administrative cases were reduced, with a **clearance** rate, at first instance, at 116% for civil cases, 127% for administrative cases and 108% for criminal cases. However, comparable data for the years 2013 and 2014 are not available and this positive trend cannot at present be confirmed. The heavy and increasing workload of the court of cassation supports the ongoing reflection on creating an appellate court system. The issue of **length of proceedings** has been a long-standing problem in the Turkish judiciary. Additionally, public authorities' disrespect towards some court rulings has also a negative impact on their enforcement.

Reflecting the size of the country, the judicial network is complex. There is a sufficient number of support staff but no human resources management strategy exists.

Fight against corruption

Turkey has reached **some level of preparation** in the fight against corruption. **No progress** has been achieved in the past year, in the absence of legislative developments on public transparency. Corruption perception remains widespread. The legal and institutional framework that allows undue influence by the executive in the investigation and prosecution of high-profile corruption cases constitutes a major source of concern. Turkey does not have an independent anti-corruption body. A broad political consensus is required to tackle corruption properly. In the coming year, Turkey should in particular:

- strengthen the independence of prosecution and law enforcement agencies in high-level corruption cases;
- adopt legislation ensuring deterrent sanctions for corruption offences and ensure their effective enforcement;

→ adopt an updated anti-corruption strategy and action plan setting out a clear vision and selecting a realistic number of priorities to tackle corruption effectively as well as establish an independent anti-corruption body in line with UNCAC provisions.

Track record

The track record of **investigations, prosecutions and convictions remained inadequate**. This was particularly true of high-level corruption cases implicating political figures. Prosecutions in such cases, including the Deniz Feneri case and the December 2013 corruption investigations, resulted in no convictions. Serious concerns remain over the effectiveness of these investigations due to interference by the executive. Political authorities should ensure law enforcement bodies are fully empowered to act effectively and impartially when investigating corruption allegations.

A total of 279 574 corruption investigations were conducted in 2014, leading to 64 239 convictions. Public procurement — in particular concessions and public and private partnerships — as well as land administration, energy, construction and transportation remain particularly vulnerable to corruption.

Financial investigations are not conducted systematically in cases of corruption and organised crime. The freezing of alleged criminal assets as a protective measure continued to work effectively. The number of corruption cases in which criminal assets were **confiscated** increased from 11 048 in 2013 to 12 324 in 2014. The level of detection and investigation of foreign bribery offences remained limited. With few exceptions, sentences are not deterrent and courts defer judgments on major corruption offences.

Political influence on judges and prosecutors and other law enforcement officers was a serious cause of concern as politicians continued to frequently publicly criticise and exert pressure on ongoing corruption investigations. This was exemplified by the removal, suspension or subsequent prosecution of judges, prosecutors and law enforcement officers, in particular those who led the 17-25 December 2013 corruption investigations and the Deniz Feneri case.

The Constitutional Court was systematically late with its decisions on external financial audits, publishing its financial audit decisions on AKP and CHP 2010 accounts only in December 2014 (see also *Chapter 23- Judiciary and fundamental rights*). In the past five years no political party has been referred to the Public Prosecutor for violating the **party financing** provisions of the Law on Political Parties.

The existing system of **asset declaration** and verification has limited scope and asset declarations are not made public. In 2014, nine public officials were convicted and 42 acquitted on charges of illicitly acquiring or concealing property. One judgment was deferred. Turkey still needs to establish a proper asset disclosure and **conflict of interest mechanism**. **Whistle-blowing** is rare given the inadequate protection provided by the current law.

The track record of **access to information** is positive. In 2014, only 2.7 % of requests for access to information were refused, against 3.4 % in 2013. The share of appeals refused by the Board of Review of the Access to Information fell from 50.6 % in 2013 to 36.3 % in 2014. However, at just a quarter of the population, public awareness of the right to information remained low. Protection of state secrets, commercial secrets and individual privacy were the most common grounds for refusing information requests.

Institutional framework

On **prevention of corruption**, an independent anti-corruption body has not been established yet. The inadequate policy coordination among the various institutions in charge of preventing corruption constitutes a major impediment to the effectiveness of the anti-corruption policy. The Prime Ministry Inspection Board coordinates preventive anti-corruption measures. However, the board lacks both independence and *ex officio* investigation powers. The Prime Ministry Communications Centre (BIMER) continued to act as the primary body for receiving corruption and maladministration complaints. In 2014 alone, the centre received more than 460 000 complaints, 95 % of which were submitted online or via a hotline. Anti-corruption awareness-raising campaigns have not been conducted on a systematic basis. The Ombudsman remained silent on corruption. No comprehensive policy is in place yet to fight corruption in the private sector.

As regards **the law enforcement and prosecution side**, the country lacks a specialised court and prosecution service designated by the Supreme Board of Judges and Prosecutors (HSYK) with the permanent authority to deal with anti-corruption investigations. In addition to the lack of independence of the HSYK and law enforcement officers, the existing legal framework prevents effective anti-corruption investigations. Information-sharing between police and the Financial Intelligence Unit is automated and electronic access to databases by the relevant agencies is broadly in place.

Legal framework

Although passive and active bribery are defined in the Criminal Code, the definition of the latter is not in line with the recommendations of the Group of States against Corruption (GRECO). The legislation on political party and electoral campaign financing is deficient. The parliamentary elections in June and November 2015 took place in a legal and institutional context in which individual persons such as party candidates and independent candidates were not subject to any of the transparency requirements that apply to political parties. Due to numerous exceptions allowed by the public procurement law, public tenders remain particularly vulnerable to corruption. In the Penal Code as amended in 2013, penalties imposed for bid-rigging are not deterrent and suspects convicted of tender-rigging charges can benefit from deferred judgments. These were applied to 572 convicts in 2014. Anti-corruption legislation is inadequate to prevent, prosecute and penalise conflicts of interest effectively and to ensure that asset declarations become an effective tool in the fight against corruption. The penalties for these offences are not deterrent and enforcement remains weak. Turkey has no legislation governing lobbying. Frequent changes to protective measures in the Criminal Procedures Code, such as legal limitations on probation, arrest, search and confiscation, hamper the effectiveness of investigations.

Turkey is party to the **UN Convention against Corruption** and has criminalised the unfair acquisition of property by public officials. The first implementation review was published in June. The country signed and ratified the relevant Council of Europe anti-corruption conventions and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. However, the OECD's Foreign Bribery Report published in December 2014 expressed concern over Turkey's limited enforcement of the foreign anti-bribery legislation.

Strategic framework

The initial objectives set out in the 2010-2014 anti-corruption strategy and action plan have not been met in the absence of legislative developments on public transparency. The initial action plan highlighted a total of 28 preventive, enforcement and awareness-raising measures. Initial objectives such as revising the legislation on state and trade secrets, public procurement and the permission system in investigations related to public officials have not been addressed

so far. Civil society has participated only marginally in the implementation of the strategy. There was no transparency in the work of the working groups as reports on their work are not public. Turkey has not updated its anti-corruption strategy or action plan.

Fight against organised crime

Turkey has achieved **some level of preparation** in the fight against organised crime. **Some progress** has been made over the past year to increase investigation capacity and adopt and implement new strategies in the field.

However, statistics on the number of final convictions and other important indicators are not available. Financial investigations remain under-used. Precautionary freezing of assets is rarely applied and the level of assets confiscated is low. In the coming year, Turkey should in particular:

- adopt sound data protection legislation in line with European standards to create the conditions for efficient and effective international police and judicial cooperation, including with Europol and Eurojust;
- take measures to improve its track record, in particular by dismantling criminal networks and confiscating criminal assets;
- collect and use appropriate aggregate statistics to facilitate threat assessment, policy development and implementation.

Track record

There are no statistics available for final convictions for serious and organised crime. Police carried out 61 operations in 2015 compared with 65 in 2014 and almost the double in 2013 for illegal possession of guns. The number of arrested suspects was 69, substantially less than in previous years (129 in 2014 and 653 in 2013). The number of migrants' smugglers in 2014 was 803, most of them (624) of Turkish nationality. The number of suspicious transaction reports submitted to the Financial Crimes Investigation Board was 36 483 in 2014 compared with 25 592 in 2013; those on terrorism financing was 1 159 in the first semester of 2015 and 744 in 2014. There are no available statistics on trafficking in human beings, investigations and convictions for money laundering, precautionary freezing of assets during the initial phase of investigations or confiscation of criminal assets. The Turkish law enforcement authorities detained 117 686 suspects in 2014 in relation to 77 664 drug related crimes.

Institutional and operational capacity

Turkey has 432 768 police officers which corresponds to 557 per 100 000 inhabitants. Initial and in-service training is provided by the police academy. However, its capacity to provide specialised training is limited.

Specialised units are in place to combat terrorism and trafficking in human beings, drugs and cybercrime, and for witness protection and financial investigations. Specialisation and effectiveness need to be developed through training and retention of staff in the respective units. The general level of police equipment is good in terms of vehicles, radio communication systems, software, hardware and premises. However, as part of the government's response to anti-corruption allegations in December 2013, the national police faced a high number of staff changes and reassignments as well as arrests and suspensions, which have impacted on the effective functioning of the relevant institutions.

The various law enforcement agencies have numerous databases, for example on passports, human trafficking and gun licences. However, clear procedures governing mutual access and data sharing are lacking. Further specialisation of courts to deal with organised crime is needed. Inter-agency cooperation on the ground needs to be improved. An operational **agreement with Europol** is not in place due to the lack of data protection legislation in line with European standards. This is despite Turkey having concluded a strategic cooperation agreement with Europol in July 2004. International cooperation needs to be stepped up. There have been only a few cases of successful international cooperation on asset confiscation in the past five years despite requests for assistance in many cases.

Since a Law on **Witness Protection** was adopted in January 2008, witness protection units have been established under the national police and Gendarmerie General Command in 78 provinces. A Witness Protection Board composed of 11 officials decides whether to launch protection measures. The witness protection law is applicable to crimes punishable by solitary confinement for life, life imprisonment and imprisonment for 10 years or more, as well as crimes committed as part of a criminal organisation as defined in the Penal Code and other laws with criminal provisions. There were 185 people enrolled in the witness protection scheme. The police and judiciary have signed a memorandum of understanding; however, their respective roles need to be defined more clearly to improve coordination.

In the **fight against cybercrime**, Turkey established a 24/7 contact point in the national police in line with the Council of Europe Convention on Cybercrime ratified in May 2014. Turkey signed the Council of Europe Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data in January 1981 but has yet to ratify it. An amendment to the internet law in March 2015 allowing the Telecommunications Communications Presidency to remove or block access to content within four hours without a court order is a matter of concern (*see also political criteria and Chapter 23 on Judiciary and fundamental rights*).

A National Cyber Security Council including senior representatives from relevant ministries and institutions has been set up. The Council has been tasked with developing a national policy to counter the cybercrime threat and, in particular, to defend key strategic assets and raise public awareness. The strategy and action plan on cyber security (2013-2014) are currently being updated, with the Ministry of Transport coordinating.

A financial intelligence unit is in place within MASAK, the Financial Crimes Investigation Board. The number of suspicious transactions analysed by the board has been rising every year. The board has increased the number of investigation staff and is upgrading its IT infrastructure. Currently, it collects crime statistics on an annual basis. Information on suspicious transactions is used to help improve threat assessments and the development of national policies and strategies.

Legal framework

The Criminal Code is largely in line with the *acquis* covering specific types of crimes. A number of shortcomings in the investigation phase need to be addressed, including the timeline and detailed arrangements for using special investigation measures. The investigative powers of the border police and customs remain very limited and highly dependent on the police. The law on confiscation of criminal assets is partially in line with the *acquis*. Rules on third-party confiscation and extended confiscation and precautionary freezing of assets need to be aligned.

The legislation to combat money laundering and financing of terrorism is largely in line with the recommendations of the Financial Action Task Force, which has removed Turkey from its

permanent monitoring process. Turkey has committed to work with the task force to address all issues identified in its mutual evaluation report.

Strategic framework

Turkey is providing input to the Serious and Organised Crime Threat Assessment, although it has not yet adopted Europol's reporting methodology. Turkey is implementing its 2010-2015 national strategy and 2013-2015 action plan against organised crime under the coordination of the Ministry of Interior.

On drugs, Turkey is implementing its 2013-2018 national strategy against drugs and 2013-2015 action plan under the coordination of the national police. The strategy and action plan address topics such as coordination, reduction of supply, prevention, treatment, rehabilitation, harm reduction, international cooperation, data collection, research and assessment. Following a Prime Ministry circular of November 2014, an anti-drug emergency action plan has entered into force with a number of complementary objectives.

Turkey is currently updating its 2013-2014 strategy and action plan on cyber security in order to identify and address emerging cyber threats.

A comprehensive multi-disciplinary and victim-oriented approach to human trafficking remains to be developed.

Fight against terrorism

Turkey was struck by the deadliest terrorist attack in its modern history, on 10 October in Ankara, an attack which followed a similar pattern to the one in Suruç in July, which claimed more than 30 lives and was attributed to Da'esh.

Turkey has in recent months been giving priority to the PKK in its efforts to fight terrorism, particularly following a severe surge of violence in the country since July. The PKK remains on the EU list of terrorist organisations. Turkey is legitimate to defend itself against such terrorist violence, but measures taken need to be proportionate (*see Situation in the east and south east*). Turkey joined the international coalition against Da'esh in September 2014. Following the Da'esh attributed terrorist attack in Suruç in July, Turkey strengthened its engagement with the coalition and launched several air-strikes against Da'esh positions in Syria. It also reached an agreement with the US on the use of Incirlik base for the coalition forces. Turkey has been seriously affected by the phenomenon of foreign terrorist fighters transiting through the country and is a source for terrorist fighters. It has improved its regime for combating the financing of terrorism. Turkey's active counter-terrorism dialogue with the EU has continued, with particular attention paid to foreign terrorist fighters on which an experts' meeting was held in June. The phenomenon of foreign terrorist fighters needs a dedicated approach by the intelligence and law enforcement community and a consistent judicial policy. A comprehensive strategy is needed to effectively prevent and counter radicalisation. This needs to be done in close cooperation with religious leaders and communities, social workers, the education system and youth organisations.

2.4. Human rights and the protection of minorities

Overall situation

Turkey's Constitution guarantees the protection of human rights and fundamental freedoms. Implementation had considerably improved in the last decade. However, major shortcomings remain. The enforcement of rights stemming from the European Convention on Human Rights (ECHR) and the case law of the European Court of Human Rights (ECtHR) is not yet fully ensured. There was significant backsliding in the past two years notably in the areas of

freedom of expression and freedom of assembly. Legislation on internal security was adopted which contradicts the measures outlined in the March 2014 action plan on the prevention of violations of ECHR by granting broad discretionary powers to the law enforcement agencies without adequate judicial or independent parliamentary oversight. Most recently, the escalation of violence in the east and south east since July gave rise to serious concerns over human rights violations. Anti-terror measures taken in this context need to be proportionate. Turkey should widen the scope and improve the monitoring of the implementation of the action plan to cover all rights and the case law of the ECtHR.

Shortcomings particularly affect the following areas:

- Freedom of expression is frequently challenged, in particular through arbitrary and restrictive interpretation of the legislation, political pressure, dismissals and frequent court cases against journalists which also lead to self-censorship.
- Freedom of assembly is overly restricted, in law and practice, in particular through disproportionate use of force in policing demonstrations and a lack of sanctions for law enforcement officers.
- Non-discrimination is not sufficiently enforced, in law and in practice, and the rights of the most vulnerable groups and of persons belonging to minorities are not sufficiently upheld. Gender-based violence, discrimination and hate speech against minorities, and respect for the rights of lesbian, gay, bisexual, transgender and intersex (LGBTI) persons are major areas of concern.
- Criminal and anti-terror legislation is not yet in line with the ECtHR case law and the proportionality principle needs to be observed in practice.

In line with the new reporting methodology, a detailed analysis of freedom of expression as a pilot area follows below. For a detailed analysis of developments on other human rights and the protection of minorities, see *Chapter 23 — Judiciary and fundamental rights*. For developments in the areas of trade union rights, non-discrimination and equal opportunities, see also *Chapter 19 — Social policy and employment*.

Freedom of expression

The country has reached **some level of preparation** on respect for freedom of expression, the media and the internet. After several years of progress, serious **backsliding** has been seen over the past two years. While in recent years it had been possible to discuss some sensitive and controversial issues in a free environment, ongoing and new criminal cases against journalists, writers or social media users are of serious concern. Changes to the internet law, which are a significant step back from European standards, increased the government's powers to block content without court order on an unduly wide range of grounds. In addressing the shortcomings outlined here, in the coming year the country should in particular:

- act against intimidation of journalists in all its forms: notably investigate all physical attacks and threats against journalists and actively prevent attacks on media outlets but also defuse the tense political climate which creates an environment curtailing freedom of speech in the media and on the internet;
- ensure that defamation law and other similar offenses are not used as a means of putting pressure on critics by ensuring courts are fully aware of and apply the case law of the ECtHR;
- ensure that existing legislation notably the internet law complies with European standards and is implemented in a manner which ensures proportionality and equality before the law.

Intimidation of journalists

While the number of journalists in prison in Turkey decreased significantly since 2011, it currently still exceeds 20, many of whom face or were convicted for charges under the anti-terror law. A high number of arrests, hearings, detentions, prosecutions as well as censorship cases and layoffs occurred, as the government maintained a strong pressure on media. Several international journalists were deported. Frequent threats and various types of intimidation from state and non-state agents against journalists and media outlets continue to be an issue of serious concern. Sporadic physical attacks against journalists have taken place, which are being investigated by the authorities. In the context of the escalating violence in the east and south east and increasing tensions across the country, a number of attacks on media outlets took place and the authorities took actions curtailing further freedom of media. Old cases of killings and assaults on journalists, including from the 1990s, continue to be investigated while some are closed due to the statute of limitations. There is a widened practice of court cases for alleged insult against the President being launched against journalists, writers, social media users and other members of the public, which may end with prison sentences, suspended sentences or punitive fines. This intimidating climate leads to increased self-censorship.

Legislative environment

By permitting undue restrictions, the Constitution does not fully protect the right to freedom of expression. A number of laws restrict freedom of expression and are not in line with European standards. The legislation on the internet was again changed in March 2015, increasing the government's prerogatives to block content without a court order on an unduly wide range of grounds. Under the Criminal Code, prosecution for insulting high-level politicians, including the President, can result in a jail sentence of one to four years, which can be increased if the offence is committed publicly through media or social media. Such legislation is not in line with ECtHR case law. Insulting religion and blasphemy are criminal offences carrying penal sentences. In addition to prison terms, high fines have a deterrent effect on free media reporting. The legislation on hate speech is not in line with ECtHR case law. Legislation on the registration and accreditation of journalists as well as legislation on access to information are not entirely in line with international standards.

Implementation/institutions

Media blackouts about information considered as sensitive, including reporting on the terrorist attacks in Ankara and Suruç, are a recurrent trend. Criminal legislation on defamation against the state, its institutions, employees or other symbols of statehood is extensively used against journalists, lawyers and users of social media critical of the government and government officials. Blocking of websites with or without a court order continues. Turkey has made more requests to Twitter to delete content or suspend accounts than any other country in the world.

The distinction between freedom of expression and hate speech is not clearly delineated. Divisions in the media prevent the profession from regulating itself and drawing up and implementing common rules on professional ethics.

Public Service Broadcasters

There are concerns about the editorial independence of the public service broadcaster, including its election coverage, which displayed a significant bias towards the ruling AKP party. Regulation of the public service broadcaster is not in line with European standards. The independence and neutrality of the Radio and Television Supreme Council (RTÜK) remain a matter of concern as its members are elected by the parliament without civil society and

professional and other relevant organisations being involved or represented in the Council. The Council's work is fairly transparent as its decisions are published together with the supporting expert reports. RTÜK is also responsible for licensing. The lack of precise licensing rules can make the tender process vulnerable to undue political pressure.

Economic factors

The media market in Turkey is diverse. However, the lack of transparency on media ownership casts doubts on the independence of editorial policies. A small number of media groups dominate the media market which affiliated businesses have interests in energy, construction, real estate, trade, finance and tourism. Through these related interests, media outlets may be vulnerable to economic pressure from major customers, including the state. State-sponsored advertising is not fairly distributed across the media organs, distorting the market and adding to the economic pressures on some media outlets. Independent and sustainable financing of the public service broadcaster is not ensured. The broadcasting law does not ensure fair competition as it does not prevent monopolisation.

Professional organisations, Professional conditions

The representation of journalists continues to be divided between the professional journalists associations and the pro-government union. Journalism is an increasingly precarious profession with low wages and job security. Working conditions, insufficient trade union rights and application of labour legislation, the difficulty of obtaining a press card and arbitrary accreditation decisions are major concerns.

Situation in the east and south-east

After initial positive developments in settling the Kurdish issue, the peace process effectively came to a complete halt in July, in the wake of a resurgence of violence by the Kurdistan Workers' Party (PKK) and the government's extensive response that followed. There were numerous casualties among civilians and members of the security forces. It is imperative that the Kurdish peace process resumes. It remains the best opportunity in a generation to solve a conflict that has claimed far too many lives. The new government needs to give priority to making progress towards democratisation and reconciliation. Regional disparities affecting the eastern and south-eastern regions, which are also shouldering a great number of refugees from the conflicts in Syria and Iraq, should also be gradually addressed.

The year was marked by escalating violence, resulting in the halt of the settlement process of the Kurdish issue.

Some initial positive developments had given reasons for hope of a new impetus. In February, a joint press conference by the Government and the pro-Kurdish party HDP was held and the call of the imprisoned PKK leader Abdullah Öcalan to discuss the organisation's disarmament was announced. Options for a solution were widely and freely discussed, including the positions of the PKK, which remains on the EU list of terrorist organisations. However, already in October 2014 violent incidents took place, with some 50 casualties, in the context of the events in Syria and Kobane. The pre-election and election period were also tense, with a number of incidents, including a bomb attack on a HDP rally.

The security situation deteriorated dramatically in July, shortly after the PKK announced considering ending the ceasefire, introduced in March 2013. A spiral of violence followed a Da'esh attributed terrorist attack in Suruç on 20 July. PKK conducted repeated terrorist attacks targeting Turkish police and military, which grew in scale in September. The EU firmly condemned these terrorist acts. In response, the government undertook extensive security and

military operations against the PKK, including many air strikes on PKK bases in both Turkey and Iraq. Between July and September, dozens of civilians including 20 children and over 120 security forces were killed. A large number of PKK members were reportedly killed in Turkey, and many more in the air strikes in Iraq. There were disquieting reports of alleged severe human rights violations committed by security forces. More than 20 civilians were reportedly killed during a 9-day curfew imposed on the town of Cizre. Tensions also increased across the country, with several attacks on media outlets and HDP party headquarter and offices. The authorities took actions curtailing the free exercise of media freedom during the period.

As a result, the settlement effectively came to a halt. The government also blamed HDP for its relations with PKK, whilst HDP leadership made several calls on PKK and the government to stop the violence.

Criminal cases related to the Kurdish issue continued at a very slow pace. No steps were taken to abolish the village guard system, a paramilitary force of around 50 000 people paid and armed by the state. No comprehensive plan was developed to address the issue of missing persons, including thorough and independent investigations into alleged past cases of extrajudicial killing by security and law enforcement officers or the PKK. Mass graves discovered in the south-east were not adequately investigated. The recommendations of the UN Special Rapporteur about lack of prosecutions over extrajudicial, summary or arbitrary executions were not addressed. The statute of limitations for cases of missing persons and extrajudicial killings dating from the 1990s remained in force. As a result, several cases were dropped in 2014 and 2015. Only 12 cases involving past crimes continued. Turkey should consider ratifying the International Convention for the Protection of All Persons from Enforced Disappearance and the Rome Statute.

The South-East Anatolia Project to improve the socioeconomic development of the region continued, with notable improvements in infrastructure. However, socioeconomic and educational indicators show strong disparities with the rest of the country. The east and south east received a huge influx of refugees from Syria and Iraq, putting local communities under additional strain.

Refugees and internally displaced persons

Turkey continued to make considerable efforts to give shelter to Syrian **refugees**. Turkey is the country hosting the largest refugee population in the world, with about 2.2 million, of which close to 2 million from Syria. Sheltering and integrating such a large population of refugees is a major challenge for the country which has already spent about EUR 6.7 billion in this endeavour. The regulation on temporary protection issued in October 2014 should improve their integration. Syrians under temporary protection can benefit from health, translation and education services. However, some legislative loopholes exist. Turkey should still adopt legislation giving Syrians under temporary protection access to the labour market. This involves in particular drawing up detailed rules and procedures for labour market access, including a list of sectors and provinces where Syrians under temporary protection can be employed. Turkey should also adopt secondary legislation to implement the law on foreigners and international protection, notably as obtaining residence permits and health insurance remains difficult. Further progress on these issues would help Syrians in Turkey to become more self-subsistent (*see Chapter 24*).

There are close to one million **internally displaced persons** (IDPs) in Turkey, most of whom fled their homes between 1986 and 1995 due to the armed conflict in the south-east of the country. The process of compensating IDPs continued. Damage assessment commissions processed over 340 000 applications and granted compensation in half of them totalling over

EUR 1.1 billion. There is no comprehensive national action plan and strategy to address all challenges faced by IDPs such as security zones, village guards, lack of infrastructure and the presence of landmines in some places hamper their return to their villages.

2.5. Regional issues and international obligations

Cyprus

Turkey welcomed the resumption of the talks on a comprehensive settlement between the leaders of the two communities in May 2015, expressing its support for the UNSG Special Advisor's efforts and for the newly elected leader of the Turkish Cypriot Community.

Turkey had however previously, from October to April, issued statements and engaged into actions challenging the Republic of Cyprus's right to exploit hydrocarbon resources in Cyprus's Exclusive Economic Zone for the benefit of all Cypriots. The EU has repeatedly stressed the sovereign rights of EU Member States which include entering into bilateral agreements, and exploring and exploiting their natural resources in accordance with the EU *acquis* and international law, including the UN Convention on the Law of the Sea. The EU also stressed the need to respect the sovereignty of Member States over their territorial sea and airspace.

As emphasised in the Negotiating Framework and Council Declarations, Turkey is expected to actively support the negotiations for a fair, comprehensive and viable settlement of the Cyprus issue within the UN framework, in accordance with the relevant UN Security Council resolutions and in line with the principles on which the EU is founded. Turkey's commitment and contribution in concrete terms to this comprehensive settlement remains crucial. The process of granting the Committee on Missing Persons full access to all relevant archives and military areas needs to be expedited.

Despite repeated calls by the Council and the Commission, Turkey has still not complied with its obligations as outlined in the declaration of the European Community and its Member States of 21 September 2005 and in Council conclusions, including those of December 2006 and December 2014. Turkey has not fulfilled its obligation to ensure full and non-discriminatory implementation of the Additional Protocol to the Association Agreement and has not removed all obstacles to the free movement of goods, including restrictions on direct transport links with the Republic of Cyprus. There was no progress on normalising bilateral relations with the Republic of Cyprus.

Turkey continued to veto the Republic of Cyprus joining several international organisations, such as the OECD.

Peaceful settlement of border disputes

No bilateral exploratory talks were held between Greece and Turkey to find common ground for the start of negotiations on the delimitation of the continental shelf.

Greece continued to object to Turkey's launch of a tender for offshore oil and gas exploration including part of the continental shelf off the Greek island of Castellorizo.

The threat of *casus belli* in relation to the possible extension of Greek territorial waters, as made in a Turkish Grand National Assembly resolution in 1995, still stands. In line with the Negotiating Framework and previous European Council and Council conclusions, the Council has reiterated that 'Turkey needs to commit itself unequivocally to good neighbourly relations and to the peaceful settlement of disputes in accordance with the United Nations Charter, having recourse, if necessary, to the International Court of Justice. In this context, the EU has

again expressed serious concern, and urged Turkey to avoid any kind of threat or action directed against a Member State, or source of friction or actions that damage good neighbourly relations and the peaceful settlement of disputes. Greece and Cyprus made formal complaints about repeated and increased violations of their territorial waters and airspace by Turkey, including flights over Greek islands.

Regional cooperation

Good neighbourly relations form an essential part of Turkey's process of moving towards the EU. **Bilateral relations with other enlargement countries and neighbouring EU Member States** have been good. The Turkish Prime Minister visited Greece in December 2014, to co-chair the third Turkey-Greece High-Level Cooperation Council. The Greek Foreign Minister visited Turkey in May 2015. Turkey has continued its policy of engagement in the Western Balkans. Turkey maintained strong ties with countries in the region and supported their respective efforts to join NATO and the EU. President Erdoğan visited Albania and Bosnia and Herzegovina in May 2015. Prime Minister Davutoğlu visited the former Yugoslav Republic of Macedonia in December 2014 and met with the Serbian Prime Minister in Davos. Under the common security and defence policy, Turkey is continuing to contribute to the EU-led military mission in Bosnia and Herzegovina and to the EULEX mission in Kosovo*.

3. ECONOMIC CRITERIA

Key economic figures	2013	2014
Gross domestic product per capita (% of EU28 in PPS)	53	53
GDP growth (%)	4.2	2.9
Unemployment rate (female; male) (%)	8.8 (10.6; 8.0)	9.9 (11.9; 9.1)
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (female; male) (%)	58.4 (35.6*; 81.6*)	58.9
Current account balance (% of GDP)	-7.9*	-5.8*
Foreign direct investment (FDI) (% of GDP)	1.5*	1.6*

Source: Eurostat, *National Statistics Agency

In line with the conclusions of the European Council in Copenhagen in June 1993, EU accession requires the existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union.

The monitoring of these economic criteria should be seen in the context of the increased importance of economic governance in the enlargement process. In order to improve their economic governance, in 2015 the enlargement countries were asked to prepare Economic Reform Programmes (ERPs), which set out a medium-term macro-fiscal policy framework together with key structural reforms aimed at supporting the framework. The ERPs were the

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/99 and the ICJ Opinion on the Kosovo declaration of independence.

basis for country-specific recommendations jointly adopted by the EU and the Western Balkans and Turkey in the Economic and Financial Dialogue meeting on 12 May 2015.

3.1. The existence of a functioning market economy

The Turkish economy is well advanced and can be considered a functioning market economy. Economic growth was moderate in 2014. There was, however, **no progress** in reducing the underlying macroeconomic imbalances. The large external deficit continued to make the Turkish economy vulnerable to financial uncertainty and changes in global risk sentiment. Inflation was running at a relatively high rate and exceeded the official target again; nevertheless the central bank cut interest rates.

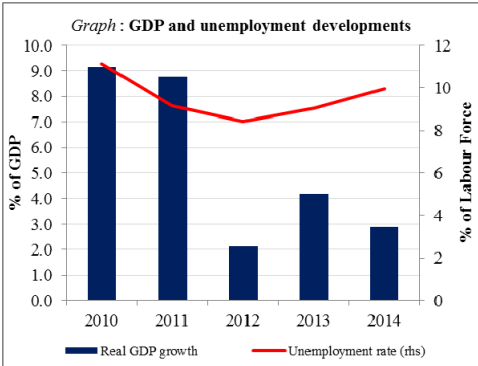
Monetary and fiscal policy should be adjusted to lower macroeconomic imbalances. At the same time, structural reforms should be accelerated to improve the functioning of the markets for goods, services and labour. In line with the ERP recommendations and in order to support long-term growth, in the coming year Turkey should pay particular attention to:

- promoting domestic saving, including through a sufficiently restrictive fiscal policy, in view of the persistently large current account deficit;
- making monetary policy more focused on the pursuit of price stability;
- improving the business environment by strengthening the rule of law, making it easier to start a business and strengthening competition.

Economic policy essentials

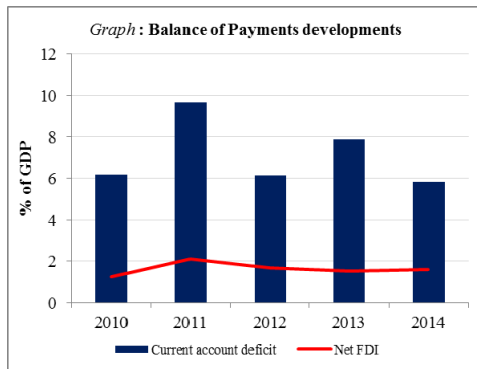
Turkey’s resolve to address its underlying macroeconomic imbalances has been uneven. The government’s Economic Reform Programme for 2015-17, submitted to the Commission in March 2015, projects an optimistic macroeconomic scenario in which GDP growth strengthens while unemployment, inflation and the current account deficit decrease. Under the programme, structural reforms will be implemented as part of Turkey’s 10th Development Plan, covering the period 2014-2018. However, the fragmentation of responsibilities between government bodies continued to complicate the coordination of budgeting and medium-term economic policy-making. Uncertainty increased over the central bank’s independence in carrying out monetary policy to the detriment of macroeconomic stability.

Macroeconomic stability



The Turkish economy has grown at an average annual rate of 3 % over the past three years. In 2014, GDP growth started strongly, but slowed down after the introduction of targeted policy measures to rein in consumer borrowing and a hike in interest rates. Annual GDP growth of 2.9 % was mainly driven by net exports, which benefited from a temporarily more competitive exchange rate and a sharp fall in gold imports. Domestic demand was relatively subdued, particularly investment. In the first half of 2015, GDP growth remained relatively

constant (3.1 % year-on-year), but now with consumer spending as the main driver in the wake of the lower oil price while exports declined. GDP per capita was 53% of the EU average in 2014, based on purchasing power parity.



Turkey's long-standing current account deficit has remained very high. The deficit has averaged 6.6% of GDP over the past three years, the largest of all G20 countries. It narrowed somewhat in 2014 in the context of lower domestic demand growth, a temporary surge in exports and a sharp fall in imports of non-monetary gold. With Turkey being a large energy importer, the lower dollar price for crude oil has also been favourable.

Turkey's current account deficit reflects a persistent shortfall of domestic savings, which needs to be offset with capital inflows. Most capital inflows are portfolio investments by foreign investors and foreign borrowing by Turkish banks. In recent years, only a small proportion of the required capital inflow has been in the form of relatively stable foreign direct investment. The dependence on volatile types of capital inflows has made the Turkish currency and economy vulnerable to a sudden loss of investor confidence. This was most recently seen before the general elections on 7 June and 1 November 2015 when uncertainties about the future direction of Turkey's economic policies put the lira under strong downward pressure and again during the unrest in global financial markets starting in July 2015.

Gross external debt as a percentage of GDP has edged higher, reaching 57.5% of GDP at the end of March 2015. A particular concern relates to the foreign currency debt of private companies that receive most of their revenues in domestic currency: when the lira depreciates, their debt-servicing capability deteriorates.

The number of jobs increased at a rate commensurate with output growth, but markedly below the growth rate of the labour force. In 2014, the unemployment rate increased by 1.1 percentage points to an annual average of 9.9% as the labour force continued to grow faster than available jobs. Labour force growth is mainly driven by a growing number of people of working age, but also by some rise in the economic activity rate.

The employment rate of women has remained at a very low level. The overall employment rate fell to 53.2% in 2014, with a large difference between men (75.0%) and women (31.6%). Despite the low proportion of women actively looking for work, their unemployment rate remains significantly higher than the unemployment rate for men. In addition, about one third of women who are considered to be employed are in fact unpaid family workers in the agricultural sector. One quarter of young people were not in employment, education or training.

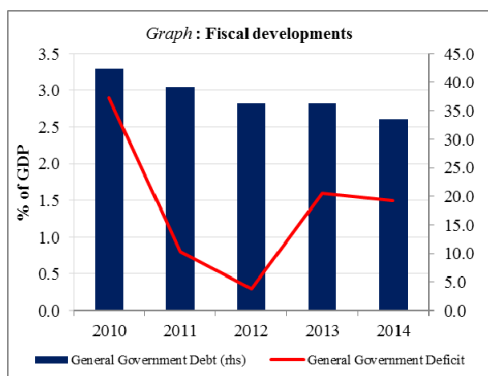
The efficient functioning of the labour market continued to be impeded by a lack of flexibility, for example on labour contracts, while undeclared work remained widespread. This calls for a deepening and widening of labour market reforms, which also need to be more inclusive.

Despite declining oil prices, inflation remained in high single digits. This has significant costs in terms of macroeconomic stability, resource allocation and redistributive effects. Fuelled by a depreciating currency and accelerating food prices, consumer price inflation increased from 7.4% year-on-year at the end of 2013 to 8.2% in December 2014, i.e. clearly above the official target of 5%. In 2015, headline inflation has fallen only slightly despite a much lower oil price year-on-year. The Turkish lira depreciated by 12.9% against the euro and by 8.2% in real effective terms over the twelve months to August 2015.

The central bank continued to pursue multiple objectives as part of an overly complex monetary policy framework that hampered transparency and predictability. Although price stability is the primary objective, the central bank is also pursuing macro-financial stability and trying to dampen exchange rate fluctuations. The central bank lowered its key interest rate from 10 % to 8.25 % between May and July 2014 and to 7.5 % in January-February 2015, i.e. to below the inflation rate. These interest rate cuts were inconsistent with the inflation target and took place against the background of repeated strong calls for lower interest rates from the President and parts of the government. Furthermore, negative real interest rates are contrary to the need to raise the low private saving rate.

ERP recommendation 2: ‘Continue to take consistent steps to reinforce the focus of monetary policy on the pursuit of price stability, with other policy objectives being pursued with separate measures, and thereby contribute to improving both the functioning and the credibility of the inflation targeting regime.’

Turkey has reversed the limited simplification it made to its complex monetary policy framework in January 2014. Monetary policy should be focused more on its primary objective of price stability to attain the official inflation target (ERP recommendation 2).



On public finances, the budget deficit remained moderate and public debt continued on a sustainable path. The 2014 central government budget deficit is estimated at 1.3 % of GDP, which is marginally higher than in the preceding year (1.2 %) but lower than the revised target of 1.4 %. Revenues increased by 9.3 % year-on-year while expenditures rose by 9.8 %, which is below nominal GDP growth for the first time in many years. General government debt increased by 3.5 % in absolute terms in 2014, but declined by 0.6 percentage points as a percentage of GDP to 33.5 %, i.e. it is clearly at a sustainable

level.

There was no progress on increasing the transparency of the fiscal framework, which continued to suffer from the lack of timely information in accordance with international standards. Adopting a fiscal rule would increase credibility and support the envisaged reduction of the structural fiscal deficit (ERP recommendation 1).

ERP recommendation 1: ‘Promote domestic saving in view of the persistently large current account deficit. Fiscal policy has an important role to play in this regard by following a sufficiently restrictive stance. Reducing the rigidity of public expenditures would help to make the fiscal policy stance more responsive to macroeconomic needs. The adoption of a fiscal rule would enhance budget transparency, provide an important fiscal anchor and enhance credibility.’

Interplay of market forces

Privatisation slowed down and there was no further progress on price liberalisation as the government continued to intervene in the price-setting mechanism in key sectors. Following a surge in 2013, privatisation activity has decelerated recently, with the total volume of completed deals decreasing from EUR 9.4 billion (1.5 % of GDP) in 2013 to EUR 4.8 billion (0.8 % of GDP) in 2014. The share of the energy sector in privatisation tenders remained high. Competition could be increased by continued liberalisation of product and services markets.

The proportion of directly administered prices in the consumer price index (CPI) basket has remained below 5 %. However, food and alcohol prices, which together make up more than

25% of the consumer basket, are highly sensitive to policy decisions. For energy (natural gas and electricity), automatic pricing mechanisms were applied in principle. In practice, however, the government continued to set end-user prices, effectively suspending the automatic pricing mechanisms. There was no progress on eliminating the charging of higher prices to one group of consumers in order to subsidise lower prices for another group in the wholesale and retail electricity markets.

Market entry and exit

Starting a business became more cumbersome and expensive. Market exit also remained costly and long and insolvency proceedings were still heavy and inefficient. The number of newly established businesses increased by 16.3 % in 2014 even though the costs and difficulties of starting a new business increased. Starting a business required seven separate procedures and took 6.5 days on average. The average cost of starting a business increased to 16.7 % of per capita income in 2014 from 12.7 % in the preceding year. Obtaining a construction permit is still very burdensome and time-consuming.

The number of businesses closing down or being liquidated fell by 3.3 % compared with 2013. Closing a business also remained expensive and time-consuming. Insolvency procedures lasted an average of 3.3 years and recovery rates — at 27.9 % on average — remained very low in 2014 although somewhat better than in the preceding year. Making it easier to start a business should be part of a more wide-ranging improvement of the business environment, as outlined in ERP recommendation 3.

ERP recommendation 3: ‘Take sustained efforts to improve the business environment and Turkey’s attractiveness as an investment destination, not least for foreign direct investments, in view of the continuing dependence on large capital inflows. This requires wide-ranging reforms, including strengthening the rule of law, making it easier to start businesses, and strengthening competition through continued liberalisation of product and service markets.’

Legal system

The legal system continued to function relatively well in the area of property rights, but in general no further progress was observed. The legal appeal by the dispossessed owners of Bank Asya should reassure investors about the strength and independence of the legal system. A reasonably well-functioning legal system has been in place for several years in the area of property rights. Enforcement of commercial contracts was still a rather lengthy process, partly because commercial court judges were insufficiently specialised. The expert witness system still operated as a parallel judicial system, without improving overall quality.

Out-of-court dispute settlement mechanisms are seldom used, except in the insurance sector, tax and customs. The judicial system and its administrative capacity could be further improved. A proposal for a new amnesty on interest payments related to tax arrears has been submitted to parliament. Recurrent amnesties and restructuring mechanisms of this kind discriminate against regular taxpayers and harm the tax and social security administrations’ collection capacity in the long term. Taxpayers and other citizens subject to fines had a clear advantage in delaying their payments, especially in the current inflationary environment.

Financial sector development

Despite declining profitability in banking, the financial sector generally performed well and continued to demonstrate resilience. Banks continued to dominate the financial sector, with their share of the sector’s total assets remaining stable at around 87 %. The value of banking sector assets as a ratio of GDP continued to increase, rising from 111 % in 2013 to 114 % in 2014. State-owned banks’ share of total banking sector assets increased slightly,

while the share of foreign banks also increased slightly to 14.6 % in February 2015. The share of the relatively small insurance sector (including private pensions) remained around 5%.

Macro-prudential measures to rein in lending growth, combined with the central bank's January 2014 interest rate hike, led to a decline in the growth rate in bank lending. Nevertheless, total bank lending still increased by 18.5 % in 2014. The net profit of the banking sector was flat in 2014. The sector's capital adequacy ratio remained significantly above the regulatory target of 12%, with the figure standing at 15.1% in July 2015. The proportion of non-performing loans in total banking sector loans remained broadly stable at just below 3%.

3.2. The capacity to cope with competitive pressure and market forces within the Union

Turkey has a good level of preparation in achieving the capacity to cope with the competitive pressure and market forces within the EU. Some progress was made, particularly on improving educational attainment and schooling rates and on further liberalising the energy sector. However, significant problems remained over the quality of education and gender equality in education. Moreover, there was no progress in improving the transparency of state aid and further constraints and exceptions were introduced in the area of public procurement. The depreciation of the lira improved overall price competitiveness.

In line with the ERP recommendations and in order to support long-term growth, in the coming year Turkey should pay particular attention to:

→ improving the functioning of the markets for goods, services and labour, which would increase potential growth and competitiveness on a sustainable basis;

→ improving qualifications of low-skilled workers through training and increasing women's labour force participation through more flexible working conditions.

Human and physical capital

Reforms and increased spending on education have so far generated a positive impact on educational attainment and schooling rates. However, significant problems remain over gender equality and the quality of education. Schooling rates continued to increase at all levels of education, reaching 99.6 % for the first four years and 94.5 % for the second four years of primary school and 76.7 % for secondary school in 2013/14. However, sizeable gaps persist in schooling rates for girls, especially in secondary school. Participation in higher education remained low by international standards, although the percentage of the population aged 30-34 with tertiary education qualifications increased from 19.5 % in 2013 to 20.5 % in 2014.

According to the most recent of the OECD's regular assessments of educational performance for 15-year-old students (PISA), the mean score of Turkish students improved in the three categories of science, mathematics and reading between 2009 and 2012. However, the improvement was less pronounced than in the preceding three-year period and Turkey remained 48 points below the OECD average.

ERP recommendation 4: 'In particular, Turkey should upgrade and make better use of its human capital through the pursuit of the education agenda and the deepening and widening of labour market reforms. Specifically, the qualifications of low-skilled workers should be improved through training and female labour force participation should be stimulated through flexible working conditions.'

Turkey needs to make better use of its human capital in order to stimulate sustainable and inclusive growth and competitiveness, both through raising qualifications of the workforce and labour market reforms stimulating female employment, in line with ERP recommendation 4.

Improvements in the country's physical capital were modest. Total investment declined by 0.2 percentage points to 20.1% of GDP in 2014, while private investment increased its share of GDP by 0.3 percentage points to 15.9%. Public investment, however, was cut back significantly following a surge in 2013 and its share of GDP was 4.2%. Gross foreign direct investment (FDI) inflows to Turkey increased slightly to 1.6% of GDP and the FDI stock as a proportion of GDP increased from 19.3% to 22.3% in the course of 2014. R&D expenditure (both public and private) is continuing to edge higher but was still low at 0.95% of GDP in 2013, far below the government's current target of 1.8% of GDP by 2018.

Little progress was made in upgrading Turkey's transport infrastructure in 2013: the motorway network remained unchanged while the total length of other roads and of the railway network was only extended slightly. In telecommunications, there was a switch from fixed line subscribers to mobile phone subscribers and a rise in the internet penetration rate for households from 49% in 2013 to 54% in 2014. No progress was made on aligning telecommunications legislation with the EU framework. The regulator launched a call for tenders over the operating rights for 4G licences in five frequencies, but interrupted the procedure after the President intervened.

Progress continued in the liberalisation of the energy sector. Following the entry into force of a new electricity market law in March 2013, the proportion of the market open to competition was increased further in 2014 with the aim of achieving 100% by 2016. Progress also continued in the privatisation of electricity-generating assets. Further progress is needed to open the natural gas market so that there is competition for the state-owned corporation BOTAŞ. A transparent and cost-based pricing mechanism for electricity and gas remains to be properly implemented. The Turkish Energy Stock Company (EPIAS) was established in April 2015 to carry out the financial reconciliation transactions on organised wholesale electricity markets.

Sectoral and enterprise structure

In 2014, GDP grew by 2.9%, while employment increased only by 1.6%, indicating an increase in labour productivity in the overall economy. The sectoral breakdown of employment growth shows only a small shift towards the services sector, which accounts for 51% of total employment. Industry accounts for 20.5% of employment, while construction and agriculture employ 7.4% and 21.1% respectively. The share of agriculture in GDP continued its long-standing downward trend.

The private sector's share of GDP declined from 86.4% in 2013 to 84.6% in 2014, but is still quite large by EU standards.

State influence on competitiveness

There was no progress in improving the transparency of state aid and there was some backsliding in the alignment of public procurement rules. Legislation to implement the state aid law, originally scheduled to be passed into law by September 2011, has been postponed for yet another year until the end of 2015. The State Aid Authority has still not formally set up a comprehensive state aid inventory or adopted an action plan to align all state aid schemes, including the 2012 incentives package, with the *acquis*. New amendments to the legal framework for public procurement (see Chapter 5 below) moved the legislation further away from the EU *acquis*.

Economic integration with the EU

Turkey's trade and economic integration with the EU is high and increased further in 2014. Moreover, Turkey recently gained some international price competitiveness as a result of currency depreciation. The openness of the economy, measured by the value of exports and imports of goods and services as a percentage of GDP, increased in 2014. The proportion of trade with the EU out of Turkey's total trade increased from 38.5% to 39.3%. The EU proportion of Turkey's exports increased from 41.5% to 43.5%, while its proportion of Turkish imports remained stable at 36.7%.

The EU remained the largest source of FDI flows into Turkey and its share of the total increased from 51.7% to 55.9%. Close to three quarters of the FDI stock in Turkey originates in the EU. The depreciation of the Turkish lira between June 2014 and June 2015 has improved Turkey's international price competitiveness.

4. ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP

4.1. Chapter 1: Free movement of goods

The free movement of goods ensures that many products can be traded freely across the EU based on common rules and procedures. Where products are governed by national rules the principle of the free movement of goods prevents these creating unjustified barriers to trade.

Turkey has achieved a **good level of preparation** in this chapter. There was **some progress** in the past year towards further aligning legislation with the *acquis*, notably in eco-design requirements, medical devices and improving market surveillance for certain goods. However, some technical barriers to trade delay or prevent the free movement of goods in violation of Turkey's obligations under the Customs Union. These include additional testing and conformity assessment requirements applied at the border. In the coming year, Turkey should in particular:

→ improve the free movement of goods in the 'old approach' area of the harmonised *acquis* by abolishing prior approval and licensing;

→ abolish export restrictions.

On the **general principles** applying to the free movement of goods, the risk-based electronic import control system, 'TAREKS', is operational and grants free circulation to goods coming from the EU unless a specific risk profile is attributed to them. However, additional tests and conformity assessment checks are carried out for imports of goods such as toys and shoes, against the established product safety legislation and the rules of the Customs Union. Products in the 'old approach' area, particularly textiles, chemicals and foodstuffs, are subject to prior approval and licensing, while EU type approvals are accepted in the area of motor vehicles. The mutual recognition principle for the non-harmonised area continues to apply. Technical barriers to trade persist in areas such as textiles, second-hand goods and alcoholic beverages. Registration requirements for importing textiles, footwear, and clothing continue. Surveillance measures for imports have continued to hamper trade flows. Licences are still required for second-hand goods. Licensing requirements for alcoholic beverages have been reduced but labelling requirements continue to create barriers. Exports of aluminium, paper and copper scrap, chrome and leather are subject to restrictions which constitute a *de facto* ban, contrary to Customs Union provisions.

The alignment of **horizontal measures** is advanced. Adoption of a new Consumer Product Safety Regulation, which was to achieve full alignment with the General Product Safety

Directive, is still pending. In the area of **standardisation**, Turkey has to date adopted 18 981 standards set by the European Committee for Standardisation (CEN) and the European Committee for Electro-technical Standardisation (CENELEC) and 427 standards set by the European Telecommunication Standards Institute (ETSI). The overall rate of harmonisation with European standards stands at 97 %. Turkey has continued to adopt new mandatory specifications and to replace existing ones, mostly in the non-harmonised area. It has started to abide by its notification obligation in this field. On **conformity assessment**, there are currently 36 notified bodies and 1 technical approval body. In 2015, the number of accreditations increased by 13 %. As for legal metrology, Turkey adopted new or amending legislation on pre-packed products, bottles used as measuring containers, taximeters, measures and measuring instruments and on the inspection of the latter. A national metrology strategy was also prepared and adopted in 2015 with an implementation period of 3 years.

A **market surveillance** strategy was adopted setting out strategic objectives for 2015-2017 based on an assessment of the strengths and weaknesses of the current system. Legislation was amended to introduce or improve market surveillance of radio telecommunication terminal equipment, fertilisers, waste batteries and accumulators. Market surveillance has yet to be implemented effectively. This could be done by expanding the scope of surveillance, based on risk analysis, and by developing awareness-raising on product safety.

On '**Old Approach**' **product legislation** under the harmonised *acquis*, new and amending legislation was adopted on motor vehicles, some of which postponed the entry into force of legislation aligned with the *acquis*. Amending regulations on cosmetics and textile fibre were issued in order to align the Turkish legislation with the latest EU *acquis* in this field. A Cabinet decree revised the exchange rate between the Euro and the Turkish lira used for the pricing of pharmaceuticals; however, the amended rate is still far from the market exchange rate and thus excessive price controls continue in the sector to the detriment of imported products. The legislation on chemicals aiming at alignment with REACH still needs to be adopted although some steps were taken in order to harmonise some aspects related to certain dangerous substances.

In the already advanced area of '**New and Global Approach**' **product legislation**, Turkey adopted amending legislation aimed at aligning itself with the latest *acquis* on machinery safety and construction products. New legislation was issued on the eco-design requirements of a range of domestic appliances and of electric motors. New and amending regulations were adopted in the area of medical devices as related to clinical trials, to electronic instructions for use, to sales, promotion and advertising, as well as to testing, control and calibration. Administrative and legislative arrangements were made on the operation, maintenance and periodical control of lifts and inspection bodies for lifts. Turkey has lifted, only for equipment already in use on mining sites and effectively until 2017, the implementation of the EU Directive on equipment and protective systems intended for use in potentially explosive atmospheres (ATEX). This legislation had already been in force since 2006. The apparent need for its suspension raises questions on the reliability of the market surveillance system on ATEX since 2006. Harmonised standards were published on personal protective equipment.

As regards **procedural measures**, notifications of technical legislation under Directive 98/34/EC have increased since September 2014, although still not all legislation is notified.

4.2. Chapter 2: Freedom of movement for workers

Citizens of one Member State have the right to work in another Member State and must be given the same working and social conditions as other workers.

Preparations in the area of freedom of movement for workers are **at an early stage**. There has been **no progress** in the past year. So far, Turkey has concluded 13 bilateral social security agreements with EU Member States.

There have been no developments on **access to the labour market** or **EURES**, the European employment services network. On **coordination of social security systems**, no new bilateral social security agreement has been concluded with EU Member States.

4.3. Chapter 3: Right of establishment and freedom to provide services

EU natural and legal persons have the right to establish themselves in any Member State and to provide cross-border services. For certain regulated professions, there are rules on mutual recognition of qualifications. Postal services are gradually being opened up to competition.

Preparations are at an **early stage** on the right of establishment and freedom to provide services. Turkey made **some progress** in the past year, particularly in the area of work permits for foreigners. Substantial efforts are still needed to align further with the *acquis*. In the coming year, Turkey should in particular:

→ align with the Services Directive to provide cross-border services and set up a Point of Single Contact.

On the **right of establishment**, Turkey modified implementing legislation under the Law on Work Permits for Foreigners. The changes enable multiple-entry stay up to three months within a period of one year from the date of entry in areas such as the installation or maintenance of machinery and other goods and services imported to or exported from Turkey, or related training. The adoption of legislation, giving people under temporary or conditional protection the possibility to apply for a work permit, is still pending.

Regarding **freedom to provide cross-border services**, registration, licensing and authorisation requirements continue to apply for service providers registered in the EU. An implementing regulation on tourist guides maintains the nationality requirement contrary to the *acquis*. Turkey still needs to align with the Services Directive and to set up a Point of Single Contact in line with the expertise it is receiving to this end.

On **postal services**, Turkey ratified the Seventh Additional Protocol to the Constitution of the Universal Postal Union. It has not yet adopted a revised postal law clarifying the scope of licensing, the universal service fee and the extent of price regulation.

On **mutual recognition of professional qualifications**, a revised law now allows foreign-trained pharmacists to work in Turkey if their diplomas are recognised by a Turkish educational institution registered at the Ministry of Health. The Vocational Qualifications Authority continued to issue occupational standards. Some regulated professions remain subject to reciprocal recognition and/or nationality and language requirements. Turkey needs to further align with the *acquis* in this area on the basis of the expertise it is receiving to this end.

4.4. Chapter 4: Free movement of capital

In the EU, capital and investments must be able to move without restriction and there are common rules for cross-border payments. Banks and other economic operators apply certain rules to support the fight against money laundering and terrorist financing.

Turkey is **moderately prepared** in the area of free movement of capital. It has made **some progress** in the past year, in particular in setting up and implementing the legal framework to counter financing of terrorism. The legislation on real estate acquisition is not yet aligned with the *acquis* and remains opaque and restrictive of the rights of a number of Member States' nationals. In the coming year, Turkey should in particular:

- prepare and adopt an action plan for liberalising the purchase of real estate by foreigners;
- implement effectively the recommendations of the Financial Action Task Force on combating money laundering through closer inter-institutional coordination.

Regarding **capital movements and payments**, Turkey's legislation on real estate acquisition by foreigners lacks transparency and does not apply to all EU citizens in a non-discriminatory way. Turkey needs to adopt and implement an action plan for gradually liberalising the purchase of real estate by foreigners, in line with the *acquis*. Sectoral restrictions are also in place on foreign ownership in radio and TV broadcasting, transport, education and the electricity market.

Turkey has already reached a good standard on **payment systems** and there has been no further progress in this area.

Turkey has made significant progress in the **fight against money laundering** and terrorism financing. The Financial Action Task Force stopped monitoring Turkey under its global compliance programme. However, Turkey still needs to address issues identified in its last mutual evaluation report. The Financial Crimes Investigation Board has continued to strengthen its capacity and has investigated a greater number of suspicious transactions. However, the number of convictions, confiscations, seizures and freezing of assets remains limited and better cooperation with law enforcement agencies is needed. Turkey is encouraged to ratify the Council of Europe's Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism.

4.5. Chapter 5: Public procurement

EU rules ensure public sector procurement of goods and services in any Member State is open to all EU companies on the basis of non-discrimination.

Turkey is **moderately prepared** on public procurement, an area that could potentially be included in a modernised and extended Customs Union. Important gaps remain in its alignment with the *acquis*, and public procurement is particularly vulnerable to corruption. **Some progress** was achieved in the past year, especially in strengthening Turkey's capacity to implement and enforce the rules. However, new amendments to the legal framework for public procurement moved the legislation further away from the EU *acquis*.

In the coming year, Turkey should in particular:

- revise its public procurement legislation to bring it in line with the 2014 EU public procurement directives, addressing in particular utilities and concessions, and to increase transparency;
- start repealing exceptions which contradict the *acquis* as envisaged in the harmonisation schedule of the national action plan for EU accession and eliminating restrictive measures

such as domestic price advantages and civilian offsets.

Institutional setup and legal alignment

The **legal framework** provided by Turkey's public procurement legislation broadly reflects the principles of the Treaty on the Functioning of the European Union (TFEU), such as value for money, free competition and transparency. However, on non-discrimination, Turkey applies a compulsory domestic price advantage to certain goods.

The Law on Public Procurement, which is broadly aligned with the 2004 EU public procurement directives, applies to tenders both above and below the threshold. The legislation is harmonised with and supported by budget and expenditure regulations, so that public contracts can be prepared, awarded and managed in line with sound project management principles. However, the law has several inconsistencies with the *acquis* and needs to be aligned with the 2014 EU public procurement directives. Its scope is reduced by a range of sector-specific laws which limit transparency for economic agents and establish different strands of legal remedy (administrative or judicial), depending on the sector. The legislation for the utilities sector is more restrictive than allowed under the EU Utilities Directive. The thresholds remain higher than those in the EU directives. Regulations governing defence and security procurement are largely in line with the *acquis* but Turkey does not have a comprehensive legislative framework for concessions.

Amendments adopted in February 2014 and implementing legislation from 2015 have made the previously optional domestic price advantage of up to 15 % compulsory for 'medium and high-technology industrial products'. This applies only to Turkish companies and not to joint ventures or consortia involving EU companies. Amendments have also introduced an offset option in public tenders, by which the buyer (the government) can require the supplier to agree to non-pecuniary deliverables typically favouring domestic production. Such acquisitions have been exempted from the public procurement law. These restrictive measures contradict the *acquis*. On the basis of 2014 statistics, which do not yet reflect these measures, the domestic price advantage was applied for 29 % of the overall contract value (38 % in 2013) and in 9 % of the number of contracts above the minimum threshold (10 % in 2013). The average number of bidders in public tenders was 4.49. Turkey should eliminate all restrictive measures and consider applying the new means provided for under the 2014 EU directives for promoting innovation.

Turkey does not have a specific public procurement **strategy**. The national action plan for EU accession of November 2014 includes a harmonisation schedule aiming at revising legislation in line with the 2014 EU public procurement directives, as well as amending legislation on utilities and public-private partnerships.

The **Public Procurement Authority (PPA)** is responsible for implementing the public procurement law and monitoring the public procurement system. The Ministry of Finance is in charge of coordinating policy formulation and implementation. However, amendments to the public procurement legislation via sector-specific laws undermine this structure. The February 2014 amendments gave competence to the Ministry of Science, Industry and Technology to determine the list of items for which a domestic price advantage is compulsory.

Implementation and enforcement capacity

Turkey's **public procurement market** remained stable at 6.4 % of GDP in 2014. Procedures generally respect the principles of transparency and efficiency. There is a well-functioning central public procurement portal (EKAP). Turkey's capacity to implement and enforce its rules is well developed. The Ministry of Finance, the PPA and the Ministry of Development

have sufficient resources to do their job. The market and competition work satisfactorily in most sectors. Framework agreements are used effectively in accordance with EU requirements. Centralised purchasing is used effectively in a limited number of areas, such as the health sector. However, Turkey does not have a single authority in charge of coordinating, supervising and monitoring the operation of public-private partnerships, despite their significant increase in volume. The public-private partnership unit in the Ministry of Development provides an early-stage review of some projects along with the Treasury and the Ministry of Finance. Allegations of political interference in some public tenders have been reported, in particular regarding large partnerships which are exempt from the public procurement law.

Monitoring of the award and implementation of contracts is satisfactory. The PPA issues quarterly statistics which provide the basis for measuring performance and results as well as for improving the public procurement system.

Contracting authorities' **capacities to manage public procurement processes** continues to improve. The authorities have well-defined procurement functions and the necessary capacity to implement them effectively. Turkey uses e-procurement as an important tool to improve competition and transparency and to reduce costs. The PPA provides sufficient regulatory, advisory and operational support to the contracting authorities. It should target its training and operational support at institutions with less capacity, such as municipalities. In 2014, municipalities contracted out 32 % of the total value of tenders and received 28 % of all complaints.

Mechanisms to identify and address corrupt and fraudulent practices are in place, including rules on **integrity and conflict of interest**. However, Turkey should develop a risk indicator system that flags up potential integrity problems in the procurement process.

Efficient remedies system

The **right to legal remedy** is stipulated in the Constitution and in the Law on Public Procurement. The legislation on review procedures has a good level of alignment with the 2007 EU Remedies Directive and general EU Treaty principles. Any decision on complaints by a contracting authority can be appealed against to the Public Procurement Board within the PPA. Fewer than 20 % of the board's decisions are challenged in administrative courts. But the PPA's review function does not include areas exempted from the public procurement law, such as utilities or concessions. In concessions, the tenderer may submit a complaint to the granting authority and then directly appeal in administrative courts; decisions under public-private partnerships can be challenged in ordinary first instance courts. The delineation between these areas and their different appeal procedures is often not clear.

Regarding **implementation capacity**, the PPA review and remedies system provides for speedy, effective and competent handling and resolution of complaints and sanctions. In 2014, the Public Procurement Board, which acts as a separate body within the PPA, examined 3 942 complaints, some 4 % of the overall number of tenders. To avoid possible conflicts of interest the PP Board's integration into the PPA needs to be reconsidered. The fees for complaints, which have doubled in one year, seem to be excessive. Court decisions may take two to three years.

4.6. Chapter 6: Company law

The EU has common rules on the formation, registration, and disclosure requirements of a company, with complementary rules for accounting and financial reporting, and statutory audit.

Turkey is **well advanced** in the area of company law. **Some progress** was made in particular by extending the scope of compulsory independent audit. Furthermore, the Public Oversight, Accounting and Auditing Standards Authority improved its capacity and online services. In the coming year, Turkey should in particular:

→ finalise the technical alignment with a few pieces of legislation including on mergers and divisions.

On **company law**, Turkey's level of alignment is already high. To implement the Commercial Code, Turkey continued adopting secondary legislation on commercial registries and to extend online company registration. Implementing regulations on mergers and divestitures, material events and stock buybacks were revised. A small number of issues concerning the alignment of legislation on mergers and divisions remain open.

Turkey continued to adopt new **corporate accounting** and financial reporting standards and amendments to the existing ones, based on International Financial Reporting Standards. The Turkish Public Oversight, Accounting and Auditing Standards Authority further improved its administrative capacity through training and further development of its online services.

The scope of compulsory independent **auditing** has been extended further by reducing capital thresholds. The number of approved independent auditors and audit firms further increased.

4.7. Chapter 7: Intellectual property law

The EU has harmonised rules for the legal protection of copyright and related rights. This covers, for instance, computer programs, broadcasting and trademarks, designs, biotechnological inventions and pharmaceuticals.

Turkey has a **good level of preparation** in this area. There was **some progress** in the past year but counterfeiting and piracy remain widespread. In the coming year, Turkey should in particular:

→ adopt pending industrial property and copyright legislation;

→ improve enforcement measures in the fight against piracy and counterfeiting;

→ further increase awareness of intellectual property protection beyond current initiatives.

In the area of **copyright and neighbouring rights**, collective management of rights is still problematic, particularly with the treatment of foreign producers, as much as on public performance rights and the licensing of reproduction rights. The draft copyright law is still pending in the Ministry of Culture.

The law on **industrial property rights** has yet to be adopted, perpetuating an unpredictable legal environment for right holders. Turkish patent law is still not in line with EU *acquis* and with the European Patent Office's standards on pharmaceutical inventions. The Turkish Patent Institute improved its online services by giving access to the design database of the Office for Harmonization in the Internal Market, as well as its administrative capacity. The quality of the institute's decisions on bad faith trademarks and industrial designs improved. It increased awareness-raising and cooperation activities with domestic and international institutions. In March 2015, the EU-Turkey Intellectual Property Rights (IPR) working group witnessed participation of many IPR-related industry representatives. A structured and

comprehensive dialogue with IPR holders on systemic IPR problems is yet to be established. The national strategy on IPR and geographical indications was published in July 2015 along with an action document for 2015-2018. However, further work is needed on geographical indications, plant variety and regulatory data protection for pharmaceuticals.

On judicial **enforcement**, one additional specialised court was established. However, the permanent expertise of the 25 IP courts should be strengthened by developing training on IPR issues. Patentability criteria should be drawn up in cooperation with judges and expert witnesses to ensure consistency. The professionalism and impartiality of expert witnesses should be strengthened in patent cases, among other things with guidelines on their qualifications and liabilities. Alignment with the Enforcement Directive is still needed, in particular on returning counterfeit goods to offenders, storage by right holders of confiscated goods and inconsistencies in obtaining preliminary injunctions. Customs enforcement against counterfeit goods improved further and the number of customs applications for seizures increased. The fight against piracy was strengthened through an encrypted laser code system which enabled more seizures. Yet, despite large-scale *ex officio* and complaint-based police raids, counterfeiting and piracy remain widespread, posing risks to public health and consumer protection and causing damage to the registered economy. Customs enforcement legislation needs to be further aligned with the *acquis*. Stronger political will is needed on IPR enforcement.

4.8. Chapter 8: Competition policy

EU rules protect free competition. They include anti-trust rules against restrictive agreements between companies and abuse of dominant position. EU rules also prevent governments from granting state aid which distorts competition.

Turkey is **moderately prepared** in the area of competition policy. **Some progress** was made, particularly on antitrust and mergers policy where the legislation is largely aligned and the competition authority continues to fulfil its tasks effectively. However, there was no progress on state aid policy. The entry into force of the legislation implementing the state aid law was postponed for a third time. In the coming year, Turkey should in particular:

→ implement the state aid law without further delay to ensure effective monitoring of aid schemes and proper alignment with the *acquis*. It should also finalise an updated inventory

The Competition Authority built up its enforcement record on **antitrust and mergers policy** further, in line with the 2014-2018 strategic plan. It issued 332 decisions in the reporting period, as well as a guidebook to help authorities understand Turkey's national legislation from a competition perspective. It issued a report identifying 215 pieces of legislation which may restrict competition. The authority maintains a satisfactory level of administrative and operational independence which should be preserved.

The entry into force of legislation implementing the **state aid** law was again postponed, until 31 December 2015, delaying the requirement to notify state aid schemes and measures. A comprehensive state aid inventory is yet to be set up and an action plan for aligning all state aid schemes with the *acquis* is yet to be adopted. The 2012 decree on the incentives package was amended twice, extending its scope to sectors such as chemicals, mining and technology-intensive products; it now also grants additional tax incentives for large-scale, regional or strategic projects. A number of aid schemes continue to breach Turkey's obligations under the Customs Union.

4.9. Chapter 9: Financial services

EU rules aim at ensuring fair competition between and the stability of financial institutions, namely banking, insurance, supplementary pensions, investment services and securities markets. They include rules on authorisation, operation and supervision of these institutions.

Turkey has a **good level of preparation** in the area of financial services. **Some progress** was made as the banking regulator adopted new implementing regulations for capital adequacy and the capital market regulator regulated the right of squeeze-out. However, the perception continued that decisions in the banking sector are politically motivated, calling into question the independence of supervisory agencies. In the coming year, Turkey should in particular:

→ take measures to re-establish trust in the independence of supervisory agencies, in particular the Banking Regulatory and Supervisory Agency.

There was some progress in the areas of **banks and financial conglomerates**. The Banking Regulatory and Supervisory Agency revised the rules on banks' capital and on measuring their capital adequacy. Revisions incorporated new developments on core capital adequacy, credit derivatives and hedging instruments, and on standard method and internal ratings-based approaches. However, the perception of politically motivated regulatory decisions continued, in particular when public authorities took over the management of Bank Asya. The regulator's action and the context in which the seizure took place raised questions about the proportionality of the decision.

Some progress was made on **insurance and occupational pensions**, as the Treasury revised the implementing regulation on insurance agencies, scaling up the requirements to establish agencies and open new branches.

There was no further progress on **financial market infrastructure** and there was some progress on **securities markets and investment services**. The regulator revised the implementing regulation on foreign securities markets instruments to facilitate the issuing of different types of equity instruments.

4.10. Chapter 10: Information society and media

The EU supports the good functioning of the internal market for electronic communications, electronic commerce and audio-visual services. The rules protect consumers and support universal availability of modern services.

Turkey is **moderately prepared** in the area of information society and media. It made **some progress** in the past year, notably by adopting an e-commerce law and bringing the broadcasting law more closely into line with the EU *acquis*. However, the insufficient protection of freedom of expression, privacy and personal data and market access, and the overregulation in the sector, remain issues of serious concern. In the coming year, Turkey should in particular:

→ strengthen the institutional independence in electronic communications in particular in terms of financing and oversight.

→ revise the law on internet to support an environment conducive for freedom of speech on the internet and protection of privacy and personal rights.

→ further align the authorisation regime in electronic communications with the EU *acquis*.

→ take the necessary steps to complete the digital switchover as soon as possible.

On **electronic communications, information and communication technologies**, there have been no major developments in aligning legislation on authorisation, spectrum management,

market access and the universal service regime. Full independence of the Information and Communication Technologies Authority (ICTA), including the Telecommunications Communication Presidency (TIB), needs to be secured. Further improvements are needed to ensure the fair allocation of spectrum bands and the effective use of frequencies, and to lift restrictions on concession operators applying to offer multiple bundled services. Contrary to the EU *acquis*, the incumbent fixed telecom operator is not able to offer retail broadband services. Regarding rights of way, municipalities regularly charge operators additional fees. Mobile broadband (including 3G) penetration rate significantly increased to 41.7 % in 2014, while remaining stable, at 11.5% for fixed broadband. In August, Turkey held a 4G license tender divided into 20 frequency lots. Results were announced on 26 August 2015. Total bids amounted to € 3.4 billion, which represents about € 4 billion (with the 18% VAT included) as revenue for the government. Operators will be required to launch 4G services by April 2016.

The law on internet was amended in March for the third time, granting the Telecommunications Communication Presidency further extensive and restrictive powers over internet content and usage. The legal framework raises serious concern about freedom of expression, freedom of internet, protection of privacy and personal rights. (*See Chapter 23 — Judiciary and fundamental rights*)

On **information society services**, Turkey's e-commerce law entered into force in May. An information society strategy for 2015-2018 and a related action plan were published.

In the field of **audiovisual policy**, the digital switchover process was delayed by a lawsuit brought by some media service providers. Broadcasting in languages and dialects other than Turkish continued without restrictions. The broadcasting law, amended in 2014, is to a large extent in line with the EU *acquis*. However, the restrictive way in which it is implemented raises concern. (*see Chapter 23 — Judiciary and fundamental rights*).

As regards transparency, in the reporting period the Radio and TV Supreme Council RTÜK published 1365 decisions, together with the internal experts' report. Council members nominated by the opposition complaint about biased election coverage favouring the ruling party. The Supreme Board of Elections accepted some of the media complaints based on RTÜK reports. In total 265 violation reports have been prepared by RTÜK. As a result, 197 sanctions were issued in the form of warnings and programme suspensions to 67 out of 77 media service providers. Nevertheless, the independence and neutrality of council members should be strengthened by improved procedures for their election.

4.11. Chapter 11: Agriculture and rural development

The Common Agricultural Policy supports farmers and rural development. This requires strong management and control systems. There are also common EU rules for quality policy and organic farming.

There is **some level of preparation** in the area of agriculture and rural development. **Some progress** was made in the past year. Preparations have advanced on general agricultural issues and alignment with the common agricultural policy. Turkey's capacity to absorb funding has increased with implementation of the pre-accession rural development programme IPARD. The farm accountancy data network now covers the entire country, but its integration into relevant databases and use for policy analysis are yet to be addressed. In the coming year, Turkey should in particular:

- completely eliminate any restrictions on imports of live cattle and beef;
- adopt a strategy for agricultural statistics.

Regarding **general agricultural issues**, preparations for the agricultural census are ongoing

and yet to be completed, and the strategy for agricultural statistics is yet to be adopted. To improve the collection and reliability of statistical data, a statistics and evaluation department has been established in the Ministry of Food, Agriculture and Livestock. The farm accountancy data network, based on automated data collection procedures, was further expanded to cover all 81 provinces. Data from the network is currently being integrated with the ongoing census, agricultural land parcel database and other related databases.

On direct support to producers Turkey has made no further steps towards preparing a strategy for adjusting its agricultural support policy in line with the common agricultural policy. Work on developing a land parcel identification system has started, with EU support, together with an integrated agricultural data information system for individual support decisions to farmers.

Unjustified restrictions on imports of live cattle, beef and derivative products from the EU have continued. Despite the progress on imports of live cattle for further fattening and the recent opening of a beef quota, Turkey has made little progress to fully implement its obligations under the EU-Turkey trade agreement for agricultural products, i.e. by opening quotas for beef and live animals on a lasting basis.

In the field of **rural development**, Turkey's ability to absorb funding under the IPARD programme improved further thanks to a constantly increasing number of applications, smooth contracting and rising payments. In 2014, EUR 250 million of EU funding was paid to beneficiaries. The IPARD programme under IPA II for 2014-2020 was adopted in January. Turkey adopted the second national rural development strategy, covering 2014-2020, which aims to ensure that the rural development activities of different institutions are coordinated. The IPARD Managing Authority started implementing the technical assistance measure to manage the IPARD programme, including capacity building for the LEADER measure. The 1 952 staff of the Agriculture and Rural Development Support Institution, at central and provincial level, received in-service training, while the institution participated in the accreditation process under IPARD II. Further efforts are needed to make information available and ensure IPARD programmes are publicised and made more visible.

Preparation of implementing legislation on the principles and implementation of **organic agriculture** is at a final stage.

4.12. Chapter 12: Food safety, veterinary and phytosanitary policy

EU hygiene rules for foodstuff production ensure a high level of food safety. Animal health and welfare and the safety of food of animal origin are safeguarded together with quality of seed, plant protection material, harmful organisms and animal nutrition.

There is **some level of preparation** in the area of food safety, veterinary and phytosanitary policy. There has been **no progress** in the past year. Full implementation of the *acquis* in this area will require significant further efforts, particularly in areas such as animal by-products, animal welfare, identification and registration of animals and control of their movements. In the coming year, Turkey should in particular:

→ upgrade food establishments to meet EU standards, among other things by submitting a national programme and a monitoring plan;

→ take further steps to adapt and enforce rules on animal by-products.

Progress in aligning and implementing the *acquis* on **general food safety** issues has been limited. Efforts should be stepped up to align **veterinary policy** fully with the *acquis*. Work on identifying and register bovines as well as small ruminants has continued. Border inspection posts at land and sea borders and at Sabiha Gökçen Airport in Istanbul still do not function fully.

Turkey's fight against animal diseases continued. The number of foot and mouth disease outbreaks has fallen considerably following mass vaccination and the introduction of strict movement controls to ensure the Thrace region remained a foot and mouth disease-free zone with vaccination. Significant efforts are still needed to fully align with and implement the *acquis* on transmissible spongiform encephalopathies and surveillance systems, including full compliance with Decision 1/98 (*See Chapter 11 — Agriculture and Rural Development for the de facto import ban on live cattle, beef meat and derivative products*). Regulations on the welfare of farm animals and on the protection of laying hens have been brought into force. However, further structural and administrative efforts are required to fully implement the *acquis* on animal welfare. There has been no progress on zoonoses.

Turkey continued implementing training, inspection and monitoring programmes concerning **placing on the market of food, feed and animal by-products**. Progress in developing the national upgrading plan for agri-food establishments has remained limited. Significant efforts are still needed to implement the new rules for registering and approving food establishments. Initial work on animal by-products has started but adapting the new rules to this sector still requires substantial efforts. The funding of inspections has not yet been aligned with the EU system.

Progress was made in aligning and implementing **food safety legislation** on issues such as labelling, additives and purity criteria, flavourings and food supplements. For food enzymes and novel foods alignment has not yet been completed. Although the trade disruption affecting food enzymes produced from genetically modified organisms (GMOs) was solved by a recommendation from the Biosafety Board, this is expected to be translated into an amendment to the biosafety law. On **specific rules for feed**, a regulation on maximum levels of coccidiostats or histomonostats in food has been adopted.

Regarding **phytosanitary policy**, a regulation on recommendation, application and registration processes for plant protection products has been adopted.

4.13. Chapter 13: Fisheries

The Common Fisheries Policy protects living resources of the sea and limits the environmental impact of fisheries. This includes setting catch quotas, managing fleet capacity, rules for aquaculture as well as support for fisheries and coastal communities.

Preparations in this area remain at an **early stage**. In the past year, **some progress** was made on resources and fleet management, inspection and control, and on international agreements. More efforts are needed to align legislation on structural actions, state aid and market policy and to strengthen institutional capacity. In the coming year, Turkey should in particular:

→ adopt the draft fisheries law.

The Ministry of Food, Agriculture and Livestock expanded its **administrative and organisational capacity** by establishing fisheries and aquaculture branch offices in 43 provincial directorates. The draft fisheries law has not yet been adopted.

Regarding **resources and fleet management**, a national sea research strategy aimed at contributing to a sustainable development approach in fisheries management was adopted. The scheme subsidising the decommissioning of fishing vessels has made possible significant progress in fleet management, with a total of 820 vessels decommissioned, of which 456 were recalled in 2014. Marine fisheries data started to be collected in 2014 as part of a joint programme between the ministry and the Turkish Statistical Institute.

On **inspection and control**, some progress has been made in implementing the recommendations of the International Commission for the Conservation of Atlantic Tunas

(ICCAT) on bluefin tuna. The EU-Turkey Fisheries Dialogue Group is helping to steer inspections in this area. Inspections of baby clam production sites have intensified.

No progress can be reported on **structural actions** and **state aid**. On **market policy**, the EU supports efforts to build up the ministry's capacity. However, more needs to be done to prepare and implement a strategy and action plan.

Regarding **international agreements**, the cooperation between Turkey and the EU continued in ICCAT and the General Fisheries Commission for the Mediterranean. As the EU implements provisions of the United Nations Convention on the Law of the Sea, *inter alia* in the common fisheries policy, Turkey's ratification of the convention would improve cooperation with the EU on fisheries and maritime policy.

4.14. Chapter 14: Transport policy

The EU has common rules for technical and safety standards, security, social standards, state aid and market liberalisation in road transport, railways, inland waterways, combined transport, aviation and maritime transport.

Turkey is at a **moderately prepared** level on transport. There was **some progress** in the past year in this field, particularly in civil aviation. Legal and institutional alignment is lagging significantly in the rail sector. In the coming year, Turkey should in particular:

→ make further efforts to implement legislation aligned with the EU *acquis* in the rail sector, particularly ensuring independence of the infrastructure manager to carry out essential functions.

→ improve cooperation with the EU and in particular with the European Aviation Safety Agency on civil aviation.

The Directorate-General for **Road Transport** continued to increase its administrative capacity and inspections of vehicles' roadworthiness. The implementing legislation on transporting dangerous goods by road was amended in April to further align it with the *acquis*. Capacity was increased for training truck drivers to be professionally competent and for testing and certifying vehicles transporting dangerous goods. The amended road traffic legislation aligns driving licences format requirements with EU rules over a five-year period.

On **rail transport**, the law on liberalisation of railways does not comply with the *acquis* in creating the conditions for a competitive and transparent market where the independence of essential functions is ensured. Secondary legislation on network access was published in May, but other secondary legislation, on issues such as licensing, rolling stock registry and safety, is still lacking and preventing any effective opening-up to the private sector. The incumbent railway operator, Turkish State Railways, has still not been unbundled as required by law. In its role as infrastructure manager, the company owns and finances rail operations, contrary to the *acquis*. The Directorate-General for Rail Regulation still acts as both the regulatory authority and the safety authority and does not enjoy sufficient independence from the Ministry of Transport. Further alignment efforts are required. The regulation on the transport of dangerous goods by rail and the decree on the minimum standards for professional competence of the staff working on dangerous goods transport operations by rail were approved in July.

Legislation to promote **intermodal transport** has not yet been adopted. The capacity of the Directorate-General for Combined Transport and Dangerous Goods needs further strengthening.

On **air transport**, signature of the EU horizontal agreement on air transport services with Turkey is still pending. The capacity of the Directorate-General for Civil Aviation is not keeping pace with the size and growth of the Turkish civil aviation sector. The directorate is working on aligning technical requirements and administrative procedures related to air operations with those of the EU and European Aviation Safety Agency (EASA). Turkey has reached a good degree of convergence with the EU-EASA rules on airworthiness of foreign aircraft but there is no progress on aircrew. Turkey adopted a national civil aviation security programme. The absence of a working arrangement with EASA to extend the scope of inspections to air traffic management and air navigation services means that Turkey's level of progress in this domain cannot be ascertained. The lack of communication between air traffic control centres in Turkey and Cyprus continues to seriously compromise air safety in the Nicosia flight information region. An operational solution needs to be found urgently to resolve this safety issue.

In **maritime transport**, Turkey should continue its efforts to become party to all basic conventions of the International Maritime Organization. A regulation on maritime transport of dangerous goods was published in March and a training programme on this issue has been set up. Turkey has not aligned yet with the *acquis* on reporting formalities for ships.

As long as restrictions remain in place on vessels and aircrafts registered in or related to Cyprus or whose last port of call was in Cyprus, Turkey will not be in a position to fully implement the *acquis* relating to this chapter.

4.15. Chapter 15: Energy

EU energy policy covers competition and state aids, equal access to resources, the internal energy market, energy efficiency, nuclear energy and nuclear safety and radiation protection.

Turkey is **moderately prepared** in the field of energy. There was **good progress** in the past year, especially on security of supply, the internal market for electricity, and renewable energy. Liberalisation of the electricity sector and the level of alignment with the third energy market package in electricity are well advanced. Efforts have continued to foster renewable energies. In the coming year, Turkey should in particular:

- establish a functioning competitive market in the natural gas sector in line with the *acquis*;
- implement a transparent and cost-based pricing mechanism for electricity and gas;
- make urgent progress on aligning with the *acquis* on nuclear energy, to create the necessary legal framework required for planning and construction of its nuclear plants.

Good progress has been made on **security of supply**. The Ministry of Energy and Natural Resources adopted its new strategic plan for 2015-2019 which aims to improve security of energy supply, diversify supply sources and promote energy efficiency and renewable energy, with incentives to use domestic sources. Turkey continues to comply with the oil stocks *acquis*. In April, the Turkish Electricity Transmission Company and the European Network of Transmission System Operators for Electricity signed a long-term agreement on commercial energy exchanges. Turkey's efforts to strengthen the electric interconnection with all its neighbours have also continued. A gas transportation agreement between Turkey and Turkmenistan was ratified in May. Operations related to the trans-Anatolian natural gas pipeline project moved forward decisively. In December 2014, Russia announced a new gas transportation project in cooperation with Turkey to replace the South Stream pipeline project, but its construction remains uncertain. A fair and transparent gas transit regime in line with the EU energy *acquis* is needed to enable Turkey to play a major role as a gas transit country to the EU. (See Chapter 21 on Trans-European networks).

Important progress was made on the **internal energy market**, particularly on organising the wholesale electricity markets with the establishment of the Energy Markets Operation Joint Stock Company. The company will facilitate the creation of a fully liberalised electricity and gas market in Turkey. A regulation on balancing and settlement was amended in March with a view to introducing an intra-day market, coordinating losses in the transmission system and increasing switching possibilities for eligible consumers. The privatisation of power generation facilities assets continued. The minimum consumption level at which consumers can freely choose their electricity supplier was further reduced from 4500 kWh to 4000 kWh for 2015. Cost-based tariffs, envisaged by the electricity market law, have not yet been properly implemented. Existing cross-subsidies will continue until 2016.

There was some progress in the natural gas sector. The threshold at which eligible consumers can choose their supplier was further reduced to 75 000 m³/year in 2015. The Energy Market Regulatory Authority set the gas demand forecast for 2015 to 50.86 billion m³. The tendering process for gas distribution continued and the network was extended to 70 of Turkey's 81 provinces. There have been no developments on revising the natural gas market law or on a new gas strategy.

Good progress can be reported in the field of **renewable energy**. In February 2015, the Ministry of Energy and Natural Resources issued a new national renewable energy action plan which aims to increase the country's renewable energy generation capacity to 61 GW by 2023, mostly in the form of hydro, wind and solar generation. Implementing regulations were adopted to set up a wind-power forecasting centre and on water usage rights agreements. Private sector investment in renewable energy, particularly in wind and unlicensed solar, is growing fast. Development of renewable energy must consider the *acquis* requirements on State aid and on environment. In 2014 21% of electricity generation was from renewable sources, down from 29 % in 2013 due to reduced hydropower output as result of the draught.

There was no progress on **energy efficiency**. The strategic plan for 2015-2019 does not include any specific target. The capacity of the Directorate-General for Renewable Energy needs strengthening. The energy efficiency law and related legislation are not aligned with the Energy Efficiency Directive.

On **nuclear energy, nuclear safety and radiation protection**, no progress can be reported on alignment with the *acquis*. The intergovernmental agreement with Japan to build Turkey's second nuclear power plant, in Sinop, was ratified in May. Construction of the marine structures of Turkey's first nuclear power plant, in Akkuyu, has already started. However, the law on acceding to the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management has not been adopted. The same goes for the draft framework law on nuclear energy and radiation and the establishment of an independent regulatory authority.

4.16. Chapter 16: Taxation

EU rules on taxation cover value-added tax and excise duties as well as aspects of taxing income from savings of individuals and of corporate taxes. They also deal with cooperation between tax administrations, including information exchange to prevent tax evasion.

Turkey is **moderately prepared** in the area of taxation. **Some progress** was made on excise duties and operational capacity. In the coming year, Turkey should in particular:

- comply with the 2009 action plan as regards excise duties on alcoholic beverages;
- align the excise legislation on energy products with the *acquis*.

In the area of **indirect taxation**, Turkey's value added tax (VAT) legislation does not fully

comply with the EU *acquis*. It needs to be further aligned in terms of structure, exemptions, special schemes and the scope of reduced rates. Regarding excise duties on tobacco products, in January Turkey reduced the specific duty that finances the Tobacco Fund on imported and blended tobacco, in line with the 2009 taxation action plan. This is a positive step towards eliminating discriminatory practices. There are still some discrepancies between Turkey's legislation on taxing cigarettes and the *acquis* regarding the specific and ad valorem components of the tax. However, the overall level of the excise duty on cigarettes is now close to EU levels. Regarding excise duties on alcoholic beverages, discriminatory differentials in taxation between domestic and imported products were reduced in January. The increase in excise duties on raki was proportionally higher than on other alcoholic drinks, thereby significantly reducing taxation differentials. Although not fully compliant with the agreed differentials for 2015 included in the 2009 taxation action plan, this is a positive step towards meeting them. An across the board rise of excise duties in July 2015 increased again the taxation differentials. Continuing to gradually eliminate discriminatory practices in line with the action plan is key for further progress under this chapter. Discrepancies with the *acquis* in excise duty legislation on energy products, such as ad valorem excise duties, have not been corrected.

On **operational capacity and computerisation**, the Revenue Administration continued taking measures to increase voluntary compliance by simplifying procedures, strengthening enforcement and improving taxpayer services. Procedures for electronic VAT refunds are operational. Monitoring of how the action plan to combat the informal economy is being implemented continued, but needs to be transparent about the results achieved. The capacity of the Tax Inspectors Board was further strengthened.

4.17. Chapter 17: Economic and monetary policy

EU rules require the independence of central banks and prohibit them directly financing the public sector. Member States coordinate their economic policies and are subject to fiscal, economic and financial surveillance.

Turkey is **moderately prepared** in the area of economic and monetary policy, though **no progress** was made in the past year. Turkey has a generally good capacity for economic analysis and planning. Increased political pressure on the central bank undermined its independence and credibility. In the coming year, Turkey should in particular:

- avoid any political interference in the independence of the central bank;
- submit fiscal notifications and the Economic Reform Programme (ERP) by the set deadlines.

On **monetary policy**, further progress is needed to ensure the central bank's independence, as its statute fails to provide sufficient guarantees in this regard. For example, the inflation target is jointly decided by the government and the central bank, which implies a lack of institutional independence for the latter. The executive continued to increase political pressure on the central bank to lower interest rates. As regards privileged access to financial institutions by the public sector, full alignment with the *acquis* requires further steps.

On **economic policy**, Turkey submitted its first ERP in March 2015, with considerable delay. The programme presents an optimistic macroeconomic scenario for 2015-2017, with a sizeable increase in growth compared to the previous three years. However, this scenario is not in line with recent trends and market developments. The ERP failed to address a number of elements in the Commission's guidelines for such programmes, most notably the implementation of the policy guidance provided in the Conclusions of the Ministerial Dialogue between the Economic and Finance Ministers of the EU and the Candidate

Countries on 6 May 2014.

There is a need to improve the credibility of forecasts, an important element of the Directive on requirements for budgetary frameworks. Closer alignment with other elements of this Directive also requires substantial work, such as introducing numerical fiscal rules and their independent monitoring.

4.18. Chapter 18: Statistics

EU rules require that Member States are able to produce statistics based on professional independence, impartiality, reliability, transparency, and confidentiality. Common rules are provided for the methodology, production and dissemination of statistical information.

Turkey is **moderately prepared** in the area of statistics. **Some progress** was achieved in the past year, notably on labour statistics.

Still, further efforts are needed across the board, especially to align macroeconomic and agricultural statistics with the EU *acquis*. In the coming year, Turkey should in particular:

- strengthen coordination between the National Statistics Office and some other data providers, while improving the quality and use of administrative records;
- submit key national accounts indicators to the Commission;
- improve statistics on agriculture, asylum and migration.

As regards **statistical infrastructure**, the law on statistics follows the principles of the European statistics Code of Practice and ensures the professional independence of the National Statistics Office (NSO). Statistical data are available following a public release calendar that gives all users access at the same time. Most recent classifications are in place. However, the cooperation between the NSO and some of the main data providers, particularly the Ministry of Finance and the Social Security Institution, needs to be improved; cooperation with the Ministry of Food, Agriculture and Livestock needs to be considerably enhanced. Access to administrative records is difficult and the often poor quality of data in registers held by different institutions is problematic. The often poor quality of data in registers held by different institutions has led to more reliance on costly surveys. The priority in the short term is to improve cooperation between the NSO and the main data providers, improve the quality of registers and increase the use of administrative records.

For **macroeconomic statistics**, quarterly national accounts and balance of payments data are in place but annual national accounts are not yet produced in accordance with the *acquis*. Turkey produces external trade statistics in line with the EU *acquis*. Tables for the excessive deficit procedure have not yet been submitted. Further progress is needed in foreign affiliate trade statistics and in the publication of government finance statistics on accrual basis. Regional accounts are not yet available at level III of the nomenclature for statistical regions. Turkey started producing the balance of payments data according to the sixth version of the manual, while also making available old data as from 1975 on the basis of the new manual, for comparability purposes. The harmonised index of consumer prices is implemented in line with the *acquis*. Submitting key national account indicators according to ESA 2010 and the methodology used is essential for further progress on the statistics chapter.

In **business statistics**, full implement the regulation on structural business statistics is ongoing but the availability and use of good quality administrative records would render the process more efficient. Turkey is implementing the latest version of industrial production statistics according to EU standards. Short-term statistics are largely aligned, with the exception of services. Transport statistics are produced according to the EU *acquis*, but a few

road transport data issues remain. Tourism statistics are available except for data on spending by Turkish tourists abroad. R&D and ICT statistics are well aligned with the EU *acquis*.

As for **social statistics** data from the survey on income and living conditions is available and labour market statistics are fully aligned with the EU *acquis*, with the continuous labour force survey introduced in 2014. Turkey revised its methodology for employment data in 2014 and now follows EU practice. Alignment in public health statistics is very high for data relating to causes of death and health surveys, whereas further progress is needed for data on health expenditure and non-monetary healthcare. Social protection statistics are partially aligned. Crime statistics are available, as well as education and vocational training data. The address-based registration system does not make it easy to follow the movement of foreign nationals for statistics on external migration and asylum.

In **agriculture statistics**, no agricultural census has been implemented since 2001. Animal production, milk and dairy statistics are available, whereas data on wine and olive oil are incomplete. Supply balance sheets are not yet available and economic accounts for agriculture are outdated. The coverage and availability of the farm registry, agricultural labour index and agricultural production data are in need for considerable improvement. Further work is needed to strengthen the coordination between the NSO and the Ministry of Food, Agriculture and Livestock, and revise the strategy for improving agricultural statistics to allow for the progress made in setting up a farm register to be described in detail.

As for **environment statistics**, further progress is needed, in particular in agricultural and construction waste and data on environment-related taxes by economic activity. Environmental accounts are at an early stage of introduction. **Energy statistics** are in line with the EU *acquis*. Annual energy statistics and energy prices are available in good quality and sent to Eurostat.

4.19. Chapter 19: Social policy and employment

EU rules in the social field include minimum standards for labour law, equality, health and safety at work and anti-discrimination. They also promote social dialogue at European level.

Turkey remains **moderately prepared** in this chapter. There was **some progress** over the past year, mainly on health and safety legislation. In the coming year, Turkey should in particular:

- remove obstacles such as the double threshold requirement for trade unions, which is hindering effective social dialogue;
- better implement and enforce health and safety legislation;
- step up social protection, social inclusion and anti-discrimination policies, with the aim of ensuring equal treatment for all.

In the field of **labour law**, new legislation was adopted in September 2014 to regulate subcontracting in the public sector. Still, subcontracted workers not covered by the law continue to be particularly at risk of poor working conditions, unjustified dismissals and difficulties in joining trade unions. Workers in the mining sector are particularly affected by subcontracting. Turkey has still not regulated all forms of employment, such as temporary work, in line with the EU *acquis*. The rate of unregistered workers, who are also not covered by the labour law and without access to trade unions, increased to 34.0 % from 33.6 % last year. The rate is lower for non-agricultural work (22.3 %) but more efforts are needed to reach the national target of 17 % by 2018. Child labour persists, including some of its worst forms, and continues to be a critical issue. Limited actions have been taken to prevent child labour in seasonal hazelnut harvesting.

On **health and safety at work**, Turkey ratified ILO Convention No 167 on safety and health in construction work and ILO Convention No 176 on safety and health in mines. Legislation has been adopted that introduces more stringent measures against mining accidents, obliges employers in very hazardous workplaces to strengthen occupational health measures and protects occupational health and safety experts. The law aiming to align with the *acquis* in the field of health and safety at work is still not fully applicable as central elements of the law on alignment with the EU Framework Directive will apply in 2016. Work-related accidents are a serious concern as official statistics show that 191 389 occurred in 2013, with 1 360 fatalities, predominantly in the construction sector. Greater transparency in reporting is needed as non-governmental figures indicate casualties 40 % higher. Significant under-reporting of occupational accidents and diseases and shortcomings in labour inspections need to be addressed.

Regarding **social dialogue**, a ruling by the Constitutional Court means workers in small companies are now legally protected against being dismissed for their trade union activities. Another ruling of the Court reduced from 3 % to 1 % the sector level threshold for independent trade unions to obtain authorisation to negotiate collective agreements. Trade union membership in the private sector increased from 9.5 % to 11.2 % in 2015, but the proportion of workers covered by collective agreements remains significantly lower. This is mainly due to the continued existence of ‘double thresholds’ which limit trade unions’ ability to engage in collective agreements. Moreover, a large number of unregistered workers do not have access to trade unions. Unlawful dismissals of trade union members and long-lasting trials discourage workers from joining trade unions. The Constitutional Court lifted a ban on strikes in banking and urban transport, but the postponement by the government of strikes in non-essential services and forced arbitration seriously impaired the right to strike. The Court also ruled that public employees should enjoy their right to strike as guaranteed by the Constitution and ILO conventions, but this ruling, which does not cover civil servants, has not been followed up in practice yet. Turkey needs to respect civil servants’ right to strike and to lift obstacles to collective bargaining, among other things by considering changes to the Constitution. The Economic and Social Council has not convened since 2009. In the public sector, especially in educational institutions and civilian functions of the armed forces, there are reports of discriminatory practices against members of certain unions.

In **employment policy** the targets of the national employment strategy remain ambitious compared with a weakening labour market performance. Employment rates for those aged 20-64, at 75 % for men and 31.6 % for women, have stagnated and remain low, especially for women. The unemployment rate increased to 9.9 % and is significantly higher for women. Youth unemployment rose to 17.8 %, and a quarter of all young people are not in employment, education or training. The public employment service continued to increase its capacity and outreach. Work on the first employment and social reform programme continues.

Preparations for the programming and management required for the **European Social Fund** continued. The IPA sectoral programme for employment, education and social affairs for 2014-2020 was adopted in December. Intensive tendering and operations in employment, education and social inclusion continued under the 2007-2014 IPA human resources development programme.

On **social inclusion**, no progress was made towards establishing an integrated policy framework for social policy, assistance and poverty alleviation. However, some indicators improved, although they remained worse than the EU average. The national employment strategy envisages penalties for institutions that fail to recruit persons with disabilities, but this group continued to account for fewer than 2 % of public employees. The share was even lower in the private sector. The law discourages persons with disabilities from entering the

profession of judges or prosecutors. Measures to encourage the employment of persons with disabilities have limited impact in the absence of a comprehensive approach. A national strategy for integrating Roma has not yet been adopted.

Total expenditures for **social protection** continued to increase reaching 13.8 % of GDP in 2013. The proportion of health expenditures increased in 2013 for the first time in four years, to 5.4 % of GDP. Low employment rates of women and the high proportion of informal work remain challenges for a sustainable pension system, whose deficit further increased in 2014. With the elderly population and elderly dependency rates increasing, active ageing policies need to be stepped up. The social assistance scheme for persons with disabilities expanded, with an increase in the number of beneficiaries covered and in the capacity of institutional and semi-institutional care centres and services.

There were no developments in **anti-discrimination** policy. Groups promoting gender diversity and ethnic groups continued to report cases of discrimination in employment. In a recent academic study, one third of LGBTI persons reported discrimination in access to work, working conditions and salary; and do not take legal action due to mistrust towards the legal system and anxieties over possible breach of privacy (*See chapter 23 – Judiciary and fundamental rights*).

In the field of **equal opportunities**, there is no progress in increasing women's low participation rate in the labour force. The lack of institutions to care for children, the elderly and the sick hinders women's employment and reinforces their role as carers. Only partial measures have been taken to create more flexible working conditions in the public sector. The social security coverage of domestic workers requires attention. The legislation and policies on balance of work and private life need take into account gender equality. The gender pay-gap remains problematic. The equality body required by the *acquis* has still not been established. (*See chapter 23 – Judiciary and fundamental rights*)

4.20. Chapter 20: Enterprise and industrial policy

EU industrial policy enhances competitiveness, facilitates structural change and encourages an enterprise friendly environment that stimulates small and medium sized enterprises.

Turkey has a **good level of preparation** in the area of enterprise and industrial policy. **Some progress** in developing policy was made in the past year with the adoption of the new industrial strategy, SME strategy, a strategy on entrepreneurship and several sector strategies. However, restrictive instruments not in line with EU industrial policy principles are in place. In the coming year, Turkey should in particular:

→ improve policy compliance following the Small Business Act process results and the review of recently adopted strategies and action plans

On the **enterprise and industrial policy principles**, the Ministry of Science, Industry and Technology adopted an updated industrial strategy for 2015-2018. The small and medium-sized enterprise strategy and action plan were also revised for the same period. In addition, horizontal strategies were issued on entrepreneurship, public-industry-university cooperation and productivity.

Regarding **enterprise and industrial policy instruments**, a new 'industry cooperation programme' provides for an offset possibility in public procurements exceeding EUR 7.5 million involving innovation, technology transfer and delocalisation to the domestic market. This obliges foreign bidders to cooperate with Turkish companies in joint production, investment and/or integration of Turkish companies into their supply chain. Such restrictive instruments are not in line with EU industrial policy principles. Turkey continued to

comprehensively support industrial and technology development zones.

Turkey has several public funding schemes for industrial development, from the Ministry of Science, Industry and Technology and its affiliated bodies TUBITAK (R&D and technology) and KOSGEB (SME development) as well as from the Ministries of Economy, Development, and Finance. However, these schemes are not part of a comprehensive framework. SMEs use about 39 % of available business loans, which is still below their share in the economy. Reliance on venture capital is low but increasing. Turkey participates in the COSME programme and established its new European Enterprise Network. It is currently participating in the assessment exercise on the Small Business Act (SBA). Initial results confirm that Turkey is performing well in a number of dimensions. Strategies were adopted on industrial design, intellectual property rights, geographical indications, biotechnology, textile, ready-wear and leather products, pharmaceuticals, information society and recycling, and are expected to give industry a boost once implemented.

4.21. Chapter 21: Trans-European networks

The EU promotes trans-European networks in the areas of transport, telecommunications and energy to strengthen the internal market and contribute to growth and employment.

Preparations on Trans-European networks remain **well advanced**. **Good progress** continued in the past year, in particular decisive progress in gas transportation and in the full integration and interoperability with the European Network of Transmission Systems Operators for Electricity. In the coming year, Turkey should in particular:

- step up efforts to establish a fair and transparent gas transit regime in line with the *acquis*;
- take steps towards establishing a new core network, and conclude and start implementing the national transport master plan.

On **transport networks**, studies for a national transport master plan and a logistical master plan are under way. Turkey has taken preparatory steps and contributed to establishing a core network in line with the revised TEN-T methodology and guidelines.

Regarding **energy networks**, Turkey has continued its efforts to diversify both sources and routes and has strengthened its role as a gas transit country. Major efforts have been made to move forward the trans-Anatolian pipeline project and construction work was launched in March 2015. In December 2014, Russia announced a new gas transportation project in cooperation with Turkey, to replace the South Stream pipeline project, but its construction is uncertain. A fair and transparent gas transit regime in line with the EU energy *acquis* is necessary for Turkey to play a major role as a gas transit country to the EU.

On electricity networks, in April the Turkish Transmission Electricity Corporation and the European Network of Transmission System Operators for Electricity signed a long-term agreement on commercial energy exchanges. The corporation revised in May the electricity network regulation in line with EU's and committed to the standards of the Continental Europe Operation Handbook and to carrying out market transactions in line with the EU's Third Energy Package.

4.22. Chapter 22: Regional policy and the coordination of structural instruments

The EU funds regional development in the Member States. Implementation is the responsibility of the Member States that must have adequate administrative capacity to ensure the good handling and sound financial management of the projects.

Turkey is **moderately prepared** in the area of regional policy and the coordination of structural instruments. **Some progress** was made in the past year. In the coming year, Turkey should in particular:

→ focus on activities that reduce the risks of not using the IPA funds on time;

→ strengthen its ability to implement programmes and deliver quality.

A national strategy for regional development and regional development plans at NUTS II level (Nomenclature of Units for Territorial Statistics) have been adopted for the period 2014-2023.

The Ministry of Development is taking only limited initiatives in exercising its coordination role regarding the **institutional framework**.

Technical assistance projects and training programmes continued building the **administrative capacity** of IPA institutions and development agencies. However, these efforts are undermined by staff turnover. The transfer of responsibility to the new metropolitan municipalities had a temporary negative impact on the IPA programme in environment.

Regarding **programming**, in December 2014 operational programmes covering the period 2014-2016 were adopted for transport, environment and climate action, competitiveness and innovation, and employment, education and social policies.

On **monitoring and evaluation**, there has been no progress in developing the integrated monitoring information system which is not currently used by the operating structures.

In the area of **financial management, control and audit**, little progress has been registered in the absorption of IPA funds under components III 'Regional Development' and IV 'Human Resources Development'. The high risk of not using the available IPA funds on time emerged in 2014 and has increased in 2015. The operating structures continued to strengthen their capacity but this has been offset, though to different degrees amongst the components, by a lack of political commitment to managing IPA funds, high staff turnover, insufficient staffing in the quality control and audit units and the insufficient quality of tender documents. This is being assessed in the context of the entrustment of budget implementation tasks for IPA II to the national authorities.

4.23. Chapter 23: Judiciary and fundamental rights

The EU's founding values include the rule of law and respect for human rights. A proper functioning judicial system and effective fight against corruption are of paramount importance, as is the respect for fundamental rights in law and in practice.

Turkey reached **some level of preparation** to implement the *acquis* and the European standards in this area. However, there has been **no progress** in the past year. The Turkish judicial system, which had significantly improved between 2007 and 2013 in terms of independence, efficiency, and the protection of human rights and fundamental freedoms, has seen respect for the principle of separation of powers seriously undermined. Judges and prosecutors have been under strong political pressure. In the fight against corruption, the number of investigations, prosecutions and convictions declined. In particular, investigation and prosecution of high-level corruption cases remained limited. Prevention measures need to

be improved. Corruption remains prevalent in many areas and continues to be a serious cause of concern. On fundamental rights, some developments were at odds with the action plan for the prevention of violations of the European Convention on Human Rights (ECHR), in particular the legislation adopted on internal security. Freedom of expression is of particular concern, with arrests, hearings, detentions, judicial prosecutions, censorship cases and layoffs of journalists increasing as the authorities maintained their pressure on the media and free speech.

In the coming year, Turkey should in particular:

→ restore all legal guarantees to ensure full respect for the independence of the judiciary in practice;

→ establish a track record of investigations, prosecution and final convictions in corruption cases, in particular high-level cases;

→ ensure full respect for fundamental rights and freedoms, in particular freedom of expression, the fight against impunity, freedom of assembly and protection of personal data and of persons belonging to minorities.

(See also the specific recommendations on the judicial system, the fight against corruption and freedom of expression in sections 2.3 and 2.4.)

Functioning of the judiciary

Strategic documents

A revised strategy for 2015-2019 was adopted in April 2015 to address the main shortcomings in the justice system. The strategy contains 10 goals targeting the key issues that need to be addressed. However, it does not provide a detailed assessment of the implementation of the previous strategy and of remaining gaps. It is a very general planning document, specifying lead institutions and broad timelines, but including only limited detail on envisaged steps and actions and no assessment of budgetary implications. It is crucial that the strategy be implemented with the involvement of all relevant stakeholders, including the civil society.

Management bodies

No action has been taken to strengthen the independence of the High Council of Judges and Prosecutors (HSYK) from the executive following the legislative changes in 2014. Over the reporting period the Minister of Justice, in his capacity as *ex officio* President of HSYK, participated in two meetings. No official record of votes of HSYK decisions on investigations against judges and prosecutor is made public. The minister's veto right, as *ex officio* President of HSYK, over decisions to initiate or not disciplinary proceedings against judges and public prosecutors, is another issue of concern.

In September 2014, the Court of Cassation and the Council of State appointed five members to HSYK. Elections for the 10 members elected by judges and prosecutors held in October 2014 were marred by allegations of political influence over the process. Bar associations, academics, jurists and civil society raised concerns over government support to successful candidates, including the use of public resources for their campaigns. The remaining members of HSYK were subsequently appointed by the President and one by the Justice Academy.

Independence and impartiality

Judges and prosecutors have remained under strong political pressure. As in the previous year, a high number of judges have been transferred against their will. Representatives of both the executive and legislative branches have continued to make comments on ongoing judicial

cases. The then President of the Constitutional Court publicly expressed concern over pressure faced by the judges of high courts. Representatives of the executive have at times undermined the credibility of the judiciary by discrediting judges and prosecutors and accusing them of conspiracy and membership of an alleged ‘parallel structure’ under the influence of the Gülenist movement or lately also of a terrorist organisation. In the context of direct public criticism from the executive, HSYK launched several cases against prosecutors and judges dealing with high-profile cases, including allegations of corruption and alleged transfer of weapons to Syria. These cases led to their suspension or dismissal, as well as to several detentions.

The Venice Commission expressed strong concerns over the removal, dismissal and transfer of judges and prosecutors. Such decisions, especially those on judges and prosecutors involved in high-profile cases, irrespective of whether they committed any disciplinary offence, bring a suspicion of interference by HSYK in their judicial tasks. Further safeguards need to be introduced to avoid any interference by the HSYK in judicial proceedings. Legal and constitutional guarantees are also needed to prevent judges and prosecutors from being transferred against their will, except in cases of reorganisation of the courts.

The law on HSYK also needs to be revised to reduce the executive’s influence within the Council. The legislative package of December 2014 made a substantial change to the composition of the high courts by significantly increasing the number of judge members and by reducing their seniority requirement.

In March, a prosecutor of the Istanbul Court House was taken hostage by activists of a leftist terrorist group and killed, together with the hostage-takers, during a rescue operation by security forces.

Accountability

Nearly all judges have declared their assets as required by law. Since October 2014, out of 256 complaints to the HSYK about lack of independence and impartiality, investigations were initiated against 28 judges and prosecutors. Most cases were part of the crackdown instigated by the executive against the alleged ‘parallel structure’. HSYK approved launching criminal investigations against 54 judges on charges related to their alleged membership of a terrorist organisation. Due process and procedural standards need to be applied objectively and independently to both disciplinary and criminal cases against judges and prosecutors.

Professionalism and competence

The Ministry of Justice continued to play a decisive role in the selection of the candidates to become judges and public prosecutors, while the HSYK continued to process appointments of large numbers of new judges in haste. The full responsibility for recruiting the candidates for the position of judges and public prosecutors needs to be transferred to the HSYK. The influence of the Ministry of Justice on the boards of interview needs to be reduced. Measures should be taken to ensure that ordinary movements of judges and prosecutors are better planned and prepared in terms of accompanying measures such as training.

Quality of justice

Pre-service training of candidate judges and prosecutors as well as on-the-job training is carried out by the Justice Academy. One fifth of on-the-job training sessions are dedicated to European Court of Human Rights (ECtHR) case law but no continuous on-the-job training in EU law was planned for 2015. The dramatic increase in the number of candidate judges and prosecutors in the past couple of years and the frequent changes in the duration of the pre-service training – now less than 6 months – reduces the academy’s capacity to deliver high-

quality training. Common training courses for judges, prosecutors and lawyers need to be developed.

The **budget** of the judiciary is EUR 3.2 billion in 2015, representing 0.5% of GDP and 42 € per inhabitant.

Quality surveys were carried out for the first time, involving the public, stakeholders and bar associations. Particularly for statistical reporting, the function of the IT system for allocating cases to judges needs to be improved. Courts do not issue annual reports. Measures should be taken to improve the quality of judicial decisions. The decisions of the Constitutional Court, Court of Cassation and Council of State are accessible through a dedicated system but they are not classified according to indexes or research keys, nor are they summarised. This hampers the harmonisation of case law across the country. The poor quality of indictments, without appropriate selection and assessment of the relevance of the evidence supporting the case, has been a recurrent source of serious concern. The application of the anti-terror legislation, which scope and application is not in line with ECHR and ECtHR case law, as well as the extensive use of protected anonymous witnesses, particularly in cases related to state security, remained a problem. Bar associations reported that in such cases, courts often force defence attorneys to submit questions for the court to ask, rather than being able to conduct direct questioning themselves. No data was available regarding the number of court decisions with a confidentiality clause.

Efficiency

The number of individual applications made to the Constitutional Court since its introduction in 2012 exceeded 43 000 in July of which close to 21 000 had been filed in 2014 alone. The court took decisions on the merits of some 800 cases and rejected 72 cases. Over 10 000 cases were declared inadmissible. Decisions were taken on 93 % of over 7 000 complaints about the length of judicial proceedings lodged since October 2014 with the Human Rights Compensation Commission within the Ministry of Justice.

In 2012, the clearance rate of civil and commercial litigious and non-litigious cases at first instance had stood at 116 % and 111 % respectively. The disposition time for litigious cases was 134 days, which is below average. The clearance rate for administrative cases was 127 %. For criminal cases at first instance, the clearance rate was 108 % with a disposition time of 226 days, which is above average. No comparable data for 2013 and 2014 has been made available.

No action has been taken to introduce a reliable registration system or draw up indicators to measure the justice system's efficiency. Lengthy trials, especially those lasting more than five years, often result in the suspects being released without conviction, even in serious crimes cases. Systemic solutions are needed to address trials' excessive length. Decisions on detention or continued detention frequently lacked proper reasoning based on specific facts, evidence and grounds to justify the deprivation of liberty, as required by law. The court experts system should be revised. Excessive recourse to court experts by judges, low quality of expert reports and low fees remain as problems. A draft law to overcome the issues is yet to be adopted. Court experts should be subject to cross-examination in practice.

The number of high-profile cases referred from a city court to another remote court increased to reach a total of 20 cases in 2014, the highest since 1992. Such referrals complicate the exercise of the right to defence.

Anti-corruption policy

Track record

The 2013 and 2014 judicial years saw the number of investigations, prosecutions and convictions in corruption cases fall. The prosecution of high-level corruption cases, including most cases involving the corruption allegations of December 2013 and the Deniz Feneri case, did not result in convictions. In October 2014, the Istanbul Court decided for reasons of procedural infringements not to prosecute the 53 suspects in the December 2013 corruption allegations. In December the prosecutors leading the corruption investigation were dismissed by the High Council of Judges and Prosecutors (HSYK) and subsequently prosecuted on charges of illegal use of special investigative measures. The prosecution of only one of these cases — ‘the Fatih municipality case’ — continued and 21 suspects were charged on grounds of bribery, tender-rigging and abuse of power.

Turkey’s track record on lifting immunities to effectively investigate and prosecute high-level public officials remained limited. The parliament decided against lifting the immunity from prosecution of four former ministers implicated in the December 2013 cases. Several investigations were launched, including some against mayors and other public officials; however, **legal privileges granted to public officials**, notably the requirement for prior authorisation from their administrative hierarchy, continue to protect public officials from criminal and administrative investigations.

The perceived interference of the executive in the high-level corruption investigations significantly increased the perception of corruption. Turkey registered a sharp drop in Transparency International’s Annual Corruption Perception Index by 5 points, falling from 53rd to 64th least corrupt country.

As regards checks on **asset declarations**, the number of public officials tried in court for failing to file asset declarations increased to 287 in 2014 from 257 in 2013. Complaints to the Council of Ethics over **conflicts of interest** dropped to 218 in 2014 from 358 in 2011.

Institutional framework

Prevention measures

In the absence of an independent anti-corruption body, the cooperation between the inspection boards, the Turkish Court of Accounts and the public prosecution office needs to be strengthened. The limited number of cases referred by the Court of Accounts and inspection boards for prosecution points to the lack of a proactive attitude in the units responsible for checks and inspections: the Court has referred only 28 cases to the Public Prosecutor’s office in the past 10 years. A standardised administrative investigation guide needs to be adopted and enforced by bodies responsible for checks and inspections. This should be done in line with modern investigation and reporting techniques, inter-agency cooperation practices and methodologies on data collection and analysis.

The Constitutional Court’s supervision of **political party financing** warrants further improvement, in line with previous recommendations from the Group of States against Corruption (GRECO), on undeclared funding, in particular in the form of in-kind donations. The Constitutional Court’s decisions on external financial audits were systematically late: the Court did not publish its financial audit decisions on the AKP and CHP 2010 accounts until December 2014. Whether belonging to a political party or independent, candidates continue to be exempt from any financial transparency regulation or oversight. The ‘Guidebook to Financial Audit of Political Parties’ has not been finalised by the Court of Accounts. Most parties do not publish their accounts on their websites. Further

legal and administrative regulations are needed to ensure transparency and timely review and disclosure of audit reports.

Regarding **prevention of conflicts of interest**, the enforcement of ethics regulations has been ineffective. Ethics boards have been established in almost all ministries but the Council of Ethics for Public Service lacks the capacity to coordinate and monitor their work. The existing system of **asset declarations** has been ineffective due to their limited scope, the arrangements for checking them and transparency measures preventing their disclosure. Turkey uses e-procurement as an important tool to improve competition and transparency and reduce costs (*See also Chapter 5 — Public procurement*). Protection of whistle-blowers needs to be strengthened in law and in practice to facilitate reporting of corrupt acts.

As regards the public's right to free **access to information**, the Board of Review of Access to Information continued to review applicants' appeals in an effective way and publish decisions online. However, there is no quality assurance in the responses provided to applicants. The failure to adopt pending legislation on state and trade secrets is preventing the right balance being struck between confidentiality and transparency of the work of public institutions and officials.

Law enforcement

The lack of specialisation within the judiciary to investigate corruption cases limits their effective prosecution. This was exacerbated by frequent moves of staff between departments at prosecution and law enforcement agencies. Frequent changes to the legal basis of protective measures (i.e. interception of communication, confiscation, technical surveillance, etc.) in the Code of Criminal Procedure continue to prevent an effective standard procedure in corruption investigations from being established.

The Special Prosecutor's office still lacks a **multi-disciplinary team** with financial and economic experts. Further legal empowerment and specialised training is needed to carry out systematic and effective financial and legal investigations in corruption cases.

Publicly available judicial statistics on corruption are limited and there are no regular corruption perception and detection surveys.

Inter-agency cooperation needs to be further developed. The same goes for cooperation between prosecutors and police in the area of pre-trial investigations, which is not yet effective.

Legal framework

Turkey did not fully align its legislation with GRECO recommendations on transparency of political party financing and incriminations. Shortcomings remain in the corruption-related provisions of the Penal Code, as compared with the standards created by the Criminal Law Convention on Corruption. The shortcomings concern in particular the provisions on private sector bribery, the criminalisation of unilateral acts of bribery and the special defence of effective regret. On the transparency of political financing, independent candidates and elected representatives should also be subject to the financial checks and transparency regulations that apply to political parties during their campaigns.

Public procurement legislation is not in line with the *acquis* in a number of respects. Public tenders remained corruption-prone, largely due to various exemptions inserted into the framework law, particularly for tenders at municipal level.

Turkey has not yet amended key legislation in a number of areas as envisaged in the 2010-2014 anti-corruption strategy. Pending legislative amendments include the **code on general**

administrative procedures, the law on public procurement, the code of ethics for members of parliament and the **law to protect whistle-blowers**. The legal framework regulating conflicts of interest involving public officials remains fragmented. Whistle-blowers are obliged to rely on ad hoc provisions of the witness protection law as there is no comprehensive law in either the public or private sector.

Strategic framework

The 2010-2014 anti-corruption strategy and action plan have expired without their initial objectives being met. Renewed political commitment is needed under a new strategy and action plan to address the outstanding aspects. Plans announced to increase transparency should be pursued. Given the many preventive institutions and law enforcement bodies involved in the fight against corruption, Turkey needs to strengthen its overall capacity to coordinate, implement and monitor all the anti-corruption measures planned.

Fundamental rights

Turkey is party to a number of **international human rights instruments**, including the European Convention on Human Rights (ECHR), and continues its efforts to implement them. It still needs to ratify the Optional Protocol to the Convention on the Rights of the Child and Additional Protocols 4, 7, 12 and 16 to the ECHR. Turkey's Universal Periodic Review took place in January 2015 and The Human Rights Council adopted its outcome on 26 June 2015. Out of 278 recommendations, 215 gained the country's support while 63 were noted.

Since September 2014, the **European Court of Human Rights (ECtHR)** has found that the country violated the European Convention on Human Rights (ECHR) in 92 cases relating mainly to the right to life, prohibition of torture, right to a fair trial, right to respect for family life, freedom of expression, freedom of thought, conscience and religion and right to liberty and security. A total of 1997 new applications have been allocated to a decision-making body, bringing the number of pending applications to 9224. The EU has called on Turkey to enhance its efforts to implement all the judgments of the ECtHR.

In the *Cyprus v. Turkey* case, the issues of missing persons and restrictions on the property rights of Greek Cypriots displaced or living permanently in the northern part of Cyprus are still pending, as is the question of 'just satisfaction' (Grand Chamber decision of 12 May 2014). Following the *Demopoulos v. Turkey* decision of 5 March 2010, 6 216 applications from Greek Cypriot owners have been lodged with the Immovable Property Commission (IPC), 321 of them between June 2014 and August 2015. In the same period, the IPC has ruled for compensation in 140 cases. As of 15 September 2015, 700 applications have been concluded through amicable settlements and 18 through formal hearings. The IPC has so far paid out the equivalent of EUR 283 million in compensation. In a number of other cases, including *Xenides-Arestis v. Turkey*, *Demades v. Turkey*, and *Varnava and others v. Turkey*, Turkey has yet to fully execute the decisions.

On **promotion and enforcement of human rights**, in March 2015 the parliament's Human Rights Inquiry Committee set up a mechanism to follow the implementation of ECtHR judgments. This will become functional in the next parliamentary term. The Constitutional Court and other higher courts have continued to follow the case law of the ECtHR in their rulings in areas such as freedom of assembly, freedom of thought or trade union rights. However, there has been limited progress in implementing the 2014 action plan for the prevention of violations of the ECHR. In general, the action plan needs to be revised and extended to cover all the areas identified as violating the ECHR, including the protection of human rights in the field of counter-terrorism. In March, legislation on internal security was adopted which contradicts the measures outlined in the action plan by granting broad

discretionary powers to the law enforcement agencies, such as the power to seize, search and detain and to use arms. Together with implementing legislation passed in July, it also further curtailed the freedom of expression and freedom of assembly of peaceful demonstrators. The Anti-Terror law is not yet in line with the ECHR and ECtHR case-law, nor does it comply with the EU's Council Framework Decision on combating terrorism. Specifically, it has not yet been amended to ensure that its application is limited to offences that are indisputably terrorist offences. Judges and prosecutors dealing with terrorism cases should undergo relevant judicial training on the European Convention of Human rights.

The National Human Rights Institution (NHRI) released several reports. The one on the Gezi protests includes recommendations on torture and ill-treatment, freedom of expression, freedom of assembly, right to life, effective investigation and recommendations for security forces. The functional independence of NHRI needs to be strengthened by amending the law, and its capacity needs to be built further. There is no legal basis for institutions or individuals to respond to the parliament's Human Rights Inquiry Committee's inquiries or to inform it of the follow-up of its recommendations. The committee should be consulted on relevant legislation such as the internal security package.

The situation regarding **prevention of torture and ill-treatment** has improved over the past several years but a number of problems remain. There have been frequent reports of use of excessive force against demonstrators and cases of ill-treatment in prisons. This is an issue of serious concern give the lack of clear and binding rules on the proportionate use of force, especially in demonstrations. The NHRI's national preventive mechanism is not yet functional. There are no effective civilian arrangements to investigate alleged violations of conscripts' rights and cases of ill-treatment.

Significant obstacles remain to securing justice for victims of serious human rights abuses by law enforcement officials. The legislation on compensation for damages or loss of life caused by public authorities also needs to be revised. When launching proceedings for ill-treatment by law enforcement bodies, protestors continue to face counter-claims, which receive priority from the judiciary. The internal security package of March 2015 granted broad discretionary powers to the law enforcement agencies without adequate judicial or independent parliamentary oversight. An independent civilian law enforcement complaints procedure needs to be established to investigate allegations of human rights violations effectively, recommend disciplinary sanctions and refer cases for criminal prosecution. This would also help to address the issue of the impunity of law enforcement officials.

There is no comprehensive approach to missing persons or the exhumation of mass graves. Independent investigation of all alleged cases of extrajudicial killing by security and law-enforcement officers is also lacking.

As regards the **prison system**, 2 045 prison staff members have received training on Council of Europe and human rights mechanisms. Despite an increase in the number of psychologists, social workers, and sociologists, the low number hinders successful rehabilitation of 173 000 inmates. Concerns over the situation in prisons continue. Alternatives to imprisonment should be developed to curb overcrowding. Ill-treatment in juvenile prisons has continued to be reported. Suspended sentence measures are granted restrictively to terminally ill prisoners. Allegations of ill-treatment are not properly investigated or sanctioned. Only a small number of judicial cases against prison staff have been concluded with overly lenient sanctions. Turkey still fails to implement ECtHR case law on mistreatment, conditions in prisons and protection of the right to life. This also includes violation of the right to vote.

A comprehensive framework law on **personal data protection** and the establishment of an independent data protection supervisory authority in line with European standards are yet to

be taken forward. The relevant Council of Europe Convention and Protocol are not yet ratified. Adoption of a law on personal data protection in line with the *acquis* is a requirement within the visa liberalisation dialogue, as well as for concluding operational cooperation agreements with Eurojust and Europol and strengthening judicial and police cooperation with EU Member States, including on counter-terrorism. In the absence of progress in this field, the existing legislation on the National Intelligence Service and the amended internet law, which grant wide powers to the National Intelligence Service and the Telecommunications Communication Presidency, continue to raise concerns.

Regarding **freedom of thought, conscience and religion**, freedom of worship continued to be generally respected. Court judgements on *Cem* houses and on compulsory religious and ethics classes contributed to creating the enabling environment for the respect of this freedom. There is however a need to amend and implement the legal framework in line with ECtHR rulings, Council of Europe recommendations and EU standards. Particular attention should be given to the implementation of judgement on the exemption from compulsory religion and ethics classes, indication of religious affiliation on identity cards, legal personality of religious bodies and institutions, rules on participation in religious elections, places of worship and work and residence permits for foreign clergy. Pending issues concerning the Alevi community also need to be tackled, including the implementation of the recent Court of Cassation judgement on the recognition of *Cem* houses as places of worship and effective judicial follow-up of attacks against Alevis. Turkey is the only member of the Council of Europe that does not recognise the right to conscientious objection for conscripts.

The Ecumenical Patriarchate received no indication from the authorities that it may use the 'ecumenical' title freely. The relevant 2010 recommendations of the Council of Europe's Venice Commission on these issues are yet to be implemented. Restrictions on the training of clergy continued. No steps have been taken to open the Halki (Heybeliada) Greek Orthodox Seminary, closed since 1971. The Armenian Patriarchate's proposal to open a university department for the Armenian language and Armenian clergy has been pending for several years. The Syriac Orthodox community was only able to provide informal training outside official schools. Hate speech and hate crimes against Christians and Jews continued to be reported (*see below — minorities*). References to the possible transformation of Hagia Sophia in Istanbul into a mosque raised controversy.

Concerning **freedom of expression**, at least four physical assaults against journalists took place, one of whom was seriously injured by a firearm. All these cases are under police investigation. The reduction of pre-trial detention from ten to five years has for a certain period led to the release of several journalists and media workers. According to the OSCE, the number of journalists in prison in Turkey exceeds 20, many of whom face or were convicted for charges under the anti-terror law. The number of detentions, judicial prosecutions, censorship cases and layoffs has soared as the authorities maintained strong pressure on the media. This applies not only to journalists but also to writers and users of social media. High-level politicians continue strongly condemning journalists for their critical reporting. This has a negative impact on freedom of expression and helps create a climate of self-censorship among members of the media and outlets.

The internet law, as again amended in March 2015, increased the government's prerogatives to initiate the blocking of media content without court order on an unduly wide range of grounds: protection of life and safety of property, national security, public order, prevention of crime and protection of general health. This change did not fully reflect European standards. No revision of the relevant provisions limiting freedom of expression of the anti-terror law or of the Criminal Code has taken place. A number of provisions still need to be amended, such as on defamation or Article 314 of the Criminal Code on membership of an

armed organisation used to prosecute journalists. The broadcasting legislation also needs to be reviewed to anchor the broadcasting council's independence more firmly.

Domestic and international journalist associations continued to record a deterioration in freedom of expression and free media in Turkey. The *Şener vs Turkey* judgement of the ECtHR confirmed in October that the pre-trial detention of investigative journalists accused of aiding and abetting the criminal organisation Ergenekon violated the ECHR in several ways.

Criminal cases against journalists have continued. In June, a criminal investigation was launched against a critical newspaper and its editor-in-chief over publication of documents on arms deliveries allegedly conducted by the National Intelligence Service in Syria. Following the crackdown in December on another newspaper, as part of the government's fight against the 'parallel structure' under the influence of the Gülen Movement, a journalist and a director of the media group are still detained. They face charges of 'affiliation to the Fethullah Terror Organisation'. TV channels of that media group were also lately removed from digital platforms. Two TV channels critical of the government were shut down by the police and printing of two dailies was stopped just before the repeat election in an operation targeting a holding due to its links with the Gülen Movement and under accusations of support to a 'terror organisation'. The legality and proportionality of this operation raise serious concern. In January a case was also launched against two columnists on charges of inciting hatred in relation to the re-print of Charlie Hebdo caricatures. Several cases have been brought against journalists for reporting about the alleged corruption cases of December 2013. Opposition papers faced repeated refusals of accreditation for government events.

Several journalists and editors-in-chief were dismissed. Files submitted to the Ministry of Justice for permission to launch investigation on insult to the President increased from 397 in 2014 to 962 in the first six months of 2015 alone. In the first six months of 2015 the Ministry of Justice authorised judicial investigation in 486 files, against 107 in 2014. In some cases, minors were prosecuted on defamation charges, and some of them endured short periods of pre-trial detention. Several international journalists were deported in relation to their activities in the south east. In recent weeks, two columnists received prison sentences and the editor in chief of a leading newspaper was detained on charges related to views they had expressed in their paper or via twitter.

Media blackouts were imposed in several cases considered as sensitive such as the arms deliveries allegedly conducted by the National Intelligence Service in Syria, the kidnapping and killing of a prosecutor and the statements given to the parliamentary inquiry committee on corruption charges against former ministers. Such media blackouts were also applied to the terror attacks of October in Ankara and of July in Suruç.

In the context of the escalating violence in the east and south east and increasing tensions across the country, the authorities took actions curtailing further freedom of media. There were as well a number of attacks on media outlets.

The Telecommunications Communication Presidency has continued to apply widely its extensive prerogatives, further increased in March (see section on legislation). However, no official statistics on banned sites are published. Monitoring by civil society organisations indicate that close to 80 000 websites have been banned, of which only 5 % following a court decision. In July 2015, the Telecommunications Communication Presidency banned briefly access to Twitter and YouTube on grounds of relaying propaganda of terrorist organisations.

The Radio and TV Supreme Council (RTÜK) submitted reports on detected violations to the Supreme Board of Elections (SBE) but no comprehensive reports on its media monitoring

findings. The SBE issued over 150 warnings to 39 television channels. International observers found that three out of five monitored national broadcasters provided disproportionate coverage to the ruling party. Before the election, RTÜK issued warnings to and fined a number of television stations (both pro-government and pro-opposition), claiming that they violated the principle of objective broadcasting. RTÜK also kept fining channels for broadcasting content that is ‘contrary to the national and moral values of society, general morality and the principle of family protection’.

Turkish Radio and Television Corporation (TRT) is increasingly politicised, as its board of directors is appointed by the government, either directly or with the involvement of RTÜK. The Corporation’s financial autonomy and editorial independence need to be protected by law to enable it to act as a true public broadcaster, reflecting all segments of society. Its reporting ahead of the election focused to a very large extent on the governing party and the President's activities and speeches.

In December, several journalists, many working for government-critical media, were denied permanent press cards. Legislation on the right to association and on trade unions needs to be improved to allow freelance journalists and media workers to join any association or trade union organisation of their choice. The right to organise and to enter into collective bargaining, and the right to strike, should be extended to freelance / part-time journalists and brought into line with EU standards.

Freedom of assembly has been generally exercised across Turkey. However, the outgoing government showed a growing intolerance of public protests and maintained a restrictive interpretation of the right of assembly. It regularly prevented demonstrations without compelling reasons, thus failing to meet European standards. The police used excessive force on many occasions, such as the 1 May celebrations and the pride parade in Istanbul on 28 June. The 1 May Taksim Square marches were not authorised. Demonstrations on issues such as the situation in Kobane or the corruption allegations have continued to be judged on the basis of the anti-terror law. As authorities started to put into application the extended powers granted by the internal security package and related implementing legislation, further restrictions were imposed in practice, also in the context of the surge of violence in the east and south east. At the same time, authorities were not able to contain aggressive groups from attacking a number of media outlets and HDP party offices. The relevant ECtHR case law in the area of freedom of assembly needs to be observed, in line with a ruling of the Constitutional Court in June, and the law on meetings and demonstration marches needs to be urgently revised accordingly. Concerns over possible restrictions on providing medical assistance in emergencies remain.

The Constitution guarantees **freedom of association**. Claims relating to national security, morality and the Turkish family structure continued to be applied by courts to restrict freedom of association in practice. At least seven associations dealing with human rights and Kurdish issues are facing court cases intended to close them down. Legal proceedings have been started against other such associations. The legislation and implementation of the freedom of association for national and foreign organisations should be brought in line with European standards and best practices. Provisions restricting registrations, procedures for permissions and the functioning of associations need to be revised with clear criteria for implementation.

On **property rights**, work continued to implement the 2008 Law on Foundations, revised in 2011. The Foundations Council continued to approve the return of properties and to pay compensation. Further efforts are needed to implement the law. The scope of the current legislation needs to be broadened to cover foundations currently managed by the state and properties of foundations transferred to third persons.

In January, the Foundations Council restored the legal personality (foundation status) of the patriarchal church of the Armenian Catholics in Istanbul. A significant number of court cases related to property restitution continued, including cases on land ownership of the Syriac Orthodox Mor Gabriel Monastery. Syriacs and Yazidis faced difficulties to register property, especially in the south east. Latin Catholic churches have no legal personality nor a minority foundation status, making it impossible for them to register property and seek the return of, or compensation for, property confiscated in the past. Problems were reported for Greek nationals in inheriting and registering property, in particular following the Turkish authorities' implementation of the amended land registry law of 2012, which limits the acquisition of property by Greek nationals, among others. The relevant 2010 recommendations of the Venice Commission on protecting property rights and education rights need to be implemented.

Regarding **non-discrimination**, there is an urgent need to adopt a comprehensive framework law on combating discrimination in line with European standards. The legislative framework on non-discrimination does not explicitly prohibit discrimination on the basis of ethnic origin, sexual orientation and/or gender identity. The Penal Code does not include hate offences based on ethnic origin. There is no database on hate crimes. No specialised body was established to promote equality, combat racism, xenophobia, anti-Semitism and intolerance and to deal with complaints from victims of discrimination. Ethnic, religious groups and groups promoting gender diversity continued to report cases of discrimination in social life and in employment. Substantial efforts are needed to enforce anti-discrimination in practice.

The legislative and institutional framework on **equality between women and men** is in place. The gendarmerie has started to strengthen its capacity to combat violence against women. However, promotion of the traditional role of women, ineffective implementation of the legislation and the low quality of services make discrimination against women and gender-based violence major areas of concern. Politicians and government officials have a duty to uphold gender equality principles enshrined in law and to refrain from making derogatory statements against women. Efforts to implement the existing law and national action plan on the protection of family and prevention of violence against women need to be stepped up and brought into line with the Council of Europe Convention on preventing and combating violence against women and domestic violence. Protection of women from violence and legal redress in cases when victims pursue judicial proceedings is insufficient. The situation has seriously worsened as regards trafficking of women, forced prostitution and sexual exploitation, especially among refugees from Syria. The legislative framework needs to be amended to strengthen the preventive and deterring effect of judicial decisions. The number of women who seek formal help or report to the justice system increased slightly but is still very low. 'Consent', 'undue provocation' and 'appearing older' continued to be used to justify milder sentences for sex crimes. No system for collecting comprehensive data on gender-based violence exists. There are excessive delays in preparing forensic reports. The budget does not include any spending dedicated to preventive measures. Shelters for victims of domestic violence increased their capacity, but they still need to be developed further in line with international standards. Training of law enforcement personnel needs to be expanded and coordination between institutions further improved.

Gender disparity in education remains substantial, particularly as regards drop-outs due to early marriage or child labour. The number of women members of parliament increased as a result of the June general election from 79 to 98. However, this number decreased in the 1 November election to 82, constituting currently 15 % in the 550-seat parliament. As for the local authorities, only 3 out of 81 provincial governors and 3 out of 30 mayors of metropolitan areas are women. Women also remain under-represented in managerial positions in the public

and private sectors. More involvement and participation by women is needed in employment, policy-making and politics.

On the **rights of the child** there was limited progress in overall policy, legislation, coordination and monitoring. The 2013 national children's rights strategy and action plan were not implemented and the Children's Rights Monitoring and Evaluation Board did not meet. The special Ombudsperson designated for children's and women's rights made substantial efforts to improve the situation. However, the arrangements for making complaints about children's rights and reporting on them are limited in their scope and effectiveness.

Child labour persisted, including in its worst forms, and needs to be tackled as a matter of priority. The 2014 national employment strategy committed to prevent the phenomenon but its implementation is very limited. Child workers continued to be victims of fatal accidents. Despite existence of social protection measures, including cash transfers, around 30 % of children (7.4 million) live in relative poverty, compared with 23 % of adults. Infant and child mortality continued to fall. No national strategy is in place to prevent violence against children. Nor is there an effective system of monitoring rehabilitation centres and institutions. Research on sexual abuse and ill-treatment of children is insufficient. The average marrying age continued to rise but child and forced marriage persists, mainly in the eastern provinces.

As regards juvenile justice, juvenile courts have not been set up in all provinces. Where they do not exist, children continued to be tried in adult courts. Almost 300 children were arrested, taken into custody or detained during protests in 2014-2015. Juveniles are exposed, like adults, to arrest and detention on charges of membership of a terrorist organisation and to long pre-trial detention. Prison conditions for juvenile offenders varied; there continued to be complaints of overcrowding, inadequate hygiene, ill-treatment, staff shortages and violence and abuse by inmates. Attention also needs to be paid to children victims, witnesses and interested parties in judicial or administrative proceedings.

Concerning the **integration of persons with disabilities**, the parliament adopted the Optional Protocol to the UN Convention on the Rights of Persons with Disabilities setting up an individual complaints mechanism. The number of disabled pupils in primary and secondary education continued to increase but access to higher education remains a problem and 'lifelong learning' opportunities are limited. The illiteracy rate among disabled persons is high. The extension of the transitional period for adapting public buildings for increased accessibility for persons with disabilities goes counter to their integration. Inaccessibility remains a widespread problem, including in transport services.

The number of people receiving financial incentives for home-based care also increased. The transition to community-based services has continued, underlining the need to offer care providers enhanced guidance and training. Significant shortcomings persist on integration and empowerment of persons with disabilities with respect to their environment, social attitudes and quality of services. Lack of early and suitable diagnosis hinders many children with disabilities or developmental delays from early access to appropriate services. Turkey still has no mental health law. There is no independent body to monitor mental health institutions.

Respect for the fundamental rights of **lesbian, gay, bisexual, transgender and intersex (LGBTI)** persons remains a matter of serious concern. In November 2014 the Council of State annulled the dismissal of a teacher on sexual orientation grounds. In December, a judicial decision approved the inclusion of rights of LGBTI persons in the statute of non-governmental organisations. However, hate crimes, attacks and murders of transgender persons are a cause of deep concern. There is no specific legislation affording protection against such hate crimes. Transgender persons continued to be subject of arbitrary fines, house raids and police violence. In March 2015 the ECtHR ruled on Turkey's excessive

domestic requirements for the recognition of the preferred gender. Istanbul's LGBTI pride parade in June was forbidden on weak grounds and was broken up by the police with disproportionate use of force. The armed forces' disciplinary system that defines homosexuality as a 'psychosexual disorder' and the military's medical regulation that refers to it as illnesses need significant revision. In April 2015, the Constitutional Court decided not to repeal part of a criminal provision that criminalises the depiction of sexual behaviour in 'unnatural ways'. These developments are not conducive to an atmosphere of tolerance towards LGBTI persons and their human rights.

On labour and trade union rights, Constitutional Court rulings improved trade union rights by legally protecting workers in small companies against dismissal based on their trade union activities, and by lifting the ban on striking for private sector employees in banking services and urban public transport services. However, continued limitations on the right to organise, collectively bargain and strike both for workers and civil servants need to be addressed in line with International Labour Organisation (ILO) conventions and EU standards. The sector level threshold for the independent trade unions to receive authorisation for the collective agreements has been reduced from 3% to 1 % by a constitutional court decision. Civil servants still have no right to strike. No steps have been taken to reduce the broad scope of the categories of civil servants prohibited from organising in trade unions, who are thus deprived of collective agreements. The right to organise in trade unions is not recognised for the retired and the unemployed. Postponement of strikes by the government and forced arbitration in non-essential services seriously impaired the right to strike. Police continued using excessive force against non-violent trade union activities. Turkey needs to create a more conducive environment for exercising trade union rights and activities.

Some aspects of the **procedural safeguards** are guaranteed by the law, including legal aid and the right to translation and interpretation, but challenges remain in its implementation. The Ministry of Justice deals with victims' rights. However, the legislation on procedural safeguards needs to be aligned with European standards and new legislation on victims' rights needs to be adopted.

The dialogue between the government and representatives of **minorities** continued. A restrictive interpretation on provoking hatred prevailed in court practice, especially in the case of acts against non-Muslim communities. Hate speech directed against minorities continued to raise serious concerns. The secondary part of the Greek School on Gökçeada (Imvros) Island started functioning as of September. School textbooks still need to be revised to delete remnants of discriminatory rhetoric. No measures were taken to allow children who are not Turkish citizens and who attended minority schools as guest students to receive official graduation certificates; such certificates are restricted by law to Turkish nationals. The reciprocity principle, according to which Turkey recognises only rights similar to those granted to Turkish citizens by another state, continued to apply. The regulation on election procedures for non-Muslim foundations was still not published, which prevented minority foundations from holding elections for their board members.

In April 2015, on the eve of the 100th anniversary of the 1915 events, the Prime Minister again offered deep condolences to the descendants of the victims. The Minister of EU Affairs attended a commemorative mass where the President's message was read out. Dedicated commemoration events organised by civil society were held peacefully in Istanbul, Diyarbakır, Ankara, Izmir and Van. The Turkish authorities responded strongly and systematically whenever the events were recognised as genocide abroad. The main case launched in connection with the assassination of Armenian journalist Hrant Dink in 2007 continued at a slow pace. Several events took place to commemorate his murder.

A national strategy and action plan for **Roma** citizens have yet to be adopted. The strategy should establish measures, budget and timeline for implementation. A Roma Language and Culture Research Institute was established at Trakya University in March 2015. For the first time, one Roma candidate, from the main opposition CHP, was elected to parliament. A TV series using discriminatory language was taken off the air following a complaint from a Roma NGO. There were new attempts to lynch Roma and 30 court sentences on this are ongoing.

There are no official statistics on the numbers of undocumented Roma. Collection of data on Roma integration should be increased. Procedures for obtaining civil documentation are expensive and cumbersome. The registration of births and issuing of birth certificates should be made easier. Access to health services improved. Medical services were largely accessible for Roma families. Drug addiction is a growing problem. Roma groups continued to face discrimination in social and economic life and in accessing employment and quality education. Absenteeism in school remained high and child labour is a major problem in the Roma community. Urban development projects continued to disadvantage the Roma by depriving them of traditional job opportunities and solidarity networks.

As regards **cultural rights**, the 2013 legislation allowing campaigning in languages other than Turkish by political parties and candidates was implemented without impediment in the June and November general election. However, despite greater freedom in practice in the use of languages of choice in public services, the government did not take forward its earlier plans to legalise the provision of public services in languages other than Turkish, and notably Kurdish.

The number of universities offering Kurdish language and literature programmes increased to four. University programmes in Kurdish, Arabic, Syriac and Zaza continued. The teaching of elective courses in Kurdish in public state schools continued. The Ministry of National Education appointed 28 teachers of the Kurdish language as permanent staff since 2013 but this number does not meet the demand by far. The first private children's channel broadcasting in several dialects of Kurdish started operating in March. Legal restrictions on possibilities for mother tongue education in primary and secondary schools remained in place. Education in mother tongues other than Turkish is not allowed apart from minority schools recognised under the Lausanne Treaty. A Kurdish-teaching school in Diyarbakır opened but could not be formally registered as a state school due to the lack of legal basis.

4.24. Chapter 24: Justice, freedom and security

The EU has common rules for border control, visas, external migration and asylum. Schengen cooperation entails the lifting of border controls inside the EU. There is also cooperation in the fight against organised crime and terrorism, and judicial, police and customs cooperation.

Turkey is **moderately prepared** in the area of justice, freedom and security. There was **some progress** in the past year, in a difficult environment. Turkey continued making considerable efforts to provide massive and unprecedented humanitarian aid and support to a continuously increasing influx of refugees from Syria and Iraq of about 2.2 million. It introduced reforms aimed at meeting the benchmarks of the visa liberalisation roadmap. In October, the European Council welcomed the Joint EU-Turkey Action Plan for refugees and migration management as part of a comprehensive cooperation agenda based on shared responsibility, mutual commitments and delivery. In the coming year, Turkey should in particular:

→ complete establishing the institutional and regulatory structures (e.g. services, bodies, legislation) needed to effectively implement the law on foreigners and international protection;

→ adopt and implement legislation on labour market access for Syrians under temporary protection;

→ adopt and implement a law on personal data protection aligned with European standards in order to facilitate judicial and police cooperation with EU Member States.

(See also the specific recommendations on the fight against organised crime in section 2.3.)

Legal and irregular migration

In the past year, events in Syria and Iraq meant Turkey had to face the huge challenge of coping with an unprecedented number of refugees and displaced people. It is also a major crossroads, as well as a source country, for the rapidly growing phenomenon of foreign terrorist fighters on their way to neighbouring countries. Turkey, due to its geographical location and developments in the region, continues to be a transit country for irregular migrants from Asia and Africa heading to Europe.

More than 58 000 people were intercepted in 2014 while crossing the border illegally, an increase of 47% from 2013. The number of third country nationals crossing the Aegean Sea from Turkey to Greece reached 245 000 by the beginning of September, more than six-fold increase compared with the same period in 2014. In the past year, an increased number of cargo vessels with third country nationals sailed from Turkey's coasts (mainly from the port of Mersin) to the EU and in particular to Italy. Turkey's law enforcement response has already yielded results in reducing this new form of organised smuggling of people and pushed smugglers to change their route from Italy to Greece. Turkey should consider substantially stepping up law enforcement and judicial action against such networks, ensuring deterrent sanctions and confiscating the assets of those found guilty. It should also strengthen its capacity to prevent irregular departures from Turkey's Aegean coasts including through increased cooperation with the Greek coast guard and police.

Following the entry into force in 2013 of the Law on Foreigners and International Protection, the General Directorate for Migration Management concentrated its activity on regulatory and institutional matters. In May, it took over management responsibilities at the provincial level from the national police. It also continued work on increasing the capacity of 'removal centres' to host irregular migrants by 3 000 people by the end of 2017 from 1 740 today.

On 1 October 2014 the EU-Turkey readmission agreement entered into force. Until 30 September 2017 it applies only to nationals of the two sides and irregular migrants originating from countries with which Turkey has signed readmission agreements. The first meeting of the EU-Turkey Joint Readmission Committee was held on 13 July 2015. Full and effective implementation of the Readmission Agreement towards all Member States is crucial and one of the benchmarks in the visa roadmap.

Turkey has at the same time become a major destination country for regular migration. At the end of 2014, 314 000 non-Turkish nationals held a temporary residence permit in Turkey and 43 656 non-EU citizens acquired a work permit.

Asylum

All the provisions of the Law on Foreigners and International protection entered into force in April 2014. The law established an asylum system largely in line with the EU *acquis*, although Turkey continues to implement the 1951 Geneva Convention on Refugees with a geographical limitation which limits its obligations only to refugees originating in Europe.

Turkey made huge and continuous efforts to shelter Syrian refugees. Turkey is now the country which hosts the largest refugee population in the world. Close to 2 million are Syrians

which have been registered and granted temporary protection. Around 270 000 of them live in 25 camps, managed by the Disaster and Emergency Management Agency, in 10 Turkish provinces and more than 1.7 million in host communities across the country. Civil society organisations have limited access to provide services in the camps. The total number of non-Syrian refugees, either registered or awaiting registration, continued to increase and reached some 230 000 in May. Iraqis are by far the largest non-Syrian refugee population in Turkey, while Afghans, Iranians and Somalis also comprise large groups.

Managing such a huge influx of refugees and displaced persons is a major challenge for Turkey, which has already spent more than EUR 6.7 billion to this purpose. A regulation on temporary protection adopted in October 2014 focused on Syrian refugees and made registering a pre-condition for access to basic services such as health, education, social aid and translation services. The regulation excludes people under temporary protection from access to asylum procedures.

Despite commendable efforts by the authorities, around 500 000 refugee children have no access to education. Refugees living outside the camps still face difficult living conditions and considerable challenges in accessing essential services. Some 80 satellite cities across Turkey are part of the national hosting system for non-Syrian refugees. Their reception capacity to provide decent living conditions and access to basic services differs from city to city but is generally limited. This has put local capacity and resources under significant strain in many places.

Giving Syrian refugees under temporary protection access to employment would help greatly to increase their self-sufficiency and allow them a dignified stay in Turkey. The adoption of such legislation, giving people under temporary or conditional protection the possibility to apply for a work permit, is still pending (*see also in Chapter 3: Right of establishment and freedom to provide services*).

Incidents where Turkey did not respect the principle of “non-refoulement” were reported and criticised by civil society.

Visa policy

Turkey introduced new visa stickers with high security features. However, it has continued to issue visas at its borders. Turkey has extensively used the e-visa system introduced in 2013. But the system continues to discriminate against *de facto* applicants from the Republic of Cyprus by referring to the country option Greek Cypriot Administration of Southern Cyprus. In addition, the e-visa is not in line with the *acquis* and is not an effective tool to identify and prevent the entry into Turkey of irregular migrants. Turkey also still needs to align itself further with the EU visa requirements and exemptions and to harmonise its visa policy towards EU Member States.

The EU-Turkey visa liberalisation dialogue continued. The Commission issued its first visa implementation report in October 2014. This acknowledged that Turkey had made some progress in fulfilling several benchmarks, but also highlighted that it needed to advance in a large number of important policy areas, including improving implementation of the existing readmission obligations towards Member States. In the framework of the visa dialogue, the Commission conducted experts’ missions in Turkey from April to July 2015, on the basis of which it will issue its second visa report in the first quarter of 2016.

Schengen and external borders

Turkey did not make steps towards the establishment of an integrated border management system and a single border civilian agency. Coordination and cooperation among existing

border management agencies needs to be improved. To identify potential security risks the Ministry of Customs and Trade now obtains pre-arrival passenger information from 200 of the 307 airlines flying to Turkey. Some 200 police staff were trained in identifying forged and fraudulent travel documents. Nevertheless, the police needs to strengthen checks of passports at borders and in the transit zones of international airports. Turkish police is encouraged to further develop information exchange and operational cooperation with Member States' immigration liaison officers deployed in Turkey.

Turkey has improved border cooperation with Bulgaria and Greece across their common land border. In May the three countries signed a customs and police cooperation agreement establishing a joint cooperation centre at Capitan Andreevo crossing point. They now need to ratify the agreement and start implementing it. The EU continues to help facilitate daily contacts between local border staff at land borders.

Concerning sea borders, Turkey and Greece held regular meetings under their bilateral readmission protocol. The exchange of information to aid search and rescue operations in the Aegean Sea intensified. The launches of the Turkish coastguard's operations *safe-Med* and *Aegean hope* in the eastern Mediterranean and the Aegean respectively were positive developments but remain insufficient to fully address the issue.

Some steps have been taken to step up land border surveillance, notably along the Syrian border, with the aim to prevent irregular crossings. However, land borders continue to be managed by land forces detachments composed mainly by conscripts with limited training and led by officials who are not encouraged to specialise on border management. There are no agreed rules and operating procedures for individual border authorities undertaking risk analysis. Border management authorities should be staffed by professionals who are not subject to rotation.

Judicial cooperation in civil and criminal matters

The draft law on international **judicial cooperation in criminal matters** has not yet been adopted. The second additional protocol to the European Convention on Mutual Assistance in Criminal Matters and three additional protocols to the European Convention on Extradition remain to be signed. The additional protocol to the European Convention on Transfer of Sentenced Persons has been signed but not yet ratified. Turkey signed an agreement with the Russian Federation on mutual judicial assistance in criminal matters and an extradition agreement. It also signed an agreement with Mongolia on civil and criminal judicial cooperation. EU Member States accepted 131 extradition requests from Turkey and Turkey accepted five such requests. In addition, 27 transfers of convicts to Turkey and five transfers to an EU Member State were accepted. Turkey participated in regular meetings of Eurojust and shares information and documents. However, the lack of a personal data protection law aligned with European standards continues to hamper the start of negotiations for a cooperation agreement with Eurojust.

On **judicial cooperation in civil matters**, Turkey is not yet party to the 1996 Hague Convention on Parental Responsibility and Measures for the Protection of Children. Turkey has not yet ratified the European Convention on the Compensation of Victims. Turkey appointed a judge as contact point to the international network of judges in The Hague.

On **police cooperation** Turkey signed cooperation agreements with most Member States allowing for information sharing and joint operations in the fight against crime and terrorism. They are, however, implemented unevenly. The absence of a data protection law in line with European standards is hampering cooperation with Member States' police services and the

conclusion of an operational cooperation agreement with Europol, although a strategic cooperation agreement is in place.

Fight against organised crime

Track record

Turkey remains a transit country on the drug routes between Asia and Western Europe, with Turkish criminal groups playing a key role in trafficking and distributing drugs in Europe. Successful operations by the Turkish law enforcement bodies in the reporting period resulted in the seizure of 123 115 kg of cannabis, 393 kg of cocaine, 12 756 kg of heroin and 3 600 831 ecstasy tablets. Twelve operations were carried out with seven countries (Germany, France, Austria, Sweden, United Kingdom, Canada and Georgia). A total of 340 new psychoactive substances have been included in the scope of the Law on Supervision of Drugs as a result of the activities of the early warning system working group. The national police has 159 sniffer dogs to fight drugs.

Fourteen victims of trafficking have been identified and 71 criminal files were opened against 749 suspect traffickers in 2014. Twenty-five defendants received sentences. Sanctions were applied to 44 traffickers. The 157 helpline for victims of trafficking operates on a 24/7 basis and is available in different languages, including for international calls. At least 180 victims were rescued through the 157 helpline. Investigations in EU Member States continue to point to Turkey as being a country of origin for producing and trafficking counterfeit cigarettes.

Institutional and operational capacity

The General Directorate for Migration Management, responsible for coordinating all aspects of the fight against human trafficking and the protection of victims, has set up a department for the protection of trafficking victims. The national referral mechanism is being reviewed. However, Turkey has neither adopted anti-trafficking legislation nor ratified the Council of Europe anti-trafficking convention. Turkey's capacity to detect victims of trafficking remains limited as is also Turkey's capacity to receive victims of trafficking. Shelters for victims — all of them run by NGOs — exist in Istanbul, Ankara and Antalya. They provide judicial, psychological and medical assistance.

The judiciary and law enforcement authorities have signed a memorandum of understanding on cooperation in the field of witness protection. Witness protection units have been set up in nearly all 81 provinces.

'Narco-teams' were established in December 2014 in 11 provinces. They comprise staff for public order and security, as well as psychologists. Narco-teams have been formed as part of the government's anti-drug action plan and are set to play a significant role near places deemed to be at high risk, such as schools. An anti-drug council will convene at least once every three years and a new monitoring committee chaired by the Prime Minister will meet annually to discuss the implementation and results of the decisions taken by the council. A supreme anti-drug board has started to meet twice a year to coordinate the monitoring committee's decisions.

The agreement on Turkey's participation in the European Monitoring Centre for Drugs and Drug Addiction has entered into force. A balanced approach to combating drugs needs to be followed by establishing better treatment and rehabilitation facilities. A nationwide survey of the population and schools needs to be carried out. The capacity to collect and analyse data needs to be improved.

Legal framework

Turkey will need to improve its legislation in the fields of cybercrime and witness protection, in particular, by adopting a comprehensive law on personal data protection in line with European standards. Turkey is party to the main international conventions (e.g. the UN International Drug Control Conventions of 1961, 1971 and 1988).

Strategic framework

Turkey has a national strategy against organised crime covering 2010-2015 which is currently being implemented by the second action plan, for 2013-2015. The Ministry of Interior coordinates implementation. Some progress has been achieved on investigation capacity.

The 2013-2014 strategy and action plan on cyber security is currently being updated for 2015-2017 under the coordination of the Ministry of Transport. The strategy's overall purpose is to identify and address emerging cyber threats.

Turkey has adopted a national strategy against drugs covering 2013-2018 and an action plan for 2013-2015. These are coordinated by the Turkish national monitoring centre for drugs and drug addiction under the national police. The strategy and action plan encompass topics such as coordination, supply reduction, prevention, treatment, rehabilitation, harm reduction, international cooperation, data collection, research and assessment.

Fighting organised crime and corruption remains fundamental to countering the illicit influence of criminal groups on the political, legal and economic systems.

Fight against terrorism

Turkey has improved its regime for countering the financing of terrorism. As a consequence, the Financial Action Task Force removed Turkey from its permanent monitoring process (see Chapter 4 — Free movement of capital). However, Turkey has not yet ratified the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism.

Turkey's counter-terrorism dialogue with the EU has continued actively with specific attention being paid to foreign terrorist fighters. Turkey has developed cooperation with Member States in view of detecting foreign fighters willing to reach Syria or Iraq across Turkey. However, Turkey's assessment of the terrorist threat differs from that of the EU. Turkish police needs to strengthen its capacity to identify suspicious travellers *inter alia* through improved profiling. Police and judicial cooperation with EU Member States and EU agencies in combating terrorism is limited by the absence of a personal data protection law in line with EU standards and differences over the definition of, and penalties for, terrorism.

For more information on **customs cooperation**, see also *Chapter 29- Customs union*.

For measures against **counterfeiting of the euro**, see *Chapter 32- Financial control*.

4.25. Chapter 25: Science and research

The EU provides significant support to research and innovation. All Member States can benefit from the EU's research programmes, the more so where there is scientific excellence and solid investment in research.

<p>Turkey's preparations in the area of science and research are well advanced. Some progress was made in the past year, notably to strengthen Turkey's research and innovation capability at national level and to facilitate integration into the European Research Area (ERA). However, substantial financial resources will be necessary to reach Turkey's own 2023 targets and to improve its ranking in the Innovation Union Scoreboard. In the coming year, Turkey</p>

should in particular:

- strengthen the role of Universities in the organisation of research and innovation, in particular through stepping up the cooperation with the Industry and SMEs;
- increase national funding and allocate it in line with ERA actions and principles.

Turkey participates in the EU Research and Innovation Programme Horizon 2020 as associated country. It nominated good Network of Contact Points (NCPs) and representatives in all Horizon 2020 Programme Committees. Based on first statistics, participation is good but there is room for improvement notably to increase participation in research and innovation actions on societal challenges, involve SMEs more systematically, and be successful in the first pillar of Horizon 2020 on Scientific Excellence.

As regards further integration into the **European Research Area**, Turkey nominated its representative in the European Research Area Committee (ERAC) and related ERA advisory bodies and ensured regular participation. Turkey has taken actions to stimulate and support transfer of technology (ERA action 4) but overall the policy actions are not sufficiently in line with the ERA principles and actions. The level of investment in research is about 0.95 % of GDP, compared with the EU average of 2.07 %. With respect to Innovation Union, Turkey has taken several actions to stimulate innovation and cooperation between Academia and Industry. According to the **Innovation Union Scoreboard** for 2015, Turkey remains a modest innovator well below the EU average on almost all indicators.

4.26. Chapter 26: Education and culture

The EU supports cooperation in education and culture through funding programmes and through the open method of coordination. Member States must also prevent discrimination and facilitate education of children of EU migrant workers.

Turkey is **moderately prepared** on education and culture. There was **some progress** in the past year in this chapter. In the coming year, Turkey should in particular:

- further increase participation in education at all levels, especially for girls, and draw up effective strategies to reduce school drop-out;
- improve the quality of education at all levels and the acquisition of basic and transversal skills of students.
- ratify the UNESCO Convention, the main legal reference in the area of culture.

In the area of **education, training and youth**, Turkey participates fully in the Erasmus+ programme. As applications for projects for the Erasmus+ programme continued to grow, the country increased its contribution to EUR 135 million in 2015. Turkey made progress on the EU's 'Education and Training 2020' strategic framework. It slightly increased its PISA score in the 2012 evaluation but dropped from its ranking of 41st place in 2009 to 44th place out of the 65 participating countries. Turkey is at an advanced stage of implementing the Bologna process but differences in quality persist among Turkey's 186 higher education institutions. The Turkish Qualifications Framework is expected to be adopted in 2015. Recognition of non-formal and informal learning remains low.

In 2014, 19.6 % of young people with tertiary education were unemployed, half the 38.3 % rate for early school leavers. Five per cent of adults participated in lifelong learning. Spending on education is somewhat stable at 3.19 % of GDP in 2015. The transition to 12-year compulsory education has led to further progress in schooling rates. In 2014-15, 96 % of children were enrolled in primary education and 94 % in lower secondary education. Pre-school enrolment rates rose to 54 %. The enrolment rates for secondary stood at 79 % and for

higher education at 40 %. Absenteeism is high and not monitored consistently. Progress is still needed to make education more inclusive, among others for Roma and children with disabilities. Gender disparity, notably for drop-outs, remains substantial.

Turkey contributed to the new EU Youth Report. It participates very actively in the Erasmus+ Youth in Action strand. Against the backdrop of the high youth unemployment rate it is all the more important that Turkey uses the Erasmus+ youth strand to foster young people's non-formal learning at international level so as to enhance their competences, skills and employability.

Turkey is participating in the new **culture** sub-programme and the cross-sectoral strand of the Creative Europe programme. Cooperation in the MEDIA sub-programme is limited to some of the measures available. To improve participation, the Creative Europe desk needs to focus both on building up the capacity of the cultural and creative sectors and on raising their awareness of the programmes. Implementation of state funding rules for cultural projects, especially film and theatres, is often disputed. The legal requirement to have a certificate for screening a film appears to be a means of exercising a certain control. Some rating and film classification committees raise concerns about freedom of expression and artistic rights. Turkey has not yet ratified the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions, which is the EU's main legal reference in the area of culture.

4.27. Chapter 27: Environment and climate change

The EU promotes strong climate action, sustainable development and protection of the environment. EU law contains provisions addressing climate change, water and air quality, waste management, nature protection, industrial pollution, chemicals, noise and civil protection.

Turkey is **moderately prepared** in the area of environment and climate change. In the past year, there was **some progress**, mainly in aligning environmental legislation, whereas enforcement remains weak, especially on waste management and industrial pollution. There is considerable room to improve the way horizontal legislation is implemented. Poor implementation of court rulings on environmental issues is causing public concern. More ambitious and better coordinated environment and climate policies still need to be established and implemented. Strategic planning, substantial investment and stronger administrative capacity are required as well. In the coming year, Turkey should in particular:

- further build up its strategic planning on climate action, and start implementing its contribution to the expected 2015 Paris climate agreement;
- ensure correct implementation of the environmental impact assessment legislation;
- ensure its alignment with EU legislation on public participation and the public's right to environmental information, as well as on the monitoring and reporting of greenhouse gas emissions.

Turkey amended its **environment horizontal legislation** in November 2014 by introducing environmental impact assessment requirements for projects started after May 2013. Civil society remains critical of the inadequate level of public consultations and of procedural requirements. Several cases are being challenged in court, including the Akkuyu nuclear power plant and micro-hydro power plants. Procedures for transboundary consultations have not been aligned with the *acquis*. Turkey has not yet sent to the relevant Member States its draft for general bilateral agreements on environmental impact assessment cooperation in a transboundary context. Alignment with the Strategic Environmental Assessments Directive is

still pending. Provisions on access to information, public participation and access to justice in environmental matters established in the UN Economic Commission for Europe Aarhus Convention also have yet to be aligned with. This would in particular provide a clear framework for solving ongoing disputes on investment decisions with substantial impacts on the environment and climate change.

National **air quality** legislation still needs to be adopted in line with the current directives on ambient air quality, national emissions ceilings and volatile organic compounds. Severe air pollution in some cities has been reported. Local clean air action plans have to be prepared.

Waste management implementing legislation aimed at aligning with the Waste Framework Directive was adopted in April. Implementing legislation aligning with the Mining Waste Directive was also adopted in July. Work has continued to bring waste treatment facilities up to EU standards. Sorting, recycling, medical waste treatment capacity and hazardous waste recycling have increased. Further work is needed on separate collection of different types of waste and on reducing biodegradables. The requirement to prepare and implement waste management plans, stemming from the EU Waste Framework Directive, has not yet been met. A national recycling strategy and action plan were adopted by the Higher Planning Council in December 2014.

In the area of **water quality**, the preparation of river basin management plans is under way. Transboundary consultations on water issues with neighbouring countries are still at an early stage. Wastewater treatment capacity has increased as a result of continuous investment. Institutional restructuring under the 2014 metropolitan municipality law, which is expected to improve implementation of environmental legislation such as the urban waste water directive, poses organisational, financial, and coordination challenges.

Framework legislation on **nature protection**, the national biodiversity strategy and action plan have not yet been adopted. The regulations allowing development in wetlands, forests and natural site areas are still not in line with the *acquis*. The draft nature protection law needs to be made compliant with the *acquis*. It is crucial that implementing legislation also be adopted on time to avoid any legal vacuum, as the draft currently envisages repeal of the national parks law. The potential Natura 2000 sites have not yet been identified. Investments in hydropower need to ensure compliance with environment legislation, especially in areas of high natural value.

As regards **industrial pollution control and risk management**, legislation implementing the Industrial Emissions Directive still needs to be adopted. Investigations into the causes of the two major mining accidents in Soma and Ermenek in 2014 revealed serious risk management shortfalls regarding both delivery of initial permits given to the mining companies and the inspection and monitoring of the mining operations by the relevant authorities. Several court cases are under way.

On **chemicals**, alignment with the EU's Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals is still pending, although minor parts of it have been implemented.

Legislative alignment in the field of **noise** is well advanced.

On the EU **Civil Protection** Mechanism Turkey will become a participating state once ratification is completed. It needs to establish a disaster management strategy focused on reducing and managing the risks of man-made and natural disasters and to set up an emergency system, linked to the EU's, to communicate on and share information about disasters. Stepping up action and capacity to reduce disaster risks could cut accident losses.

On **climate change**, Turkey submitted in September 2015 its intended nationally determined contribution to the expected 2015 Paris climate agreement. Regarding alignment with the EU climate *acquis*, Turkey is preparing to set up and implement a monitoring, reporting and verification system, and build up its capacity on land use, forestry and fluorinated gases. Turkey has to develop a comprehensive policy and strategy consistent with the EU 2030 framework. It needs to become consistent with the EU 2030 framework and it should be well-integrated into all relevant sectoral policies. The country needs to further develop its carbon market mechanisms. As priority, Turkey needs to align with the EU Monitoring Mechanism Regulation and ensure that it improves the capacity to implement the expected 2015 Paris climate agreement. Awareness-raising of the need for climate action needs to be considerably improved.

4.28. Chapter 28: Health and consumer protection

EU rules protect consumers in relation to product safety, dangerous imitations and liability for defective products. The EU also ensures high common standards for tobacco control, blood, tissues, cells and organs, patients' rights and communicable diseases.

Good level of preparation in the area of health and consumer protection. There has been **some progress** in the past year as Turkey continued the legislative alignment process and set up the structures needed to implement the EU *acquis*. It needs to build up its administrative capacity to carry out the duties related to health threats. In the coming year, Turkey should in particular:

- fine-tune alignment with the EU *acquis* on communicable diseases and strengthen the administration's capacity to recognise, report and control outbreaks;
- ensure the confidentiality and security of data held in the national health information system;
- ensure that arbitration committees on consumer complaints function properly.

Turkey continued to adopt and implement secondary legislation related to the recently adopted **consumer protection** law. Twelve pieces of implementing legislation were adopted on **non-safety-related issues**, such as commercial advertising and unfair commercial practices. A horizontal market surveillance strategy for 2015-2017 sets sound strategic objectives to address existing weaknesses, such as increasing the scope and extent of surveillance activities based on risk analysis of **product safety**. The number of inspectors increased by 15 % in 2014.

For the arbitration committees to run efficiently, more needs to be done in terms of legal capabilities and impartiality of the assigned experts.

Public health in Turkey has generally improved. Quantitative capacity of health services improved, including the number of doctors per capita. Life expectancy at birth has risen to 76.9 years from 72.4 years in ten years. Total health spending held at 5.4 % of GDP during the reporting period. However, Turkey's total health expenditure per capita amounts to only one third of the EU average.

In the area of **tobacco control**, an action plan for 2015-2018 became effective.

Regarding **health inequalities**, further progress is needed to give everyone equal access to health services. Few quality indicators have been included in the national health information system, whereas the confidentiality and security of personal data therein remains a sensitive issue to be resolved.

An assessment of health governance, surveillance, preparedness and response in the field of

communicable diseases was undertaken in June 2015 by the European Commission and the European Centre for Disease Prevention and Control. Implementing the recommendations of that assessment will contribute to further alignment and implementation of the communicable diseases acquis and development of related administrative capacity.

Capacity building and awareness raising continued in the field of **blood, tissues, cells and organs**. There was an increase in the diagnosis of brain deaths, the cadaveric organ donation rate and the volume of blood donated. A comprehensive analysis of legislation in the field has been completed and legal gaps have been identified. Turkey became one of the first signatories of the Council of Europe Convention against Trafficking in Human Organs.

In the area of **mental health**, training for the provision of community-based mental health services is ongoing in parallel with the increase in the number of specialised centres.

No progress can be reported on **pharmaceuticals**.

4.29. Chapter 29: Customs union

All Member States are part of the EU customs union and follow the same customs rules and procedures. This requires legislative alignment as well as adequate implementing and enforcement capacity and access to the common computerised customs systems.

Turkey has reached a **good level of preparation** in the area of the Customs Union (CU), though **no further progress** was made in the reporting period. Duty relief, free zones, surveillance measures and management of tariff quotas are not fully in line with the *acquis* and/or with Turkey's obligations under the CU. Additional duties and designation of specialised customs offices for goods in free circulation in the EU violate the CU. In the coming year, Turkey should in particular:

→ make additional efforts to improve risk-based controls and simplified procedures to facilitate legitimate trade, while ensuring security and safety.

→ remove import and export restrictions preventing the effective free movement of goods.

There was uneven progress in the area of **customs legislation**. The customs law has yet to be harmonised with the Union customs code. There was no progress on implementing local clearance or the authorised economic operator concept.

Positive developments were Turkey's alignment of its rules of origin in the context of the Generalised Scheme of Preferences (GSP) to the EU's GSP rules of origin and the abolition of the special charge on numerous imported products with term payment. On the other hand, rules on surveillance and management of tariff quotas are not fully in line with the *acquis*. In particular, the implementation of surveillance based on minimum cost, insurance and freight (CIF) or customs value is a cause for concern, given that import licences are not granted automatically. The rules on free zones and duty relief have yet to be aligned with the *acquis*. In particular, the existence of duty free shops at entry points is not in line with the *acquis* or the CU provisions. The designation of specialised customs offices for completing import formalities is contrary to the provisions of the CU, especially when the nature of the goods does not require special expertise.

As well as additional customs duties on certain textile goods and footwear, Turkey introduced new duties on imports of a wide range of goods in breach of CU principles. These goods include carpets, rugs, various hand tools, some household appliances, lamps and some furniture. Even though the measure is limited to goods originating from third countries, it applies to goods in free circulation in the EU and is thus in violation of the CU.

The suspension of customs duties by Turkey on certain aluminium products applied until 4

August 2015 was in breach of the CU.

On **administrative and operational capacity**, efforts to strengthen Turkey's customs enforcement capacity focused particularly on anti-smuggling and security-related operations. The number of common transit movements increased. However, the general increase in the number of customs declarations sent for further scrutiny and to customs laboratories for analysis caused delays in customs clearance, conflicting with the objectives of conducting risk-based controls and facilitating trade. In the area of intellectual property rights (see also in Chapter 7), the system of online applications continued to operate satisfactorily. However, further alignment with the *acquis* is needed, in particular with the 2014 Regulation on customs enforcement of intellectual property rights and its implementing regulation.

Unlike the new computerised transit system, tariff IT systems (TARIC, Quota and Surveillance) are not yet in place. A strategy for bringing together IT activities with business initiatives has yet to be prepared and adopted.

Regarding the possible extension and modernisation of the customs union, see chapter 30.

4.30. Chapter 30: External relations

The EU has a common trade and commercial policy towards third countries, based on multilateral and bilateral agreements and autonomous measures. There are also EU rules in the field of humanitarian aid and development policy.

Turkey maintains a **good level of preparation** in the area of external relations thanks in particular to the Customs Union. There was **some progress** in the reporting period. Further alignment with the EU *acquis* was achieved on the Generalised System of Preferences (GSP) with the adoption of EU rules of origin (except product and geographical coverage). However, a growing number of Turkish import duties deviate from the Common Customs Tariff (CCT), in breach of the Customs Union. In the coming year, Turkey should in particular:

→ complete its alignment with the GSP and dual-use export control.

→ align its import tariff with the CCT

Some progress can be reported in the area of the **common commercial policy**. Turkey aligned its GSP-related rules of origin with the EU GSP rules of origin, except provisions on registered exporters. Further alignment is needed regarding product and geographical coverage. Prolonged and intensive use of safeguard measures remains a cause of concern. During the reporting period, Turkey extended the safeguard measure on imports of polyethylene terephthalate, adopted new measure on imports of wallpapers and launched new investigations on imports of mobile phones, paper and ceramic and porcelain tableware and kitchenware. Turkey is a very active user of the WTO safeguard instrument, systematically extending measures in force, opening new investigations based on weak evidence and using safeguards where other types of trade defence measures would be more targeted, such as the anti-dumping instrument.

Within the WTO, in particular on the Doha Development Agenda, the OECD and in the G-20, the level of coordination between the EU and Turkey should be enhanced. Thanks to the Customs Union, Turkey's level of alignment with the EU common commercial policy continues to be high. Turkey does not respect the CCT as it applies additional duties to a large number of products. However, on dual-use export controls Turkey has not updated its control regulations in line with the EU *acquis* and does not align with the EU position on membership of certain multilateral export control arrangements, such as the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies. It has also not aligned with the EU position on medium and long-term export credits to companies.

Turkey's General Agreement on Trade in Services commitments are not entirely aligned with those of the EU.

The European Commission and Turkey agreed a possible extension and modernisation of the customs union in the context of prospective negotiations.

Regarding **bilateral agreements with third countries**, Turkey signed a free trade agreement with Moldova and continued free trade negotiations with several other countries in order to align with the EU. However, Turkey also decided to implement the free trade agreement with Malaysia ahead of the conclusion of the EU-Malaysia FTA negotiations, resulting in another breach of the Customs Union. Furthermore, Turkey signed an agreement on trade in services and investment with South Korea, deepening the free trade agreement in place since May 2013.

In the fields of **development policy** and **humanitarian aid**, the total amount of official development aid granted by Turkey reached EUR 2.8 billion or 0.46% of ODA/GNI in 2014. Most of this was for Syria related action.

4.31. Chapter 31: Foreign, security and defence policy

Member States must be able to conduct political dialogue in the framework of the foreign, security and defence policy, to align with EU statements, to take part in EU actions and to apply agreed sanctions and restrictive measures.

Turkey is **moderately prepared** as regards the alignment with the EU in the area of foreign, security and defence policy. **Some progress** was made as the political dialogue between the EU and Turkey on foreign and security policy continued to intensify. Turkey maintained its policy on Syria, supporting the opposition and providing vital humanitarian assistance to Syrian refugees. It has continued to participate actively in civil and military crisis management missions. An importing development was the development of the dialogue on counter-terrorism, with Turkey joining the international coalition against Da'esh. In the coming year, Turkey should in particular:

→ align itself more closely with EU declarations and Council decisions.

The **political dialogue** between the EU and Turkey continued, covering developments in North Africa, the Middle East and the Gulf, Afghanistan, Pakistan, Russia, Ukraine, South Caucasus, Central Asia, counter-terrorism, foreign fighters and non-proliferation issues. Informal EU-Turkey consultations also took place on closer common security and defence policy cooperation, Africa, the Middle East, and the Western Balkans. (For more information on relations with other enlargement countries and EU Member States, *see Political criteria—Regional issues and international obligations*). The EU counter-terrorism coordinator visited Turkey in October 2014 and June 2015.

Regarding the **common foreign and security policy**, Turkey aligned itself, when invited, with 16 out of 40 EU declarations and Council decisions (40 % alignment, against 29 % during the reference period of the 2014 Progress Report). Turkey did not recognise and condemned the illegal annexation of Crimea by Russia and expressed concern for the Crimean Tatar minority. However, on Crimea and events in eastern Ukraine Turkey did not align with Council decisions, including EU **restrictive measures** in that field. Turkey has not yet signed the statute of the International Criminal Court. Turkey continued to be vocal on the crisis in **Syria** and its spill-over effects, strongly and repeatedly condemning the Syrian regime's violence against civilians. It maintained its support for the Syrian Opposition Coalition and provided massive and unprecedented humanitarian assistance to close to 2 million refugees. Restrictive measures against Syria remained in place. Relations with the new government in

Iraq improved significantly. In parallel, relations with the Kurdistan Regional Government in northern Iraq continued to develop. Turkey joined the international coalition against Da'esh, co-chairing the working group on foreign terrorist fighters. It consulted regularly with the **United States** on security and counter-terrorism issues. In September 2014, Turkey and the US co-chaired the Fifth Ministerial Plenary of the Global Counterterrorism Forum, which adopted internationally agreed best practices on countering the threat of foreign terrorist fighters. It engaged with the US in a 'train and equip' programme for the Syrian opposition, and in the same context with Iraq and Kurdistan Regional Government Peshmergas. Following the Da'esh terrorist attack in Suruç in July, Turkey strengthened its engagement and launched several air-strikes against Da'esh positions in Syria. It also struck a deal with the US on the use of Incirlik base for the coalition forces.

Relations with **Israel** remained strained, with no significant steps taken to conclude the normalisation process initiated in March 2013. Turkey continued to provide humanitarian assistance to Gaza and kept open communication channels with both Fatah and Hamas. Relations with **Egypt** did not improve. Egypt decided to terminate the bilateral Ro-Ro transport agreement as of April 2015. Relations with the internationally recognised authorities of **Libya** did not improve, either. However, Turkey officially supported the UN's efforts in the country. Turkey maintained good relations with the countries of the **Gulf Cooperation Council**. Relations with **Iran** improved despite diverging policies on Syria and Yemen. Turkey supported the **Saudi Arabia**-led coalition against the Houthi rebels in Yemen and also sought to mediate in the conflict. It continued to improve cooperation with and between **Afghanistan and Pakistan**. Turkey also continued to develop and strengthen its relations with countries in **Asia, Africa and Central/Latin America**. It became a non-regional observer in the Central American Integration System.

A series of high-level exchanges with **Russia** took place, including a visit by President Putin to Ankara in December 2014, during which a new gas pipeline project, 'Turk Stream', was proposed as a possible substitute for the 'South Stream' project. Turkey maintained good relations with **Ukraine**. After the meeting of the Turkey-Ukraine High Level Strategic Cooperation Council in March 2015, the two countries declared they would improve their relationship further, with Turkey announcing support for Ukraine's efforts to deepen its partnership with the EU.

Turkey maintained its policy of engagement in **South Caucasus and Central Asia**. The inauguration of the trans-Anatolian natural gas pipeline in March was an important step in strengthening energy cooperation with the region and the EU. In April 2015, the Prime Minister again offered deep condolences to the descendants of the 1915 events. However, the Turkish authorities responded systematically and strongly whenever the events were recognised as genocide abroad. The 2009 protocols on normalisation of relations with **Armenia** are not yet ratified. Turkey continued to maintain close relations with the countries of the **Western Balkans**.

Turkey is party to all international arrangements on the **non-proliferation** of weapons of mass destruction. It has not yet aligned itself with the EU position on membership of the Wassenaar Arrangement (*see Chapter 30 — External relations*) and the Missile Technology Control Regime.

Turkey continued to participate in civil and military crisis management operations under the **common security and defence policy** (CSDP), in particular EUFOR ALTHEA Bosnia Herzegovina and EULEX Kosovo. It has offered to contribute to EUFOR RCA, EUBAM Libya, EUTM Mali and EUAM Ukraine. The issue of EU-NATO cooperation, going beyond the 'Berlin plus' arrangements, involving all EU Member States, has not yet been resolved.

4.32. Chapter 32: Financial control

Based on international standards, EU financial control rules promote sound financial management of national income and expenditure. They also protect the EU's financial interests against fraud in the management of EU funds and the euro against counterfeiting.

Turkey has achieved a **good level of preparation** in the area of financial control. **Some progress** was achieved in the past year, thanks especially to the adoption of the national alignment strategy and action plan on financial control. External audit also saw progress.

However, further significant efforts are needed to implement public internal financial control (PIFC) at all levels of the administration and in state-owned companies. In the coming year, Turkey should in particular:

- update the PIFC policy paper and start implementing a new action plan, preferably as part of a public financial management reform programme;
- amend internal control and internal audit arrangements in the public sector to improve implementation of the Law on Public Financial Management and Control;
- ensure full implementation of the legislation on external audit.

Public internal financial control (PIFC)

Turkey adopted its PIFC **strategy and an action plan** in 2002. The government has committed to updating them. No mechanism is currently in place to provide regular monitoring and reporting on the strategy's implementation.

Two **central harmonisation units** (CHU) in the Ministry of Finance supervise implementation of PIFC. The CHU for FMC provides methodological guidance and coordinates FMC implementation in line ministries. It prepares an annual general accountability report to the government based on an annual survey to budget users. The government does not, however, adopt conclusions on the basis of the report. The CHU for internal audit coordinates implementation of internal audit in line ministries. During the reporting period it published regulations and handbooks and carried out the external quality review of some units. It also issues an annual general government internal audit report. The administrative capacity of the CHUs needs to be strengthened gradually.

The PIFC law regulates **financial management and control** mostly in line with the Committee of Sponsoring Organisations (COSO) model and the guidelines of the International Organisation of Supreme Audit Institutions (INTOSAI). Central government institutions broadly follow the PIFC manual, which was revised in early 2014. However, there is a need to refocus on FMC as a management system rather than a purely financial one. Ensuring a systematic approach to risk management in Turkey is a key challenge. Turkey has an extensive **budget inspection** function within individual ministries. There are potential overlaps with internal audit, as both functions are focused especially on legal compliance.

Internal audit is regulated in the PIFC law generally in line with the international standards. An internal audit manual and a code of ethics are in place. More than 246 out of the 386 institutions requested to do so have set up internal audit units. To date, 46 % of internal audit posts in the general government institutions have been filled. Some key institutions, such as the Prime Minister's Office, have yet to appoint internal auditors. 941 internal auditors have been certified by the CHU. 9 % of auditors hold an international certification. Most institutions have an audit charter and perform audits according to audit plans. In 2014, internal audit software was introduced in 65 public institutions.

External audit

On the **constitutional and legal framework**, the independence of the Turkish Court of Accounts (TCA) is anchored in the Constitution. The current TCA law is in line with the INTOSAI standards. It provides for an exhaustive audit mandate and gives the TCA full discretion in discharging its responsibilities.

The TCA, which has also judicial functions, has a well-established structure with a presidency and governing boards. The board members of the TCA are elected by parliament. Concerning **institutional capacity**, from a total of 891 staff, 654 are auditors. To develop its institutional capacity the TCA has adopted a strategic development plan for the period 2014-2018, including a training strategy. In December 2014, the TCA adopted an action plan for aligning with the internal control standards by 2016.

In 2014, the TCA improved the **quality of audit work** by adopting assessment manuals for performance audit and activity reports as well as by strengthening the external audit improvement and training centre. Planning of audit work is mostly risk-based. The TCA submits to parliament four audit reports (on general evaluation, accountability, financial statistics and state enterprises) in addition to the statement of general conformity. The TCA has a dedicated quality control unit to ensure auditors' adherence to professional and ethical standards and quality of reporting. However, the TCA should ensure that performance audits are not only audits about performance indicators but would also focus on economy, efficiency and effectiveness of public institutions.

Regarding the **impact of audit work**, the TCA assesses the internal control environment of audited entities as part of its audit work. Its annual audit report to parliament is analysed in the Plan and Budget Committee and discussed in the plenary. However, despite the existence of a parliamentary follow-up mechanism, this process is neither systematic nor does it work well. The working group between the TCA and the Ministry of Finance is operational. A similar working group is needed with parliament. The TCA frequently updates its website and communicates well with the media.

Protection of the EU's financial interests

As regards **acquis alignment**, the national legislation incorporates the main components of the convention on the protection of the EU's financial interests and regulates the obligation to safeguard evidence. The **national anti-fraud coordination service (AFCOS)** — an independent unit under the Prime Minister's Office — continues to work well with the Commission. An anti-fraud network, involving other relevant authorities, is in place. Turkey continued to implement the national anti-corruption and enhancing transparency strategy and action plan for 2010-2014. It will need to update its anti-corruption strategy and action plan. Turkey ensured **cooperation with the European Commission** investigators in various cases in 2014. It has established the main procedures for reporting irregularities and suspected fraud cases and an irregularity management system. Turkey regularly reports to the Commission. A solid track record on investigation activities and reporting still needs to be established.

Protection of the euro against counterfeiting

Turkey has reached a high level of **acquis alignment**. Turkey is also a party to the 1929 International Convention for the Suppression of Counterfeiting Currency. **Technical analysis** of counterfeit money, including euro banknotes and coins, is performed by a dedicated department in the central bank. Employees are trained regularly and participate actively in the Pericles 2020 programme. The police serves as the national central office for ensuring cooperation with the EU institutions as part of the counterfeit tracking system. Turkish legislation imposes financial penalties on credit institutions which do not withdraw

counterfeits from circulation. Turkey has not signed formal **cooperation agreements** with the Commission or the European Central Bank, but in practice there is close cooperation. In addition, Turkey has prepared a roadmap for strengthening cooperation with Europol.

4.33. Chapter 33 — Financial and budgetary provisions

Rules for funding the EU budget provide for contributions based mainly on the gross national income of each Member State as well as from value-added tax and customs duties.

Preparations are at an **early stage** in this area. **No progress** was made in the past year. Solid coordination structures, administrative capacity and implementing rules will need to be established in due course.

Basic principles and institutions in the underlying policy areas linked to the application of the own resources system are already in place. *(For developments in these areas, see Chapters 16; — Taxation, 18 — Statistics, 29 — Customs Union and 32 — Financial Control)*

In the area of **traditional own resources**, Turkey's customs legislation is largely aligned with the *acquis*. Please see Chapter 29 — Customs Union for developments in this area.

Preparations for the **value added tax-based resource** so as to calculate the statistical VAT base have yet to start. Turkey will need to take solid measures to combat fraud in VAT and customs duties to ensure appropriate contributions to the EU own resources system upon accession. Regarding the **gross national income-based resource**, Turkey continues to align the compilation of its financial and statistical data with the European System of Accounts.

By the time of accession Turkey will need to take several measures in the field of **administrative infrastructure**. It needs to establish coordination structures and implementing rules for accurately collecting, accounting for, monitoring, paying and controlling own resources, as well as for reporting to the EU.

Annex I – Relations between the EU and Turkey

Within the framework of **accession negotiations**, 14 chapters have been opened so far and one of these was provisionally closed. The Commission has tabled a proposal to open Chapter 17 - economic and monetary affairs, in order to underpin the envisaged high level economic dialogue with Turkey. Opening benchmarks for Chapters 23 and 24 on the rule of law still need to be defined so as to provide Turkey with a roadmap for reforms in this essential area. Progress on the priorities for reform is encouraged and monitored by the bodies set up under the **Association Agreement**. The Association Committee met in April 2015 after a new cycle of sub-committees was launched in February 2015, following a nearly three-year break. Sub-committees play a useful role in supporting Turkey's efforts of alignment with the *acquis* and of compliance with the opening and closing benchmarks of the negotiation chapters, without prejudice to the Council Conclusions of 11 December 2006. The Association Council met in May 2015. The Joint Parliamentary Committee met in November 2014 and March 2015.

This Commission has maintained a policy of **broad strategic engagement** with Turkey, exemplified by the December 2014 visit by the High Representative/Vice President and Commissioners Hahn and Stylianides. Turkey itself continued to express its commitment to EU accession: the Prime Minister visited Brussels in January 2015 and met with the Presidents of the European Council and of the European Commission. The President of the European Parliament visited Turkey in April 2015 and the President of the European Council in September 2015. The **enhanced political dialogue** between the EU and Turkey continued. A political dialogue meeting at political directors' level took place in November 2014. Regular discussions on foreign and security policy were held, including on counter-terrorism, against the background of Turkey joining the international coalition against Da'esh. Discussions were held on a wide range of topics and regions, *inter alia*, Syria, North Africa, the Horn of Africa, the Middle East and the Gulf, Afghanistan, Pakistan, Russia, Ukraine, the South Caucasus, Central Asia.

In the area of **visa migration and asylum**, the first implementation report³ on the visa roadmap was issued in October 2014 as part of the visa liberalisation dialogue launched in December 2013 and after the EU-Turkey Readmission agreement had entered into force on 1 October 2014. The report was prepared on the basis of several peer assessment missions. It welcomed the progress achieved by Turkey in the fields of migration and international protection, as well as in document security. At the same time, work was still needed in many areas, in particular border management, and police and judicial cooperation. Full and effective implementation of the Readmission Agreement towards all Member States is one of the benchmarks in the visa roadmap. As a follow up to the Special European Council in April, the EU and Turkey agreed to step up plans on reinforced cooperation in the area of migration, including on the fight against smuggling of migrants. Turkey continued making considerable efforts to provide massive and unprecedented humanitarian aid and support to a continuously increasing influx of refugees from Syria and Iraq.

Developing further close economic ties was another shared priority. Turkey participates in multilateral **economic dialogue** with the Commission and Member States to prepare the country for participation in multilateral surveillance and economic policy coordination as part of the EU's Economic and Monetary Union. The most recent meeting was held on 12 May 2015, where joint recommendations were adopted. The EU and Turkey have also closely

³ COM(2014) 646 of 20.10.2014

worked together in the framework of the G-20, which Turkey has been chairing in 2015. Turkey and the EU continued to improve their cooperation on **energy**, and a high level energy dialogue was launched in March 2015. The dialogue covers the gas sector and security of supplies, including the Southern Gas Corridor; the electricity sector; the nuclear sector; energy efficiency and renewable energy sources. In May 2015, the Commission and Turkey agreed to initiate procedures in view of a modernisation and extension of the **Customs Union**. This followed an evaluation of the World Bank issued in May 2014. The Commission launched an Impact Assessment⁴ in August 2015, with a view to prepare negotiating directives in the course of 2016. Turkey is the EU's fifth largest trading partner, while the EU is Turkey's largest. Two out of five goods traded by Turkey come from or go to the EU and over 70% of foreign direct investment in Turkey originates in the EU. Regarding cooperation in **disaster management**, Turkey became a member of the EU Civil Protection Mechanism in May 2015.

Regarding **financial assistance** Turkey is an important recipient of EU funds. The Commission and Turkey continued preparations under the new Instrument for Pre-accession Assistance (IPA II), in line with the Indicative Strategy Paper for Turkey for the period 2014-2020 which earmarked EUR 4.45 billion of funding. In December 2014, the Commission adopted the annual programme for 2014, with a budget of EUR 366 million focusing primarily on democracy and governance, rule of law and fundamental rights. It also adopted four sectoral multi-annual programmes for the period 2014-2016, for an amount of EUR 793 million, in the areas of environment and climate change, transport, competitiveness, employment and social inclusion. The Framework Agreement covering IPA II entered into force in June 2015. The preparations for the annual programme 2015 are well under way. The EU also acknowledged the considerable pressure the Syrian refugee crisis imposes on Turkey and has so far set aside EUR 176 million under different EU instruments.

Turkey participates in the following **EU programmes**: the Seventh Research Framework Programme, Customs, Fiscalis, the Competitiveness and Innovation Framework Programme, Progress, Culture, Lifelong Learning and Youth in Action. Turkey has also recently concluded or is in the process of concluding new agreements for a number of programmes, including: Horizon 2020, Erasmus+, Competitiveness of Enterprises and Small and Medium-sized Enterprises, Creative Europe and Employment and Social Innovation. Turkey participates in the European Environmental Agency and in the European Monitoring Centre for Drugs and Drug Addiction.

⁴ http://ec.europa.eu/smart-regulation/roadmaps/docs/2015_trade_035_turkey_en.pdf

Annex II – Statistical Annex

STATISTICAL DATA (as of 18.09.2015)

Turkey

Basic data	Note	2002	2010	2011	2012	2013	2014
Population (thousand)	1)	65 603e	72 561b	73 723	74 724	75 627	76 668
Total area of the country (km ²)		785 347	785 347	785 347	785 347	785 347	785 347

National accounts	Note	2002	2010	2011	2012	2013	2014
Gross domestic product (GDP) (million national currency)		350 476	1 098 799	1 297 713	1 416 798	1 567 289	1 749 782
Gross domestic product (GDP) (million euro)		243 569	547 347	556 278	611 909	620 682	601 298
GDP (euro per capita)		3 690	7 483	7 494	8 139	8 161	7 819
GDP (in Purchasing Power Standards (PPS) per capita)	2)	7 400e	12 200b	13 400	13 800	14 100	14 400
GDP (in Purchasing Power Standards (PPS) per capita), relative to the EU average (EU-28 = 100)	3)	35	49b	51	52	53	53
Real GDP growth rate: change on previous year of GDP volume (%)		6.2	9.2	8.8	2.1	4.2	2.9
Gross value added by main sectors							
Agriculture, forestry and fisheries (%)	4)	10.3	8.4	8.0	7.9	7.4	7.1
Industry (%)	4)	21.0	19.4	19.9	19.4	19.1	19.5
Construction (%)	4)	4.2	4.2	4.5	4.4	4.4	4.6
Services (%)	4)	55.0	57.2	56.3	57.5	57.6	57.7
Final consumption expenditure, as a share of GDP (%)		80.7	86.0	85.1	85.0	85.9	84.1
Gross fixed capital formation, as a share of GDP (%)		16.7	18.9	21.8	20.3	20.3	20.1
Changes in inventories, as a share of GDP (%)		0.9	0.6	1.7	-0.1	0.3	0.2
Exports of goods and services, relative to GDP (%)		25.2	21.2	24.0	26.3	25.6	27.7
Imports of goods and services, relative to GDP (%)		23.6	26.8	32.6	31.5	32.2	32.1

Business	Note	2002	2010	2011	2012	2013	2014
Industrial production volume index (2010 = 100)	5)	:	100.0	110.1	112.9	116.3	120.5
Number of active enterprises (number)		:	3 003 116	3 422 163	3 474 992	3 529 541	3 525 431
Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%)		:	4.2	23.2	12.8	12.4	12.2
Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%)		:	12.5	12.0	12.1	:	:
People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%)		:	76.3	76.0	75.8	:	:
Value added by SMEs (in the non-financial business economy) (EUR million)		:	80 088	81 593	91 208	:	:
Total value added (in the non-financial business economy) (EUR million)		:	146 841	153 201	170 420	184 376	:

Inflation rate	Note	2002	2010	2011	2012	2013	2014
Harmonised consumer price index (HICP), change relative to the previous year (%)		47.0	8.6	6.5	9.0	7.5	8.9

Balance of payments	Note	2002	2010	2011	2012	2013	2014
Balance of payments: current account total (million euro)		-662	-34 282	-53 945	-36 400	:	:
Balance of payments current account: trade balance (million euro)		-6 758	-42 553	-64 037	-51 115	-60 200s	:
Balance of payments current account: net services (million euro)		8 339	12 565	14 461	18 845	17 679s	:
Balance of payments current account: net income (million euro)		-4 816	-5 442	-5 633	-5 196	:	:
Balance of payments current account: net current transfers (million euro)		2 573	1 149	1 263	1 067	:	:
of which government transfers (million euro)		526	425	570	430	:	:
**3 year backward moving average of the current account balance relative to GDP (%)		:	:	:	:	:	:
Net inward foreign direct investment (FDI) (million euro)		993	5 712	9 840	6 573	:	:
Foreign direct investment (FDI) abroad (million euro)		151	1 104	1 688	3 171	:	:
of which FDI of the reporting economy in the EU-28 countries (million euro)		:	447	1 004	2 256	:	:
Foreign direct investment (FDI) in the reporting economy (million euro)		1 144	6 816	11 528	9 744	:	:
of which FDI of the EU-28 countries in the reporting economy (million euro)		:	4 075	6 795	6 140	:	:
**Net international investment position, relative to GDP (%)		:	:	:	:	:	:
Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%)		-33.7e	0.7	5.0	1.1	-12.9e	:

Public finance	Note	2002	2010	2011	2012	2013	2014
***General government deficit / surplus, relative to GDP (%)		-10.1	-2.9	-0.8f	-0.2	0.2	:
***General government gross debt relative to GDP (%)		73.5	42.7	39.3f	36.2	36.0	:
Total government revenues, as a percentage of GDP (%)		:	35.6	35.0	36.5	37.8	:
Total government expenditure, as a percentage of GDP (%)		:	38.4	35.8	36.7	37.6	:

Financial indicators	Note	2002	2010	2011	2012	2013	2014
Gross foreign debt of the whole economy, relative to GDP (%)		50.7	39.5	:	:	:	:
Gross foreign debt of the whole economy, relative to total exports (%)		359.3	254.0	:	:	:	:
Money supply: M1 (banknotes, coins, overnight deposits, million euro)	6)	9 291	65 976b	65 555	72 816	:	:
Money supply: M2 (M1 plus deposits with maturity up to two years, million euro)	7)	36 325	286 595 b	274 239	300 693	:	:
Money supply: M3 (M2 plus marketable instruments, million euro)	8)	38 041	300 348 b	288 210	317 047	:	:
Total credit by monetary financial institutions to residents (consolidated) (million euro)		20 035	231 862	255 706	303 509	:	:
Interest rates: day-to-day money rate, per annum (%)		49.59	6.59	7.28	7.59	:	:
Lending interest rate (one year), per annum (%)	9)	53.65	14.83	12.27	9.00	:	:
Deposit interest rate (one year), per annum (%)	10)	53.88	14.99	14.19	5.00	:	:
Euro exchange rates: average of period (1 euro = ... national currency)		1.430	1.989	2.322	2.314	2.534	2.906
Trade-weighted effective exchange rate index (2005 = 100)	11)	116.2	86.8	74.4	74.5		
Value of reserve assets (including gold) (million euro)		26 949	64 874	68 391	90 332	:	:

External trade in goods	Note	2002	2010	2011	2012	2013	2014
Value of imports: all goods, all partners (million euro)		54 478	138 720	173 099	184 087	189 783	182 364
Value of exports: all goods, all partners (million euro)		38 137	85 298	96 973	118 644	114 533	118 736
Trade balance: all goods, all partners (million euro)		-16 341	-53 422	-76 126	-65 443	-75 250	-63 628
Terms of trade (export price index / import price index * 100) (number)	12)	95	96	93	96	98	98
Share of exports to EU-28 countries in value of total exports (%)		56.7	46.4	46.4	38.9	41.5	43.5
Share of imports from EU-28 countries in value of total imports (%)		49.8	39.1	37.9	37.0	36.7	36.7

Demography	Note	2002	2010	2011	2012	2013	2014
Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants)	13)	12.1e	12.2b	11.7	12.2	12.1	12.2
Infant mortality rate deaths of children under one year of age (per thousand live births)	13)	25.4e	12.0b	11.7	11.6	10.8	11.1
Life expectancy at birth: male (years)	14)	70.5e	74.2e	74.4e	74.6e	74.7e	74.8e
Life expectancy at birth: female (years)	14)	74.7e	78.7e	78.9e	79.1e	79.2e	79.3e

Labour market	Note	2002	2010	2011	2012	2013	2014
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)		:	55.9	57.2	57.4	58.4	58.9b
*Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)		50.2	50.0	52.2	52.8	53.4	53.2b
Male employment rate for persons aged 20–64 (%)		72.9	72.7	75.1	75.0	75.3	75b
Female employment rate for persons aged 20–64 (%)		27.7	28.0	29.8	30.9	31.8	31.6b
Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)		35.3	29.6	31.4	31.9	31.5	31.4b
Employment by main sectors							
Agriculture, forestry and fisheries (%)	15)	:	25.2	25.5	24.6	23.6	21.1b
Industry (%)		:	19.9	19.5	19.1	19.4	20.5b
Construction (%)		:	6.3	7.0	6.9	7.0	7.4b
Services (%)		:	48.6	48.1	49.4	50.0	51.0b
People employed in the public sector as a share of total employment, persons aged 20–64 (%)		16.9	13.5	13.3	13.8	13.5	13.1b
People employed in the private sector as a share of total employment, persons aged 20–64 (%)		83.1	86.5	86.7	86.2	86.5	86.9b
Unemployment rate: proportion of the labour force that is unemployed (%)	16)	:	10.8	8.8	8.2	8.8	9.9b
Male unemployment rate (%)	16)	:	10.5	8.3	7.7	8.0	9.1b
Female unemployment rate (%)	16)	:	11.6	10.1	9.4	10.6	11.9b
Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)	16)	:	19.9	16.7	15.7	16.9	17.8b
Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)	17)	:	3.0	2.3	2.0	2.1	2.4b
Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED 0–2) (%)	18)	:	9.6	7.6	7.0	7.5	8.5b
Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED 5 & 6) (%)	18)	:	7.2	6.8	6.7	6.9	8.1b

Social cohesion	Note	2002	2010	2011	2012	2013	2014
Average nominal monthly wages and salaries (national currency)	19)	419	1 142	1 242	1 327	:	:
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2000 = 100)		:	:	:	:	:	:
GINI coefficient — see definitions	20)	46.0	40.2	40.4	40.2	40.0	:
Poverty gap	20)	32.0	28.7	29.2	29.2	26.7	:
*Early leavers from education and training: proportion of the population aged 18–24 with at most lower secondary education who are not in further education or training (%)	21)	55.1	43.1b	41.9	39.6	37.6p	38.3b

Standard of living	Note	2002	2010	2011	2012	2013	2014
Number of passenger cars relative to population size (number per thousand population)		70.2e	104.0b	110.0	115.7	122.8	126.9
Number of mobile phone subscriptions relative to population size (number per thousand population)		356e	837b	874	895	909	:

Infrastructure	Note	2002	2010	2011	2012	2013	2014
Density of railway network (lines in operation per thousand km ²)		11.1	12.2	12.3	12.3	12.4	12.8
Length of motorways (kilometres)		1 714	2 080	2 119	2 127	2 127	2 155

Innovation and research	Note	2002	2010	2011	2012	2013	2014
Public expenditure on education relative to GDP (%)		4.8	:	4.1	:	:	:
*Gross domestic expenditure on R&D relative to GDP (%)	22)	0.52	0.84b	0.86	0.92	0.95	:
Percentage of households who have internet access at home (%)		:	41.6	42.9	47.2	49.1	60.2

Environment	Note	2002	2010	2011	2012	2013	2014
Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2005 constant prices)		259.1	252.5	:	:	:	:
Electricity generated from renewable sources relative to gross electricity consumption (%)		25.7	26.5	25.3	27.0	28.9	:
Road share of inland freight transport (based on tonne-km) (%)		95.4	94.6	94.3	94.5	95.4s	94.9

Energy	Note	2002	2010	2011	2012	2013	2014
Primary production of all energy products (thousand TOE)		24 281	32 487	32 229	31 964	31 944	:
Primary production of crude oil (thousand TOE)		2 564	2 671	2 555	2 440	2 485	:
Primary production of hard coal and lignite (thousand TOE)		11 360	17 523	17 869	17 018	15 451	:
Primary production of natural gas (thousand TOE)		344	625	652	533	443	:
Net imports of all energy products (thousand TOE)		55 467	79 400	84 087	91 827	90 784	:
Gross inland energy consumption (thousand TOE)		78 331	109 260	114 480	120 093	120 290	:
Electricity generation (thousand GWh)		129.4	211.2	229.4	239.5	240.2	252.0

Agriculture	Note	2002	2010	2011	2012	2013	2014
Agricultural production volume index of goods and services (at producer prices) (previous year = 100)		108.5	:	:	:	:	:
Utilised agricultural area (thousand hectares)		41 196	39 012	38 231	38 399	38 423	38 560
Livestock numbers: live bovine animals (thousand heads, end of period)	23)	9 803	11 370	12 386	13 915	14 415	14 123
Livestock numbers: live swine (thousand heads, end of period)		4	2	2	3	3	3
Livestock numbers: live sheep and live goats (thousand heads, end of period)		31 954	29 383	32 310	35 783	38 510	41 462
Production and utilisation of milk on the farm (total whole milk) (thousand tonnes)		8 409	13 544	15 056	17 401	18 224	18 499
Harvested crop production: cereals (including rice) (thousand tonnes)		30 831	32 773	35 202	33 377	37 489	32 714
Harvested crop production: sugar beet (thousand tonnes)		16 523	17 942	16 126	14 920	16 489	16 573
Harvested crop production: vegetables (thousand tonnes)		25 824	25 997	27 547	27 820	28 448	28 570

: = not available

b = break in series

e = estimated value

f = forecast

p = provisional

s = Eurostat estimate

* = Europe 2020 indicator

** = Macroeconomic Imbalance Procedure (MIP) indicator

*** = The government deficit and debt data of enlargement countries are published on an "as is" basis and without any assurance as regards their quality and adherence to ESA rules.

Footnotes:

- 1) Values are derived from 2000–06 Population Estimates and 2007–14 Results of Address Based Population Registration System.
- 2) 2013 and 2014: source, Eurostat.
- 3) Source: Eurostat.
- 4) Calculated as a share of value added plus taxes and subsidies minus FISIM; shares therefore do not sum to 100% but show the relative size of the sectors.
- 5) Gross index, not calendar adjusted.
- 6) Break in series. From December 2005 onwards, M1 also includes currency in circulation and demand deposits in foreign currencies, not just in national currency. Furthermore, from December 2005 monetary liabilities of Participation Banks, Investment and Development Banks and the amount of Money Market Funds were added to money supply data.
- 7) Break in series. From December 2005 onwards, M2 includes M1 and time deposits in foreign currencies, not just in national currency. See also break in series for M1.
- 8) Break in series. From December 2005 onwards, M3 includes (in addition to M2 and official deposits (time/demand) which were already included previously) funds received from repo transactions and money market funds (B type liquid funds). See also break in series for M1 and M2.
- 9) Average of monthly data. Lending to enterprises more than one year.
- 10) Average of monthly data. Up to one year or longer.
- 11) Source: Eurostat.
- 12) Expressed as an index with 2000 = 100. Time series were originally based on different reference years (2002, 1994 = 100; since 2010, 2010 = 100).
- 13) 2002: for detailed information, see the relevant metadata file of "Demographic Indicators" table on TurkStat Web site.
- 14) For detailed information, see the relevant metadata file of "Demographic Indicators" table on TurkStat Web site.
- 15) 2010–13: includes NACE Rev. 2 Group 98.1 (undifferentiated goods-producing activities of private households for own use).
- 16) 2013–14: unemployment based on 4 weeks criterion + using only active jobs search methods.
- 17) 2012–14: unemployment based on 4 weeks criterion + using only active jobs search methods.
- 18) Unemployment based on 4 weeks criterion + using only active jobs search methods.
- 19) 2002: data from the income and living conditions survey.
- 20) 2010–13: data from the income and living conditions survey.
- 21) Annual LFS results. Break in series caused by the addition of 'participation in non formal education or training' from 2004.
- 22) Break in series due to the use of revised GDP series since 2007.
- 23) Excluding buffaloes.