

**No. 45911\***

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**Turkey  
and  
European Community**

**Memorandum of understanding on the establishment of a central finance and contracts unit (CFCU) between the Government of Turkey and the European Commission. Ankara, 14 February 2002**

**Entry into force:** *14 February 2002 by signature, in accordance with article 13*

**Authentic texts:** *English*

**Registration with the Secretariat of the United Nations:** *Turkey, 6 March 2009*

**Note:** *See also annex A, No. 45911.*

*\*The texts reproduced below are the original texts of the agreement as submitted. For ease of reference, they were sequentially paginated. The relevant Treaty Series volume will be published in due course.*

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**Turquie  
et  
Communauté européenne**

**Mémoire d'accord relatif à l'établissement d'un Groupe central de finances et de contrats (GCFC) entre le Gouvernement de la Turquie et la Commission européenne. Ankara, 14 février 2002**

**Entrée en vigueur :** *14 février 2002 par signature, conformément à l'article 13*

**Textes authentiques :** *anglais*

**Enregistrement auprès du Secrétariat des Nations Unies :** *Turquie, 6 mars 2009*

**Note :** *Voir aussi annexe A, No. 45911.*

*\*Les textes reproduit ci-dessous sont les textes authentiques de l'accord tel que soumises pour l'enregistrement. Pour référence, ils ont été présentés sous forme de la pagination consécutive. Le volume correspondant du Recueil des Traités sera disponible en temps utile.*

[ ENGLISH TEXT – TEXTE ANGLAIS ]

**Memorandum of Understanding on the establishment of  
A Central Finance and Contracts Unit (CFCU)  
Between the Government of Turkey and the European Commission**

Whereas the establishment of the Central Finance and Contracts Unit is to be seen against the background of the following developments

- the size and complexity of the EU support for Turkey and the concomitant increase in the number of programmes and projects under implementation, its changing role as an instrument for supporting the Turkish pre-accession strategy, and the need to establish sustainable financial procedures and management structures as required by EU regulations,
- the fact that the size of the EU support in Turkey, is such that supporting an overly diffused Programme Management Units (PMU) structure, is not cost effective, and the necessity to limit the number of PMUs for individual sector programmes, thereby avoiding complexity in the transfer and monitoring of funds, and divergence in the methods of financial reporting and accounting, vis-a-vis the European Commission,
- the need to establish a financial management system compatible with EU regulations and budgetary procedures and ensuring effective financial control, and
- the benefit in terms of sound financial management and effectiveness of a single adequately staffed unit to handle the financial administration, accounting and payments for EU funds on behalf of the Turkish Government
- the fact that new Regulation aligns Turkey to the other candidates countries also implying that as far as possible the DIS-Turkey will follow the DIS-Phare

Therefore

The European Community, represented by the European Commission, hereinafter referred to as “The Commission”, of the one part, and

The Government of Turkey, acting on behalf of the Republic of Turkey, hereinafter referred to as ‘ The Recipient’, of the other part,

have agreed as follows

**Article 1**

**Definitions**

Decentralised Implementation System (DIS)

Implementation System of the EU’s external aid programme where part of the management and responsibilities have been transferred to the Partner Country whilst the Commission retains the final responsibility under the EC Treaties

**Central Finance and Contracts Unit (CFCU)**

An implementing body of the DIS within the national administration in charge of tendering, contracting and payments for institution building projects and other projects if so specifically provided. For these projects the technical implementation is carried out by a SPO

**National Aid Co-ordinator (NAC)**

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

**National Authorising Officer (NAO)**

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

**National Fund (NF)**

The Central treasury entity within the Undersecretariat of Treasury through which the Community funds are channelled towards the Recipient.

**Perseus**

The current financial reporting system of the European Commission

**Programme Authorising Officer (PAO)**

An official of the national administration heading the CFCU or an IA. The PAO is responsible for the operations of the IA/CFCU and for the sound financial management of the projects to be implemented

**Senior Programme Officer (SPO)**

An official of the national administration (line ministry/agency) in charge of the technical implementation of the projects in case where the CFCU is responsible for the administrative and financial implementation of the projects.

**Article 2 - PAO and CFCU**

1. A CFCU will be established as an integral part of the Turkish administration and will take all decisions autonomously under the responsibility of a Programme Authorising Officer (PAO). The management of EU funds by the CFCU shall be subject to the provisions of this Memorandum and EU rules governing the use of external aid. The CFCU will administratively be linked (eg for logistic support) to the EU Secretariat General
2. The Programme Authorising Officer (PAO), described in Article 6 hereafter, will be an official appointed by the National Authorising Officer (NAO) after consulting the National Aid Co-ordinator.
3. The PAO will be responsible in accordance with Article 3 for the financial and administrative side of the procurement of services, supplies and works for all projects unless otherwise agreed in Turkey. The technical side of programme implementation

will be covered by the responsible Senior Programme Officers (SPO). The responsibility of the Senior Programme Officer is described in Article 7 hereafter.

### Article 3 - Tasks of the CFCU

1. The CFCU will have the sole responsibility over the overall budgeting, tendering, contracting, payments, accounting and financial reporting aspects of the procurement of services, supplies, works and grants in the context of the EU funded programmes in Turkey. The CFCU shall ensure that the EU rules, regulations and procedures pertaining to the procurement of services, supplies, works and grants are adhered to, and that a proper reporting system is functioning.
2. The technical issues of programme implementation will be the full responsibility of the authority responsible for implementing each individual programme (SPO).
3. The CFCU will advise the SPO, on his/her request, on EU external aid implementation procedures (e.g. procurement and contracting procedures), it being clear however that full responsibility, for technical implementation, remains with the SPO. The CFCU will develop a specialised advisory capacity and maintain the necessary documentation for this purpose.
4. Specifically, the CFCU will have the following tasks:

a) Tendering:

Receiving Terms of Reference, Tender Requests and tender summary sheets in standard format from the SPO; providing information for tenderers in line with EU procedures and request to the European Commission for publishing of notices of tender opportunities under Internet (Europaid WWW site), and in the Official Journal of the European Communities as foreseen under amended Article 118 of the financial regulation; checking the preparation of a proper quarterly update of status of programmes implementation, prepared by the SPO; administrative verification of short lists and tender documentation prepared by the SPO which also receive all the letters of interest; checking and requesting changes, as appropriate, for conformity with EU rules; ensuring the good preparation of tender dossiers; dispatching of tender dossiers to bidders; checking the composition of the Evaluation Committee; acting as the non-voting chairperson and as the non-voting secretary of the evaluation committee at tender evaluations, securing the respect of the procedures; providing advice and administrative support to the carrying out of tender evaluations; ensuring the proper preparation of the tender evaluation report to be drafted by the relevant Evaluation Committee.

b) Contracting:

Supervising evaluation and contract awarding to ensure that proper EU administrative procedures are followed (but not involving itself, apart from advice on procedures, in the evaluation process, technical or financial, selection, which remain the responsibility of the SPO); contract negotiations, where appropriate (the SPO shall provide technical assistance), drafting, preparation and signature of contracts on the basis of the request and technical

recommendations of the SPO, ensuring conformity with the EU administrative and legal requirements (in case of non-conformity, the PAO has to inform the concerned SPO in writing); the PAO shall sign the contract (endorsed by the European Commission), recording contract awarded by programme and project

c) Accounting

Establishing and maintaining an accounting system, keeping separate records for each sector programme and adequate accounting recording all payments registered by programme, project, contract, etc, operating financial accounts with all the standard checks and reconciliations,

d) Payments

Carrying out payments in accordance with standard EU procedures, in force at the time, receiving requests for payment from contractors, checking these are legitimate, request the authorization from the SPO (“conforme aux faits”/“read & approved”), or returning for amendment to contractor, as appropriate

e) Reporting

Providing to the National Fund for distribution to the NAC and EC Representation in Ankara monthly reports covering the financial status of each programme, schedules for upcoming tenders; effected tender evaluations and contracts awarded; details on how the projects are implemented, problems encountered (if any), perspectives for the future, and any other necessary information which may be requested by the Commission and/or NAO and NAC. The reporting will also cover the co-financed parts of any programme

f) Fund requests and management of account:

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

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

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

g) Training and Advice

Arranging and providing, where appropriate, training in EU payments and procurement procedures for any implementing bodies of the Decentralised Implementation System, advising SPOs on EU procurement and financial implementation procedures, it being clear however that full responsibility, for technical implementation remains with the recipient

SPO. The CFCU will develop a specialised advisory training capacity and maintain the necessary documentation for this purpose

h) Audit.

The CFCU can undertake on its own initiative audits of projects implemented by implementing authorities and will provide full assistance and co-operation to the Treasury controllers and EC auditors. All audit findings and any irregularity detected in the management of the funds will be reported to the European Commission through the NAO

**Article 4 – CFCU Staff**

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

**Article 5 – CFCU Location, Facilities and Operational Cost**

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

**Article 6 – Programme Authorising Officer (PAO)**

1. The CFCU will operate under the authority of a Programme Authorising Officer (PAO) who will be nominated by the National Authorising Officer of Turkey after consulting the National Aid Co-ordinator. The PAO is responsible for the execution of EU funded programmes. Additional responsibilities may be defined in the financing agreement with the National Fund.
2. The PAO is responsible for the sound financial management of all projects

- 3 The PAO may delegate part of his responsibilities, including the right of signature for all documents and actions listed in Article 3, paragraph 4, to other delegated signatories, up to a maximum of two officials whose signatures becomes equally valid. The responsibilities thus delegated will be clearly enumerated in a separate document and communicated to the Commission. The PAO can, at any time, revoke the delegation of the right of signature.
- 4 The PAO (or his delegated representative) will sign or endorse, as required, the documents as described in Articles 8, 9, 10 and 11.

**Article 7 - Responsibilities of the Senior Programme Officers (SPO)**

- 1 A Senior Programme Officer (SPO) will be an official appointed by the line Ministry or Agency involved in the project, in order to ensure the good and timely implementation of projects at technical level.
- 2 The SPO formalises his or her authority by endorsing commitments and disbursement documents prior to their transmission by the CFCU.
- 3 The SPO may delegate part of his/her responsibility and actions, including the right of endorsement of documents (“conforme aux faits”/“read & approved”), to a maximum of two officials within the same Ministry or Agency.
- 4 The names and signatures of the SPOs and, if relevant, the delegated officials to whom the SPOs have delegated their responsibility will be communicated to the PAO, CFCU and the Commission.
- 5 More specifically the responsibilities of the SPO will include
  - (a) Technical implementation and follow-up of EU funded projects
  - (b) Planning and reporting to the responsible authority and maintaining contact on technical issues with the Commission,
  - (c) Input into the preparation of financial and reporting documents necessary for the operation of the CFCU
  - (d) Preparation of Terms of Reference,
  - (e) Submitting requests to the CFCU to launch tenders,
  - (f) Requests to the CFCU to negotiate and conclude contracts,
  - (g) Provision of assistance to the CFCU for the contract negotiations,
  - (h) Endorsement of payments against invoices (“conforme aux faits/read and approved”)

### **Article 8 – CFCU Bank Account**

The CFCU will establish and manage a bank account for the given programme in accordance with the provisions of the relevant Financing Agreement.

The bank accounts will be denominated in Euro. The amount of interest earned on the bank accounts will be communicated to the European Commission on a regular basis and may be reinvested in the activities covered by the relevant Financing Memorandum, after the approval of the European Commission, and in accordance with DIS provisions in force at the time.

The bank accounts will be operated on the basis of a double signature system requiring at least the signature of the PAO.

The CFCU will communicate to the European Commission by means of a bank confirmation all relevant information ( name and address of the bank, account numbers, name(s) of account holders and interest rates).

### **Article 9 – Payments**

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

### **Article 10 – Contract Award Procedures**

The contract award procedures to be followed by the CFCU shall be those that are laid down in the EU's Practical Guide to contract procedures, in force at the time.

### **Article 11 – Accounting**

1. The CFCU will operate a system covering all contractual and other financial operations pertaining to the relevant EU financed programmes in Turkey.
2. This system should be in line with the requirements of any DIS reporting system provided by the EC.

### **Article 12 – Audit**

1. The accounts and operations of the CFCU directly related to EU programmes and projects and the related co-financing may be checked at regular intervals by Treasury controllers and/or an outside auditor contracted by the Commission without prejudice to the responsibilities of the Commission and the European Union's Court of Auditors.
2. Written records of the entire financial management, tendering and contracting shall be stored for five years after the closure of the programme (i.e. after completion of the audit to accompany closure of programme).

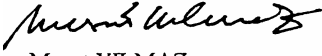


**Article 13 - Final Stipulations**

- 1 This Memorandum is drawn up in duplicate in English and shall enter into force on the date on which it has been signed by both parties.<sup>1</sup>
2. This Memorandum of Understanding will remain valid unless otherwise specified.
3. This Memorandum of Understanding may be subject to a review after each year of operation, and may then be amended by an exchange of letters and this without prejudice to the responsibilities of the European Commission, which retains the right to review the implementation provisions, as appropriate, in accordance with the DIS

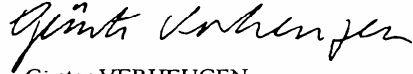
Ankara, 14 February 2002

On behalf of the Turkish Government

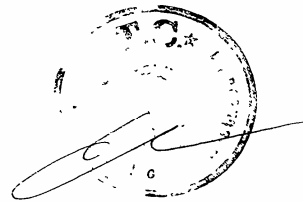


Mesut YILMAZ  
Deputy Prime Minister and  
State Minister

On behalf of the European  
Commission



Günter VERHEUGEN  
Member of the European Commission  
Responsible for Enlargement



<sup>1</sup> This is without prejudice to the ratification of the MOU by the Turkish Grand National Assembly