



Brussels, 29.5.2019
SWD(2019) 220 final

COMMISSION STAFF WORKING DOCUMENT

Turkey 2019 Report

Accompanying the document

**Communication from the Commission to the European Parliament, the Council, the
European Economic and Social Committee and the Committee of the Regions**

2019 Communication on EU Enlargement Policy

{COM(2019) 260 final}

Table of Contents

1.	INTRODUCTION	3
1.1.	Context	3
1.2.	Summary of the report	3
2.	FUNDAMENTALS FIRST: POLITICAL CRITERIA AND RULE OF LAW CHAPTERS	9
2.1.	Functioning of democratic institutions and public administration reform	10
2.1.1.	Democracy	10
2.1.2.	Public administration reform	19
2.2.	Rule of law and fundamental rights	21
2.2.1.	Chapter 23: Judiciary and fundamental rights	21
2.2.2.	Chapter 24: Justice, freedom and security	40
3.	FUNDAMENTALS FIRST: ECONOMIC DEVELOPMENT AND COMPETITIVENESS	51
3.1.	The existence of a functioning market economy	52
3.2.	The capacity to cope with competitive pressure and market forces within the Union	57
4.	GOOD NEIGHBOURLY RELATIONS AND REGIONAL COOPERATION	60
5.	ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP	62
5.1.	Chapter 1: Free movement of goods	62
5.2.	Chapter 2: Freedom of movement for workers	64
5.3.	Chapter 3: Right of establishment and freedom to provide services	64
5.4.	Chapter 4: Free movement of capital	65
5.5.	Chapter 5: Public procurement	66
5.6.	Chapter 6: Company law	68
5.7.	Chapter 7: Intellectual property law	69
5.8.	Chapter 8: Competition policy	70
5.9.	Chapter 9: Financial services	71
5.10.	Chapter 10: Information society and media	72
5.11.	Chapter 11: Agriculture and rural development	74
5.12.	Chapter 12: Food safety, veterinary and phytosanitary policy	75
5.13.	Chapter 13: Fisheries	76
5.14.	Chapter 14: Transport policy	77
5.15.	Chapter 15: Energy	78
5.16.	Chapter 16: Taxation	81
5.17.	Chapter 17: Economic and monetary policy	82
5.18.	Chapter 18: Statistics	83

5.19.	Chapter 19: Social policy and employment	84
5.20.	Chapter 20: Enterprise and industrial policy	87
5.21.	Chapter 21: Trans-European networks	88
5.22.	Chapter 22: Regional policy and the coordination of structural instruments	89
5.25	Chapter 25: Science and research	90
5.26	Chapter 26: Education and culture	91
5.27	Chapter 27: Environment and climate change	93
5.28	Chapter 28: Health and consumer protection	94
5.29.	Chapter 29: Customs union	97
5.30.	Chapter 30: External relations	97
5.31.	Chapter 31: Foreign, security and defence policy	98
5.32.	Chapter 32: Financial control	101
5.33.	Chapter 33: Financial and budgetary provisions	104
	ANNEX I – RELATIONS BETWEEN THE EU AND TURKEY	105
	ANNEX II – STATISTICAL ANNEX	107

1. INTRODUCTION

1.1. Context

Turkey remains a key partner for the European Union. 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, 16 chapters have been opened so far and one of these was provisionally closed. The General Affairs Council conclusions of June 2018 stated that under the currently prevailing circumstances, Turkey's accession negotiations have effectively come to a standstill, no further chapters can be considered for opening or closing and no further work towards the modernisation of the Customs Union can be currently foreseen¹. The Turkish government's repeated commitment to the objective of EU accession has not been matched by corresponding measures and reforms since then, and the EU's serious concerns on continued negative developments in rule of law, fundamental rights and the Judiciary have not been addressed. The EU-Turkey Association Council held its 54th meeting on 15 March 2019 in Brussels. After a hiatus of three years, the inter-ministerial Reform Action Group resumed its work, holding meetings in August and December 2018, as well as on 9 May 2019.

The EU and Turkey continued their dialogue and cooperation in the areas of joint interest including a leaders' meeting between Presidents Juncker and Tusk and President Erdoğan in Bulgaria in March 2018 and a High Level Political Dialogue in November 2018. Dialogue was pursued on foreign and security policy, notably on Syria, Libya and Iraq and, following a counter-terrorism dialogue in November 2017, there is slow movement towards concrete implementation of jointly agreed actions. Turkey and the EU further developed their cooperation in the areas of energy, transport, economy and trade. There was a High Level Transport Dialogue in January 2019 and a High Level Economic Dialogue in February 2019. Technical discussions started for the mutual recognition of a few Geographical Indications of agricultural products. The March 2016 EU-Turkey Statement continues to deliver results, with both parties committed to its effective implementation. Turkey sustained its outstanding efforts to host more than 3.6 million registered refugees from Syria and around registered 370,000 refugees from other countries, which is the largest refugee community in the world. Turkey and the EU further built on the fruitful cooperation under the Facility for Refugees in Turkey. By May 2019, out of EUR 6 billion mobilised by the EU, more than 80 projects had been launched and more than EUR 2.2 billion has been disbursed.

1.2 Summary of the report²

The state of emergency introduced on 15 July 2016 in the aftermath of the attempted coup ended on 18 July 2018, when its last extension expired, but was immediately followed by the adoption by the Turkish parliament of a law that retained many elements of the emergency rule for further three years. The law limits certain fundamental freedoms, allowing in particular to dismiss public servants (including judges) and to prolong detentions, to restrict freedom of movement and public assembly, and extending powers for Government-appointed provincial governors.

¹ The European Council conclusions of December 2006 remain in force.

² This report covers the period from 1 March 2018 to 1 March 2019. 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.

The EU, which immediately and strongly condemned the attempted coup, reiterated its full support for the country's democratic institutions and recognised Turkey's legitimate need to take swift and proportionate action in the face of such a serious threat. However, the broad scale and collective nature of measures taken since the attempted coup under the state of emergency, such as widespread dismissals, arrests and detentions, continued to raise very serious concerns.

During the state of emergency, 36 decrees were issued constraining certain civil and political rights, as well as defence rights, expanding police powers and those of prosecutors for investigations and prosecutions as well as foreseeing the dismissal of more than 152 000 civil servants, including academics, teachers and public officials.

The Constitutional Court has ruled that it does not have a mandate to review the legality of decrees using legal powers issued during the state of emergency. Parliament has reviewed 32 of them. In May 2017, the Turkish authorities established an Inquiry Commission on the State of Emergency Measures tasked to review all complaints individually.

As of May 2019, 126 600 applications had been made. Of these, the Inquiry Commission has reviewed 70 406 and only 5 250 have led to a reinstatement, while 65 156 complaints have been rejected. There are 55 714 applications pending. The rate of processing of applications raises concerns at whether each case is being examined individually. Since there are no hearings, there is a general lack of procedural guarantees for applicants and decisions are taken on the basis of the written files related to the original dismissal, all of which calls into question the extent to which the Inquiry Commission is an effective judicial remedy.

With the ending of the state of emergency, Turkey has withdrawn its derogations from the European Convention on Human Rights and from the International Covenant on Civil and Political Rights (ICCPR). However, the full monitoring procedure that the Parliamentary Assembly of the Council of Europe reopened in April 2017 remains in place.

Beyond the Inquiry Commission on the State of Emergency Measures, the capacity of Turkey to ensure an effective domestic legal remedy in the sense of the European Court of Human Rights has been further undermined. Several court rulings favourable to prominent defendants, including human rights defenders, were swiftly reversed by another or even by the same court, in some instances following comments from the executive.

Many human rights defenders, civil society activists, media, academics, politicians, doctors, lawyers, judges and lesbian, gay, bisexual, transgender and intersex (LGBTI) people, are still detained – sometimes without indictment, and are facing smear campaigns by the media and senior politicians. The space for civil society organisations working on fundamental rights and freedoms has further shrunk, notably exemplified by the introduction of further administrative obstacles. The rights-based organisations closed down under the state of emergency have not been offered any legal remedy in respect to confiscations. Since October 2018, following the amendment of the Parliament's rules of procedure, civil society organisations are excluded from the legislative consultation process at parliamentary committees. Inclusive mechanisms for consulting across society as widely as possible are not present.

Key recommendations of the Council of Europe and its bodies are yet to be addressed by Turkey. Allegations of wrongdoing need to be established by transparent procedures and on an individual basis. Individual criminal liability can only be established with full respect for the separation of powers, the full independence of the judiciary and the right of every individual to a fair trial.

The new presidential system has centralised power in the hands of the executive and significantly curtailed Parliament's legislative and oversight functions. Since July 2018, Parliament has adopted 17 pieces of legislation, including controversial changes to its rules of procedure. Ministers no longer appear before Members of Parliament, who can ask only written questions.

Growing political polarisation, especially in the run-up to the March 2019 municipal elections continues to prevent constructive parliamentary dialogue. The marginalisation of the opposition, notably the People's Democratic Party (HDP) continues, and many HDP lawmakers are detained. The long-standing shortcomings of the system of parliamentary immunity have not been addressed.

The June 2018 presidential and parliamentary elections and the March 2019 municipal elections were marked by strong turnouts. Voters had a genuine choice despite the lack of conditions for contestants to compete on an equal basis. The ruling party enjoyed a notable advantage, also reflected in excessive coverage by government-affiliated public and private media. After the municipal elections, the Supreme Election Council declared four elected mayors and members of municipal councils ineligible to assume office in the south-east of Turkey, even though their candidacies had been validated before the elections. It also annulled the metropolitan mayoral elections in Istanbul and scheduled a re-run for 23 June. The decisions by the Supreme Election Council to re-run elections in Istanbul as well as to grant the mayorship of individual municipalities in the south-east to second-placed candidates are a source of serious concern regarding the respect of the legality and integrity of the electoral process and the institution's independence from political pressure. They go against the core aim of a democratic electoral process – that is to ensure that the will of the people prevails. The annulment of the metropolitan mayoral election in Istanbul and its re-scheduling were strongly contested by opposition parties.

The full entry into force of the presidential system has remodelled the executive and state administration. The presidential system, including the abolition of the position of Prime Minister and other functions such as Under Secretaries in Ministries has led to greater politicisation of the public administration. The President now has the power to nominate the heads of the vast majority of public regulatory authorities.

Before the March 2019 municipal elections, continuing arrests and dismissals of local politicians and appointment of trustees as well as the arbitrary nature of these appointments deprived voters of political representation at local level, and seriously risked damaging local democracy.

The government has overhauled the legal framework governing the civil-military relations and increased the powers of the executive over the military significantly, thereby strengthening civilian oversight. As part of the constitutional amendments, high military courts were effectively abolished, but the military and intelligence services continue to lack sufficient accountability to Parliament and security personnel continue to have wide-ranging legal protection. The parliamentary law enforcement oversight commission remained ineffective. The legal framework for overseeing military expenditure has not yet been improved.

The situation in the south-east has continued to be challenging, despite an improved security environment. The Government continued security operations against a background of the recurrent violent acts by the Kurdistan Workers' Party (PKK), which remains on the EU list of persons, groups and entities involved in acts of terrorism. While the Government has a legitimate right to fight terrorism, it is also responsible for ensuring this is done in accordance

with the rule of law, human rights and fundamental freedoms. Anti-terror measures need to be proportionate. Despite some reconstruction, only few internally displaced persons have received compensation. There were no visible developments on the resumption of a credible political process to achieve a peaceful and sustainable solution.

Turkey is moderately prepared in the area of **public administration reform**, and there has been serious backsliding in the area of public service and human resources management, which has also affected policy developments and accountability. Changes to the civil service system have further increased the politicisation of the administration. Merit-based, competitive appointments for senior managerial positions remain the exception. Serious procedural shortcomings call into question the extent to which the Inquiry Commission on the State of Emergency Measures can be considered an effective remedy for dismissed public officials.

Turkey's **judicial system** is at an early stage of preparation. There has been further serious backsliding and the recommendations in the previous reports were not accepted or implemented. Political pressure on judges and prosecutors and transfers of a large number of judges and prosecutors against their will continued. This continues to have a negative impact on the independence and overall quality and efficiency of the judiciary. The large scale recruitments of new judges and prosecutors under the current system are concerning because no measures were taken to address the lack of objective, merit-based, uniform and pre-established criteria for their recruitment and promotion. The Justice Academy of Turkey was re-established by Presidential Decree, after it had previously been closed under the state of emergency. The chilling effect of the dismissal and forced transfers of judges and prosecutors is still observed, and risk engendering widespread self-censorship. No measures were taken to restore legal guarantees to ensure the independence of the judiciary from the executive or to strengthen the independence of the Council of Judges and Prosecutors (CJP). A judicial reform strategy for 2019-2023 was announced in August 2018 but has not yet been adopted. Turkey consulted the Council of Europe and the Commission on the draft strategy.

The country is at an early stage in the **fight against corruption**. There was backsliding since dismantled preventive bodies have not been replaced by an independent body, in line with the United Nations Convention against Corruption to which Turkey is a party. Both the legal and institutional frameworks continued to allow undue influence from the executive in the investigation and prosecution of high-profile corruption cases. The legislative amendments envisaged in previous anti-corruption strategies have not been implemented. Public procurement legislation remained incompatible with the EU *acquis* and the scope of the derogations to the public procurement law was increased further. The absence of a robust anti-corruption strategy and action plan is a sign of lack of political will to fight decisively against corruption. No permanent, functionally independent anti-corruption body exists and there is no specialised prosecution service to lead anti-corruption investigations and only few specialised courts. Overall, corruption is widespread and remains an issue of concern.

Turkey has some level of preparation in the **fight against organised crime** but progress is limited overall. The country needs to improve its legislation on cybercrime, assets confiscation and witness protections. Turkish data protection is still not in line with European standards and will have to be revised in order to ensure the implementation of the operational agreement with Europol currently being negotiated. Turkey should develop and implement a more comprehensive and coherent legal framework for the confiscation of the proceeds of crime and improve its capacity to manage frozen assets.

Turkey made good progress in the area of **migration and asylum policy** and remained committed to the effective implementation of the March 2016 EU-Turkey statement. The

declining trend in irregular crossings from Turkey to the Aegean islands since the entry into force of the Statement was supported by intensified efforts by Turkey's law enforcement agencies. Turkey sustained its outstanding efforts to provide massive and unprecedented humanitarian aid and support to more than 3.6 million registered refugees from Syria and around 370 000 registered refugees from other countries, thus hosting the largest refugee community in the world. Turkey has set up seven working groups to carry out technical work on the outstanding benchmarks of the visa liberalisation dialogue. However, no progress has been made in the harmonisation of the Turkish visa policy with the EU common visa policy.

Serious backsliding remains in terms of **human and fundamental rights**. While the legal framework includes general guarantees of respect for human and fundamental rights, it still needs to be brought in line with the European Convention on Human Rights (ECHR) and the case law of the European Court of Human Rights (ECtHR). There has been serious backsliding in the areas of freedom of expression, assembly, and association and in procedural and property rights. No changes were made to the legislation introduced immediately after the lifting of the state of emergency, which removed crucial safeguards protecting civil society activists, human rights defenders, journalists, academics and others from abuses. The enforcement of rights is hindered by the fragmentation and limited independence of public institutions responsible for protecting those rights and freedoms as well as by the lack of an independent judiciary. Trade union rights continue to be under severe pressure. No steps were taken to investigate, prosecute or punish those involved in profound human rights violations during the state of emergency. There was a climate of intimidation across society as the state of emergency was used to narrow the space for dissenting or alternative views. As of December 2018, the total number of people in prison without indictment or pending trial is 57 000, more than 20% of the prison population. There is overcrowding and conditions are deteriorating. Severe restrictions on freedom of expression continued and the trend for prosecution of writers, social media users and other members of the public, even children, for insulting the President has dramatically increased. The lack of transparency as to media ownership continues to cast doubt on the independence of editorial comment. Roma³ continue to live in very poor housing, often lacking basic public services and relying on social benefits. The urban renewal projects continue to affect primarily their settlements, forcing the displacement of entire families. The rights of the most vulnerable groups and of persons belonging to minorities need better protection. Gender-based violence, discrimination, hate speech against minorities, hate crime and violations of human rights of LGBTI persons are still a matter of serious concern.

Turkey welcomed the UN's renewed efforts to consult stakeholders as to a possible resumption of negotiations regarding Cyprus. Tensions in the region around the prospect of hydrocarbon exploration off the coast of Cyprus increased, due to Turkey's actions and statements challenging the right of the Republic of Cyprus to exploit hydrocarbon resources in the Cyprus Exclusive Economic Zone. In May 2019, Turkey sent a drilling platform accompanied by military vessels to the Republic of Cyprus' Exclusive Economic Zone, escalating tensions further. The Commission recalls the European Council statement of March 2018 strongly condemning Turkey's continued illegal actions in the Eastern Mediterranean and the Aegean Sea. It also recalled Turkey's obligation to respect international law and good neighbourly relations and called on Turkey to respect the sovereign rights of Cyprus to explore and exploit its natural resources in accordance with EU and International Law. In March 2019, the EU called on Turkey to refrain from any such illegal acts, to which it would respond appropriately and in full solidarity with Cyprus.

³ In line with the terminology of European institutions, the umbrella term 'Roma' is used here to refer to a number of different groups, without denying the specificities of these groups.

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. Turkey has still not fulfilled its obligation to ensure full and non-discriminatory implementation of the Additional Protocol to the EU-Turkey Association Agreement and has not removed all the 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.

Operational cooperation with Greece on migration further continued. However, tensions in the Aegean Sea and Eastern Mediterranean were not conducive to good neighbourly relations and undermined regional stability and security. Bilateral relations with several individual EU Member States in particular with Austria, Germany and the Netherlands improved. The Netherlands and Turkey normalised relations. There were repeated and increased violations of the territorial waters and airspaces of Greece and Cyprus by Turkey. Another source of serious concern was the six-month detention of two Greek soldiers who had been patrolling the land border but relations improved significantly on their release in August 2018 and following the Greek Prime Minister's visit to Turkey in February.

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 any source of friction or actions that would damage good neighbourly relations and the peaceful settlement of disputes.

Regarding the **economic criteria**, serious backsliding continued in the Turkish economy, leading to deeper concerns over the functioning of the country's market economy. In 2018, a sharp deterioration in the external financing conditions exposed vulnerabilities built up over years. In response, the Turkish authorities took a range of policy actions that have negatively influenced the functioning of markets, more importantly, by interfering with price formation and introducing constraints on the free use of foreign exchange. Concerns regarding the independence of key economic institutions have deepened. The current account deficit reached a peak in the first half of 2018 before a strong correction set in as a result of the weakening economy and the fall in the lira. The inflation rate jumped far above the upper band of the target range following the currency crisis and years of high credit growth, high money growth and low real interest rates. There was no progress in improving the transparency of state aid.

Turkey has made some progress and has a good level of preparation to cope with competitive pressures and market forces within the EU. Turkey is well-integrated with the EU market in terms of both trade and investment. Improvements were made in the energy sector, as well as some advances in spending on research and development, education and physical capital. However, there are persistent problems with the quality of education and gender equality.

Regarding its **ability to assume the obligations of membership**, Turkey has continued to align with the *acquis*, albeit at a limited pace. There have been more instances of backsliding regarding a number of key aspects in the areas of free movement of capital, public procurement, competition, information society, economic and monetary policy, and external relations. Turkey is well advanced in the areas of company law, trans-European networks and science and research and it has achieved a good level of preparation in the areas of free movement of goods, intellectual property law, financial services, enterprise and industrial policy, consumer and health protection, customs union and financial control. Turkey is moderately prepared on public procurement as important gaps remain in its alignment. Turkey is also moderately prepared in the area of free movement of capital, statistics, energy,

taxation, economic and monetary union, regional policy, education and culture, CFSP and transport policy where further significant efforts are needed across the board. Turkey has reached some level of preparation on competition, agriculture, food safety, veterinary and phytosanitary policy, social policy and employment, environment and climate change where more ambitious and better coordinated policies still need to be established and implemented. 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*, strengthen the independence of regulatory authorities and build the administrative capacities.

2. FUNDAMENTALS FIRST: POLITICAL CRITERIA AND RULE OF LAW CHAPTERS

Measures under the state of emergency and follow-up

The EU, which immediately and strongly condemned the attempted coup, reiterated its full support for the country's democratic institutions and recognised Turkey's legitimate need to take swift and proportionate action in the face of such a serious threat. The state of emergency, introduced on 15 July 2016 in the aftermath of the attempted coup, ended on 19 July 2018 when its last extension expired. Its primary objective had been to dismantle the Gülen movement that the Turkish authorities designated a terrorist organisation in May 2016 and held responsible for the 15 July 2016 coup attempt. More generally, it was designed to support the fight against terrorism, but the extraordinary powers it sanctioned were disproportionately applied. Some decrees issued under the state of emergency amended key pieces of legislation, particularly in relation to property rights, local authorities and public administration, and audiovisual policy.

During the state of emergency, 36 **decrees** were issued constraining certain civil and political rights. The decrees expanded the powers of the police and investigating prosecutors and sanctioned large-scale **dismissals** of public officials and closures of entities and the liquidation of their assets by the state. To date, Parliament has reviewed 32 of the decrees. The Constitutional Court has ruled that it does not have a mandate to review the legality of decrees using legal powers issued during the state of emergency. More than 152 000 civil servants, including academics, teachers, police officers, health workers, judges and prosecutors, have been dismissed using emergency decrees. More than 150 000 people were taken into **custody** during the state of emergency and more than 78 000 were arrested on terrorism-related charges, 50 000 of whom are still in jail. The decisions of the Inquiry Commission on the State of Emergency Measures, established in May 2017 to individually review all complaints, are open to judicial review before a designated administrative court in Ankara, and then before the Constitutional Court. The majority of the Inquiry Commission's board members are appointed by the President of the Republic. Some 220 staff, including judges, prosecutors, inspectors, experts and civil servants, have been seconded to the Inquiry Commission, whose tenure was extended by a presidential decree for another year on 23 January 2019. In August 2017, the Constitutional Court ruled that some 70 000 of the individual applications it had received were inadmissible since they had not exhausted all earlier domestic remedies, directing applicants to the Inquiry Commission and/or to administrative courts. The European Court of Human Rights also re-directed some 28 000 applications it had received to the Inquiry Commission. The Inquiry Commission started considering applications in December 2017. There are questions as to how thoroughly individual evidence is being considered. Since there are no hearings, there is a general lack of procedural guarantees for applicants, and decisions are taken on the basis of the written files related to the original dismissal. There are also concerns around the establishment of

clear criteria for the prioritisation of cases, the possibility for applicants to seek interim measures, and whether those who are reinstated can seek additional redress before ordinary courts. It is important that applicants who challenge a decision of the Inquiry Commission before the administrative courts have access to their own files. Similarly, it is important that the Inquiry Commission's decisions are properly reasoned, and that the complainants have access to that reasoning and may contest it in court. Applicants to the Inquiry Commission complain that finding legal representation is often difficult.

As of May 2019, a total of 126 000 applications relating to dismissal from public service had been made to the Inquiry Commission. Of these, the Inquiry Commission has reviewed 70 406 and only 5 250 have led to reinstatement, while 65 156 complaints have been rejected. There are 55 714 applications pending. The rate of processing of applications raises concerns at whether each case is being examined individually.

Immediately following the expiry of the state of emergency, the Turkish Parliament adopted a law that retained many elements of emergency rule for a further three years, curtailing certain fundamental freedoms, notably allowing the dismissal of public servants (including judges) and the extension of detention periods, restricting freedom of movement and public assembly, and extending powers for government-appointed provincial governors.

With the ending of the state of emergency, Turkey has withdrawn its derogations from the European Convention on Human Rights. However, the full monitoring procedure that the Parliamentary Assembly of the Council of Europe reopened in April 2017 remains in place until its serious concerns about the respect for human rights, democracy and rule of law have been addressed. This entails regular visits by rapporteurs to hold dialogues with the authorities, and plenary debates to review progress.

After a hiatus of three years, the inter-ministerial Reform Action Group resumed its work, holding meetings in August and December 2018, as well as on 9 May 2019.

2.1. Functioning of democratic institutions and public administration reform

2.1.1. Democracy

Despite the welcome lifting of the state of emergency, Turkey has introduced many of its more restrictive elements into legislation. The new presidential system has removed many of the checks and balances that existed previously, and has weakened the role of Parliament. It has led to more politicisation of the public administration and the judiciary and given the president the power to nominate the heads of the vast majority of the public regulatory authorities. The continuous deterioration in the situation relating to human rights, rule of law or independence of the judiciary continued during the reporting period.

Elections

Turkey held early presidential and parliamentary elections on 24 June 2018 under state of emergency conditions. Amendments to the electoral Law, which substantially changed the rules for the elections and campaign process, were adopted by Parliament only one month prior to calling the early elections. Turkey also held local elections on 31 March 2019. While both polls enjoyed high turnouts, international observers stressed on these two occasions that even though voters had genuine choice, candidates did not compete on an equal basis, notably in terms of the absence of equal access to the media for all parties running in elections, something which was reflected in excessive coverage by government-affiliated public and private media. The decisions by the Supreme Election Council (YSK) to re-run the metropolitan mayoral election in Istanbul as well as to grant the mayorship of individual municipalities in the south-east to second-placed candidates are a source of

serious concern regarding the respect of the legality and integrity of the electoral process, as well as about the institution's independence from political pressure.

One of the new amendments to the electoral law allowed political parties to form electoral alliances, giving rise to the People's Alliance comprised of the Justice and Development Party (AKP) and Nationalist Action Party (MHP), and the Nation's Alliance, which united the Republican People's Party (CHP), Good Party (İYİ) and Felicity Party. Three other parties contested the election: the Peoples' Democratic Party (HDP), Free Cause Party and Vatan Party, and there were six presidential candidates.

The Election Observation Mission conducted by the Office for Democratic Institutions and Human Rights (ODIHR) of the Organisation for Security and Cooperation in Europe (OSCE) concluded that the elections offered voters a genuine choice. However, the parties could not compete on an equal basis due to the restrictive legal framework and powers granted under the state of emergency, and limited freedom of assembly and expression. The incumbent president and his party enjoyed a notable advantage, which was also reflected in excessive coverage by public and private media close to the government. Turkey has not formally invited the ODIHR to present its findings since 2014.

On a turnout of 86.22%, President Erdoğan won the presidential race in the first round, securing 52.5% of the vote. In the parliamentary elections, none of the parties secured an overall majority, although all major political parties won seats. Women remain underrepresented in political life. Overall, 20.5% of party-nominated parliamentary candidates were female, but since few were placed in eligible positions on the party lists only 17.3% of Members of Parliament are women. This is nevertheless an improvement on the 14.7% in the outgoing legislature.

The June elections marked the full entry into force of the presidential system that was agreed by a narrow majority in a referendum in April 2017 (*for details on constitutional changes, see Governance section*).

Both electoral alliances were maintained for the local elections held on 31 March 2019. The HDP presented candidates in the south-east, while not fielding any candidate in the large cities including Istanbul and Ankara. Turnout remained high at 84%. Overall, the People's Alliance secured 51.67% of the votes, while the Nation's Alliance got 37.53% of votes. The number of women among the candidates fielded by most political parties was very low.

The Nation's Alliance's candidates won in the three largest provinces as well as in other key municipalities including Ankara, Adana, Antalya, Mersin and Hatay. According to the final count, it also won in Istanbul where the CHP elected mayor eventually received his election certificate after several appeals for recount of the votes in some districts were accepted. After a long appeal process, the YSK eventually annulled the metropolitan mayoral elections in Istanbul and scheduled a re-run for 23 June, based on alleged irregularities in the composition of the ballot box committees. It also annulled the mandate of the CHP mayor-elect, who was replaced by a trustee, appointed by the government. The YSK did not annul the other elections such as the elections for district mayors, council members and mukhtars while the same contested ballot box committees were in charge of these elections as well. Opposition parties strongly protested against it.

The YSK rejected the HDP's extraordinary appeals in relation to the YSK's decision not to confirm four HDP elected-mayors and several members of municipal councils in the south-east. Even though their candidacies had been initially validated by the YSK, they have been denied the right to take up office on the ground that they had been previously dismissed from public service with decree-laws under the state of emergency. At the same time, the YSK

gave the mayoral mandates to the candidates who got the second highest number of votes, all from the ruling AKP, thereby in effect reversing the result of the election in these constituencies. This is a source of serious concern regarding the respect of the legality and integrity of the electoral process, as well as about the institution's independence from political pressure.

A delegation from the Congress of Local and Regional Authorities of the Council of Europe, comprising 22 observers, carried out an election observation mission to Turkey from 27 March to 1 April 2019 to assess the local elections. In its preliminary conclusions, the delegation noted that the elections were conducted in an orderly way. However, it also stressed that while voters had a broad choice of political parties, it was not fully convinced that Turkey currently has the free and fair electoral environment which is necessary for genuinely democratic elections in line with European values and principles. The Commission stressed that it expected the Turkish authorities to invite the Council of Europe to observe the re-run elections in Istanbul.

Parliament

The new presidential system has significantly curtailed Parliament's legislative and oversight functions. Since July 2018, Parliament has adopted 17 pieces of legislation, but for much of that time has been in recess. Among the pieces of legislation were controversial changes to its rules of procedure. Presidential decrees are also a means of shortening legislative procedure: 17 have been issued since November 2018. Political polarisation, especially in the run-up to the 31 March 2019 municipal elections, continues to prevent constructive parliamentary dialogue. The marginalisation of the opposition, particularly the People's Democratic Party (HDP), continues, and many HDP members of parliament are in detention. The long-standing shortcomings of the system of parliamentary immunity have not been addressed.

Following the entry into force of the new presidential system, one Vice-President and sixteen ministers were appointed on 10 July 2018 directly by the President without any parliamentary approval, proposal or hearing. The number of members of parliament was increased from 550 to 600 in line with the revised constitutional provision. Growing political polarisation and strong partisan competition continue to prevent constructive parliamentary dialogue between parties. The second largest opposition party, the People's Democratic Party (HDP), whose two former co-chairs Selahattin Demirtaş and Figen Yüksekdağ, nine former deputies and other party executives remain under arrest on terrorism-related charges, continues to be particularly marginalised. The parliamentary immunity regime in Turkey needs to be strengthened in order to ensure elected representatives' freedom of expression.

The constitutional overhaul has also changed the **legislative process**. Responsibility for producing draft legislative proposals lies now with members of parliament, rather than with the government. Since June 2018, Parliament has adopted only 17 pieces of legislation out of the 1 479 bills tabled by members of parliament. Several opposition members have repeatedly reported that the ruling majority consistently ignored many proposed amendments (including on important legislation such as the law replacing the state of emergency). Moreover, under the new system, the drafting of complex legislation, originally done by line ministries, is now the responsibility of Parliament, which does not yet have the necessary resources or expertise to do this, which has a severe impact on necessary reforms.

In the new system, constitutional provisions enshrine the principle of the primacy of law over presidential decree but without control of the Parliament. They also define the

legislative areas that remain the prerogative of Parliament. However, this principle has not always been respected. Indeed, since November 2018, the president has issued 17 presidential decrees covering a wide range of social and economic policy issues, including restructuring the public administration, making key public appointments and introducing major economic policies.

During the state of emergency, Parliament's legislative powers could be by-passed by executive decrees. This was used to regulate policy areas beyond those strictly covered by the state of emergency legislation itself.

Parliamentary oversight of the executive has been weakened still further under the new presidential system. Presidential decrees remain exempt from parliamentary control. Parliamentary scrutiny of the decrees issued under the state of emergency is not fully effective. Under the new presidential system, Parliament is largely unable to exercise its role of holding the executive to account. The right to put oral questions has been abolished, and written questions, which can only be addressed to the Vice-President and ministers, are seldom answered in due time. There has been no improvement in follow-up by the executive on issues raised as a result of the ordinary mechanisms of parliamentary oversight, such as committee work or parliamentary inquiry committees.

Parliamentary oversight of public spending needs to be improved. The audit reports from the Turkish Court of Accounts are only considered in the planning and budget committees in connection with the approval of the final accounts and the draft government budget for the following year, but there is no formal parliamentary discussion of these audit reports before a specialised parliamentary committee.

Limited steps have been taken to align the **legal framework on elections and political parties** with European standards, including to partly mitigate the very high, 10% electoral threshold. Turkey needs to align with the outstanding ODIHR and Venice Commission recommendations on addressing gaps in the electoral legal framework.

Governance

The President's executive and legislative powers substantially increased in the constitutional architecture of the new presidential system. The President has remodelled the executive and the state administration by means of presidential decrees. The new Presidential system, including the abolition of the position of Prime Minister and other functions such as under-secretaries in ministries, has led to more politicisation of the public administration. The President now has the power to nominate the heads of the vast majority of the public regulatory authorities. Ahead of the March 2019 municipal elections, the appointment of trustees to replace municipal executives and elected representatives continued to have a negative impact on local democracy. A presidential decree adopted in August brings the budgets of local authorities, professional organisations, foundations and social security institutions under the control of a single account managed by the Ministry of Treasury and Finance that answers directly to the President.

The June elections marked the full entry into force of the presidential system that was agreed by a narrow majority in a referendum in April 2017. The Council of Europe was not consulted on the constitutional amendments in advance of the vote, and the Council's Venice Commission, in its March 2017 opinion, concluded that they represented a dangerous step backwards in Turkey's constitutional democratic tradition. The Venice Commission noted that the state of emergency did not provide a proper democratic setting for a constitutional referendum. It raised procedural concerns such as the detention of a significant number of opposition deputies and the fact that the vote was cast without a secret

ballot. The opinion concluded that although every state has the right to choose its own political system, this right is not unconditional. It said that the principles of the separation of powers and independence of the judiciary as part of the rule of law must be respected and built into the political system. The Venice Commission did not find this to be the case in Turkey. It underlined that the system was characterised by a lack of the checks and balances required to safeguard against an excessive concentration of power in one single office and to ensure the independence of the judiciary. Under the presidential system, the president's political accountability is limited mainly to elections, and several provisions curtail the independence of the judiciary from the executive and run counter to European standards.

Under the new presidential system, the office of Prime Minister was abolished, and the Vice-President and ministers are now appointed directly by the President, with no role for Parliament. The President has the power to:

- appoint and dismiss senior government officials;
- set national security policies and take the necessary implementation measures;
- declare a state of emergency;
- issue presidential decrees on executive matters outside the scope of the law;
- indirectly dissolve Parliament by calling for new parliamentary and presidential elections;
- draw up the government budget;
- veto laws; and
- appoint four of the 13 members of the Council of Judges and Prosecutors and 12 of the 15 judges of the Constitutional Court.

Traditional **instruments of scrutiny of the executive by Parliament**, such as a vote of confidence and the possibility of oral questions to the executive, are no longer possible; only written questions can be addressed to vice-presidents and ministers. If three-fifths of its members agree, Parliament is able to launch a parliamentary investigation into alleged criminal actions by the President, Vice-President and ministers related to their functions. The principle of precedence of laws over presidential decrees is enshrined in the new system, and the President may not issue decrees in areas reserved to the legislature by the Constitution. The President has the power to veto any law, although Parliament can override this veto if an absolute majority agrees, while Parliament can only apply to the constitutional court to annul presidential decrees.

A number of presidential decrees have created new agencies and offices, merging ministries and other institutions. Several key institutions, such as the General Staff, National Intelligence Agency, National Security Council and Sovereign Wealth Fund have now been attached to the presidency. As part of this overhaul, nine policy councils, with advisory and coordinating functions, have been established under the auspices of the presidency. The relationship between presidency councils, which prepare policymaking recommendations for the President (and where ministers are not represented), and implementing line ministries, is not yet clear. The civil service has undergone a wholesale reform that is still not fully complete.

Women's participation in public service, as well as the percentage of women in senior managerial positions, needs to be improved (38.41% in 2018). The percentage of women in senior managerial positions is 9.05%.

As regards **local government**, arrests of elected local politicians on terrorism-related charges continued, and some still remain under arrest. Before the March 2019 municipal elections several municipalities were being run by centrally appointed trustees, mainly on the grounds that their elected mayors had alleged links to terrorist organisations. It is crucial that voters are permitted to choose local elected representatives in accordance with Turkish law and with the European Charter of Local Self-Government, to which Turkey is a party. Arrests and dismissals of local politicians and appointment of trustees as well as the YSK's decision to deny mayorship to HDP candidates in four municipalities in the south-east deprive voters of political representation at local level, and seriously risk damaging local democracy.

A presidential decree published in August 2018 effectively connects all local authority budgets to the Minister of Treasury and Finance. Professional organisations established by law or under the Constitution, foundations and social security institutions are all covered by the decree. Though the establishment of the Single Treasury Institutional Account has the advantage of ensuring a more balanced budget between public institutions, since any budget surplus will be shared, it risks increasing the dependence of local administrations and state economic enterprises on centralised management, further undermining local democracy.

The **Ombudsman** has a steady caseload and has been active in raising awareness of its role. However, the Institution still lacks *ex officio* powers to initiate investigations and to intervene in cases with legal remedies, and such limitations curtail effectiveness.

The legal framework does not protect independent **regulatory authorities** from undue political interference. Under the new presidential system, many regulatory authorities (such as the Competition Authority (*see Chapter 8 – Competition policy*), the Information and Communication Technologies Board, the Cyber Security Council, the Radio and Television Supreme Council (*see Chapter 10 – Information Society and Media*), the Directorate-General for Rail Regulation (*see Chapter 14 – Transport policy*), the Regulatory Body of the Atomic Industry (*see Chapter 15 - Energy*) and the central bank (*see Chapter 17 – Economic and Monetary Policy*) are now directly linked to the Presidency.

Civil society

There has been serious backsliding regarding civil society as it has come under continuous pressure, notably in the face of a large number of arrests of activists, including human rights defenders. There is also public stigmatisation of independent civil society organisations and a recurrent use of bans of demonstrations and other types of gatherings. The space for civil society organisations working on fundamental rights and freedoms has further shrunk. The rights-based organisations closed under the state of emergency have not been offered any legal remedy in relation to confiscations. However, civil society has remained active and involved in public life as far as possible. Pro-government organisations continued to gain a more visible role and opportunities for representation. Administrative difficulties for national and international non-governmental organisations (NGOs) continue to hamper civil society activities. Since October, following the amendment of Parliament's rules of procedure, civil society organisations are excluded from legislative consultation processes at parliamentary committees. Systematic and inclusive mechanisms for consulting a wide spectrum of civil society, notably on new legislation and policies, need to be in place and used regularly.

An empowered and diverse civil society is a crucial component of any democratic system and should be recognised and treated as such by the state institutions. Turkish civil society organisations (CSOs) continued to make crucial contributions on key challenges facing the country, notably in the areas of education, female workforce participation, awareness-raising

regarding ethnic and social tolerance, and support for refugees. There are a limited number of CSOs operating in the field of human rights.

However, civil society continued to face increasing pressure, in particular following the high number of detentions and arrests of activists and human rights defenders. The indictment of Osman Kavala, a prominent human rights defender who was held for more than a year without charge, together with 15 other human rights activists, is deeply worrying, and is emblematic of the shrinking public space and uncertainty in which civil society organisations are trying to operate. Smear campaigns in some media outlets against some of these activists, including for accepting funds from international donors, are a recurrent feature and a matter of serious concern. Furthermore, leaks continued of confidential dossiers on human rights defenders in prison, while their legal procedures were still ongoing, by media groups with close ties to the authorities. Defamatory public rhetoric cast serious doubt on Turkey's respect for due process and the presumption of innocence. International NGOs also faced difficulties in their work in Turkey, including those providing humanitarian aid to refugees. No effective domestic remedy has yet been made available for the confiscation of assets from civil society organisations closed by emergency decrees.

The Directorate-General for Relations with Civil Society was established within the Ministry of Interior, replacing the Department of Associations. The mandate and priorities of this unit, including the drafting of an overarching strategy for civil society or the improvement of the legal framework, remain unclear. A regulation issued in October 2018 makes it compulsory for all associations to register all their members (not only their board members) in the information system of the Ministry of Interior. This is not in line with the OSCE/Council of Europe guidelines on freedom of association.

Other barriers to civil society and freedom of association remain. Cumbersome administrative procedures imposed on NGOs by the authorities are still in place. Provisions restricting registration, procedures for obtaining required permits and the functioning of associations need to be revised, including facilitating the work of international NGOs working with refugees in Turkey.

The Law on Collection of Aid imposes burdensome requirements that discourage fundraising activities by civil society organisations. These include prior authorisation for each fundraising activity and long authorisation processes based on non-objective criteria. Public funds are not distributed in a transparent way and the process does not allow the full involvement of civil society organisations and other stakeholders at every stage. The existing tax system makes it difficult for foundations and associations to function and develop. 'Public benefit' (for associations) or 'tax exemption' (for foundations) status is vaguely defined, and the decision-making process is not transparent. The environment for foreign donors, which provide financial support to the Turkish civil society under the current Turkish legislation, is increasingly shrinking notably because of unfounded public allegations, for example in the Gezi case.

There is no comprehensive government strategy in place for cooperation with civil society. There is still no coordination body for monitoring, no transparent mechanism for public funding and no fiscal incentives for civil society organisations. Independent rights-based civil society organisations are mostly excluded from the consultations that are part of law-making and policymaking processes and monitoring. Overall, the legal, financial and administrative environment needs to be more conducive to developing civil society.

Civilian oversight of the security and intelligence sector

Presidential decrees resulted in the overhaul of the legal and institutional framework

governing the security sector. Amendments to the legal framework accorded broad powers over the security forces to the executive branch. Dismissals and arrests in relation to the attempted coup of July 2016 have continued. By December 2018, a total of 15 242 military officers were dismissed from the service due to their alleged links to the Gülen movement while 5 783 former military personnel were also arrested on grounds of their alleged involvement in the averted coup. Security and intelligence services continue to lack sufficient transparency and accountability before Parliament.

A Presidential decree of July 2018 overhauled the organisational structure and accountability lines of the Turkish armed forces. The General Staff and all force commands have been subordinated to the Ministry of National Defence. All military hierarchy is now accountable to the President, who is legally entitled to give orders directly to the chief of general staff, force commanders and their subordinates. The Supreme Military Council was restructured to strengthen civilian presence, with the designation of the Vice-President and Treasury and Finance and Education Ministers as members. High military courts were abolished, and civilian higher courts have reviewed the appeals against the decisions of military courts.

Despite these recognised improvements, some issues remain. The military, police and intelligence services continue to lack sufficient transparency and accountability to Parliament. Security personnel continue to have wide-ranging legal protection. Despite credible reporting of serious allegations of human rights violations and of the disproportionate use of force by security forces in the south-east, the track record of judicial and administrative examination of such allegations remains poor. The parliamentary law enforcement oversight commission remained ineffective. The legal framework for overseeing military expenditure has not yet been improved.

Situation in the east and south-east

The situation in the south-east has continued to be challenging despite an improved security environment. The Government continued security operations against the background of the recurrent violent acts by the Kurdistan Workers' Party (PKK) and PKK-affiliated groups. The PKK remains on the EU list of persons, groups and entities involved in acts of terrorism. While the Government has a legitimate right to fight terrorism, it is also responsible for ensuring that this is done in accordance with the rule of law, human rights and fundamental freedoms. Anti-terror measures need to be proportionate. The Government's investment plan for reconstruction of damaged areas in the south-east, announced in September 2016, led to the ongoing construction of many dwellings. The compensation process and distribution criteria of housing for internally displaced persons are not transparent. There were no visible developments on the resumption of a credible political process to achieve a peaceful and sustainable solution.

The PKK or its affiliated groups continued to commit violent terrorist attacks during the reporting period. Terrorist attacks by the PKK targeted cities in the south-east and east of Turkey, which resulted in deaths and injuries. The EU unambiguously condemned these attacks and expressed solidarity with the families of the victims. Subsequent to Abdullah Öcalan's lawyers' visit of their client on 2 May 2019 and the CPT visit from 6 to 16 May, the Turkish Minister of Justice stated on 16 May that the ban on these visits was lifted.

Province governorates reacted by declaring intermittent curfews and security zones in mostly rural settlements. The Venice Commission's recommendations in its June 2016 opinion on the legal framework governing curfews are yet to be implemented. Investigations into the deaths of civilians in 2015 during security operations under curfews in towns such as Cizre have not progressed. In November 2018, the European Court of Human Rights (ECtHR) held an

admissibility hearing in 34 ongoing applications in relation to curfews during which people lost their lives in Cizre, in the province of Şırnak and in the Sur district of Diyarbakir. The Council of Europe's Human Rights Commissioner is a third party to this case. In February 2019, the ECtHR rejected a number of related complaints as inadmissible due to non-exhaustion of domestic remedies.

Human rights organisations and opposition parties reported serious violations of human rights by security forces, including alleged instances of torture, ill-treatment, arbitrary arrests and breaches of procedural rights. The report by the Office of the UN High Commissioner for Human Rights of February 2017 still needs follow up; it stated that there is no evidence of effective and independent investigations into the reported killings or the numerous other serious human rights violations allegedly committed between July 2015 and December 2016 during security operations. As also reported by the UN Commissioner, human rights defenders still face major difficulties in accessing areas affected by ongoing violence, which impedes their work on the forced disappearances that occurred in the 1990s. A very broad interpretation of the fight against terrorism, growing restrictions put in place during and after the state of emergency on the rights of journalists, the Bar Associations and Human rights defenders (HRDs) working on the Kurdish issue are among issues raising concern. Other associations and Kurdish-language media outlets and cultural rights institutions remained closed.

There were numerous new detentions and arrests of elected representatives and municipal executives in the east and south-east under terrorism-related charges, and serious concerns regarding the YSK's decision not to let elected mayors take office and to recognise second-placed candidates as mayors (*See section above — Governance*).

The South-Eastern Anatolia Project (GAP) continues to operate with the objective of improving socioeconomic development in the region. The Government's investment plan for post-conflict reconstructing of damaged areas in the south-east, announced in September 2016, has led to the ongoing construction of thousands of dwellings. Some initial work was done by the Government to restore the cultural, historical and religious heritage sites damaged in 2015 and 2016. Beyond the restoration carried out by the Government of the Armenian Catholic Church, restoration works have started in 2019 on the Surp Giragos Church and the Mar Petyun Chaldean Church. Civil society has continued to be critical of projects such as the Ilisu Dam which risks damaging natural habitats, agricultural land and historical heritage sites such as Hasankeyf.

There is still no comprehensive, consistent approach in relation to missing persons, to the exhumation of mass graves and to the independent investigation of all alleged cases of extrajudicial killing by security and law enforcement officers. The February 2017 Council of Europe report on missing persons and victims of enforced disappearance highlighted the excessive length of trials. Most of the investigations into cases of enforced disappearances from the 1990s are, or will soon be, facing the 20-year statute of limitations. However, the UN Working Group on Enforced or Involuntary Disappearances (WGEID) assessed that enforced disappearances are not subject to statutes of limitation, thereby providing a guarantee against impunity.

The 2015 recommendations by the UN Special Rapporteur to tackle the lack of prosecutions over extrajudicial, summary or arbitrary executions remain unaddressed. The village guard system is still in place, despite criticism. There were reported incidents of human rights violations. More than 600 village guards were removed from duty due to involvement in criminal activities.

Refugees and internally displaced persons

Turkey hosts the largest number of refugees worldwide; in February 2019, it was sheltering and meeting the needs of approximately 3.6 million Syrians and 370 000 other nationalities. Some 142 000 Syrian nationals under temporary protection live in 13 temporary accommodation centres run by the Directorate-General for Migration Management. Turkey has made sustained significant efforts to provide support for refugees and ensure wider access to healthcare and schooling, with 65% of Syrian children now in school. Many cities provide municipal services to refugees. Of one million Syrians of school age in Turkey, about 635 000 now have access to primary and secondary education, up from 605 000 last year. In May 2018, the number of Syrians under temporary protection who held work permits stood at 43 000 (*see Chapter 24 – Justice, freedom and security*).

Civil society reports highlight some problems, such as high rates of child labour and truancy rates among refugees and asylum seekers, particularly non-Syrians. Many refugees and asylum seekers are exploited in the informal economy and their poverty inhibits access to protection.

There has been limited progress on the situation of internally displaced persons (IDPs) resulting from the violence in the south-east, and a small percentage of IDPs have been offered new housing. This process is not based on a comprehensive and transparent mechanism (*see section above – Situation in the east and south-east*).

2.1.2. Public administration reform

Turkey is **moderately prepared** in public administration reform. There has been serious **backsliding** in the area of public service and human resources management, which has also affected policy development and accountability. A major re-structuring of the public administration and civil service system took place through presidential decrees. Changes to the civil service system have further increased the politicisation of the administration. An effective remedy still needs to be provided for the large-scale dismissals that took place during the state of emergency. In the absence of a comprehensive public administration reform strategy, there is no systematic approach to reform. The low level of female representation in the higher echelons of bureaucracy remains a concern. The Commission's recommendations from 2018 have not yet been implemented, and therefore remain valid.

In the coming year, Turkey should in particular:

- ensure that the Inquiry Commission on the State of Emergency Measures provides for an effective remedy, which safeguards the right of every individual to a fair administrative process;
- prepare changes to its legislation to introduce a merit-based, competitive appointment system for senior managerial positions in the civil service;
- review the policy-making process with a view to ensuring inclusive and evidence-based preparation of policy planning documents and legislative proposals.

Strategic framework for public administration reform

Turkey still lacks an overarching **public administration reform** strategic framework, including on public financial management. There are various planning documents and sectoral policy documents on different aspects of public administration reform, but the lack of **political support** hinders comprehensive reform efforts. An administrative unit with a legal mandate to coordinate, design, implement and monitor public administration reform has not yet been established. Such a unit would need to coordinate closely with the Ministry of

Finance and Treasury, to ensure coherence of strategic and fiscal planning and efficiently address managerial accountability (*see Chapter 32*). The **financial sustainability** of the overall public administration reform is not guaranteed, as key planning documents do not specify the expected costs of reform measures.

Policy development and coordination

The extensive restructuring of the executive branch, which took place without any public consultation, resulted in further centralisation of the **policy-making system**. Policy coordination among central government institutions has remained strong, but planning, monitoring and reporting of whole-of-government performance continue to be inadequate. There are no regulations that describe rules of procedure and processes within the overall decision-making process of the government, risking potential policy and legislative overlaps. The policy-planning process within government departments needs to be improved to ensure greater participation and accountability. Nine Presidential Policy Councils, which have advisory and coordination functions over sectoral policies, were established, but their relation to the work of individual government departments is not yet clear. This is particularly evident in economic planning, where policy programmes do not have a systematic link with fiscal planning.

Legislative development and policy formulation have not pursued an **inclusive and evidence-based** approach. This has worsened with the transition to the presidential system, as responsibility for producing draft legislative proposals lies now with Members of Parliament, rather than with the Government. **Public consultation** is extremely rare, and inter-ministerial coordination is complicated by the administrative overhaul that accompanied the new presidential system.

Public financial management

There has been little progress in public financial management, notably because of the increased number of exceptions to the public procurement law, late adoption of the budget and frequent and unannounced changes to tax policy. An independent fiscal council aiming to ensure fiscal discipline is yet to be established. In the absence of adequate ex post monitoring and reporting, major public investment programmes lack transparency. **Budget transparency** needs to be further improved, with the participation of civil society (*see Chapters 5, 16, 17 and 32*).

Public service and human resources management

The amendments to the civil service system have endangered **merit-based recruitment, promotion and appointment** to managerial posts. **Senior managerial posts**, i.e. undersecretary and deputy undersecretary posts, have been abolished, and their duties have been taken over by politically appointed deputy ministers, resulting in further politicisation of the civil service. The large-scale **dismissals** of public servants during the state of emergency have remained a matter of concern. While the legal framework provides uniform criteria for demotion, dismissals and disciplinary measures and ensures a possibility for appeal, large-scale dismissals during the state of emergency did not identify evidence relating to each individual dismissal case and lacked minimum procedural safeguards for those who were dismissed.

The State Personnel Administration was closed in July 2018 and replaced by the Human Resources office under the President of the Republic. However, given its current limited size, it is unclear to what extent it can cover the functions of the State Personnel Administration and ensure central coordination of **human resources management** in the public sector.

The civil service **remuneration system** is not standardised across institutions and lacks transparency. Although central institutions offer some training and are responsible for some aspects of training policy, the administration lacks sufficient tools to support **the professional development of civil servants**. While **integrity in public service** is boosted by ethics committees and an ethics board, no integrity plans have been issued since 2014.

Accountability of the administration

In the new presidential system, the organisation of state administration follows extremely centralised **lines of accountability** to the Presidency. Most executive institutions are formally embedded in ministries, although they retain autonomy over day-to-day operational management. The roles and responsibilities of different institutions are not yet fully clear, which risks reducing transparency and accountability. Accountability of agencies is weak, and internal control and audit do not function optimally (*see Chapter 32*).

Internal and external oversight arrangements to ensure **citizens' right to good administration** need to be better implemented. The role of oversight institutions such as the Ombudsman needs to be further improved, in the absence of *ex officio* powers (*see Governance*). **Citizens' right to access public information** is regulated by the law on the right to information, which does not require proactive disclosure of information and provides for broad exemptions on grounds of protecting state secrets, commercial secrets and personal data. A simplified online access system received millions of applications for access to information in 2018. The Board of Review of Access to Information is responsible for considering appeals filed against a refusal to provide access to public information. **Citizens' rights to administrative justice** and their **right to seek compensation** have remained problematic and the backlog of cases has increased as a result of the measures taken under the state of emergency.

Service delivery to citizens and businesses

Strong commitment to a **user-oriented administration** has continued. E-government services have continued to expand. The number of registered users grew to 40 million in 2018, a significant increase from 25.2 million in 2015. Public services are to a large extent accessible through e-government tools. One-stop-shops and points of single contact for citizens, particularly at local level, need to be further extended. A monitoring system needs to be set up to reduce barriers to accessing services for people with disabilities.

Simplifying administrative procedures and cutting red tape is hindered by the absence of a law on general administrative procedures, which is necessary to provide citizens and businesses with greater legal certainty.

2.2. Rule of law and fundamental rights

2.2.1. Chapter 23: Judiciary and fundamental rights

Turkey is at an **early stage** of applying the *acquis* and European standards in this area. **Backsliding** continued, and the recommendations in the previous reports were not accepted or implemented. Political pressure on judges and prosecutors and transfers of a large number of judges and prosecutors against their will continued. This continued to have a significant negative effect on the independence and overall quality and efficiency of the judiciary. Despite their acquittal, a large number of judges or prosecutors who had been subject to criminal charges were not returned to the profession.

Overall, corruption is widespread and remains an issue of concern. There has been no revision of the anti-corruption framework to address the gaps.

Fundamental rights have been considerably curtailed under the state of emergency and pursuant to the decrees and legislation adopted during and after it. This has led to very limited progress on the outstanding issues identified in previous reports, namely the termination of the state of emergency. Nevertheless, further backsliding continued in all areas of human rights, most notably on freedom of expression including freedom of press, freedom of assembly and association, protection of human rights defenders, property rights and procedural rights. No legal improvements have taken place concerning the removal of crucial safeguards protecting detainees from abuse, or prosecuting civilians who committed crimes while resisting the 2016 attempted coup, as well as any acts in the aftermath of the attempted coup.

In the coming year, Turkey should in particular:

- revise the legislation so that it is compatible with the ECHR and the ECtHR case law;
- reinstate the necessary conditions to ensure the independence, impartiality, accountability, quality, efficiency and professionalism of the judiciary;
- ensure that its international obligations are respected in relation to fundamental rights and freedoms, and effectively address serious human rights violations, including respecting the right to a fair trial and effectively investigating allegations of violations of the ECHR and other international Conventions to which it is a party.

Functioning of the judiciary

Turkey is at an **early stage** in this area. Serious **backsliding** continued. Concerns on the independence of the Turkish judiciary following, among other issues, the dismissal and forced removal of 30% of judges and prosecutors following the 2016 attempted coup remain. The recruitment of new judges and prosecutors under the current system added to the concerns, as no measures were taken to address the lack of objective, merit-based, uniform and pre-established criteria for their recruitment and promotion. The chilling effect of the dismissals and forced transfers on the judiciary is still observed, and risks engendering widespread self-censorship among judges and prosecutors. This may weaken the judiciary as a whole, its independence and the separation of powers. No measures were taken to restore legal guarantees to ensure the independence of the judiciary from the executive or to strengthen the independence of the Council of Judges and Prosecutors (CJP). No changes were made to the institution of criminal judges of peace, which risks becoming a parallel system. The recommendations from earlier reports therefore remain valid.

In the coming year, Turkey should:

- create a political and legal environment that allows the judiciary to perform its duties independently and impartially, respecting European standards; strengthen judicial responsibilities, with the executive and legislature fully respecting the separation of powers; and ensure that judgments by the Constitutional Court, whose decisions should follow ECtHR jurisprudence delivered in a timely manner, are respected by lower courts;
- implement Venice Commission (VC) recommendations, also on criminal judges of peace, to ensure that decisions on detentions take effect only if approved by a trial court;
- limit the role and influence of the executive within the Council of Judges and Prosecutors (CJP) and provide effective guarantees against transfers of judges against their will;
- introduce further safeguards against any interference by the Council of Judges and Prosecutors in judicial proceedings;

- guarantee the principle of administrative and financial autonomy of the Justice Academy in accordance with European standards, since the independence and composition of the authority responsible for training and its content is a corollary of the general principle of judicial independence. Increase its capacity to train candidates fully and to prepare them to effectively manage their future tasks;
- limit any suspension of judges, as a major infringement of guaranteed judicial independence under the Constitution, to cases where there are well-founded suspicions of serious misbehaviour; ensure that the system of disciplinary proceedings and promotions for judges and prosecutors is guided by objective criteria without undue influence from the executive;
- in relation to the administrative and judicial measures taken against individuals, ensure that any allegation of wrongdoing or crime is subject to due process, based on evidence, in line with fully transparent procedures under the authority of an independent judiciary respecting the fair trial criteria of the ECtHR. These procedures must fully respect fundamental rights, including procedural rights, in particular the presumption of innocence, individual criminal responsibility, legal certainty, the right to a defence, the right to a fair trial, equality of arms and right to an effective appeal.

Strategic documents

A judicial reform strategy for 2019-2023 was announced in August 2018 but the strategy has not yet been adopted. Consultations on the draft strategy have taken place, including of the Council of Europe and the Commission, which asked the Turkish authorities to take its comments into consideration when reviewing the draft.

Management bodies

Since May 2017, the CJP continued to function based on the structure adopted by the constitutional amendments with 13 members (four members appointed by the President, seven members appointed by the Parliament, in addition to the Minister of Justice and the Deputy Minister). The procedure governing the appointment of CJP members continues to raise serious concerns in relation to its independence from the executive. A budget of TRY 65 million was allocated to the CJP under the 2018 budget for central administration and TRY 77 million in 2019. Improved transparency, full independence from the executive and strict adherence to procedures in line with European standards are urgently needed to restore not only the CJP's credibility, but also public trust in the entire judiciary.

Independence and impartiality

The Justice Academy of Turkey (JAT) was re-established by Presidential Decree on 1 May 2019. It replaced the previous Justice Academy that was closed under the state of emergency. Its duties at that time were taken over by the Judges and Prosecutors Training Centre in the Ministry of Justice. According to the decree, the JAT will be responsible for all pre-service training of candidate judges and prosecutors as well as the in-service training. It is affiliated to the Ministry of Justice but has scientific, administrative and financial autonomy. The JAT will have a president and a maximum of four heads of department. It will also have a Consultative Committee, tasked to make proposals.

Detentions and court cases against judges and prosecutors, and transfers, continued. No legal and constitutional guarantees were introduced to prevent judges and prosecutors from being transferred against their will. Concerns remained as regards the perceived influence of the executive over the decisions of the criminal judges of peace and their jurisdiction and practice. These particularly relate to their extensive powers and to the fact that objections to

their decisions are not reviewed by a higher judicial body but by another single-judge institution. Their rulings increasingly diverge from ECtHR case law and rarely provide sufficiently individualised reasoning. Defence lawyers' access to their clients' court files for a specific catalogue of crimes are restricted until the indictment has been issued. Sometimes this takes more than a year.

The closure of associations critical of the Government has had negative effects on pluralism in judges associations, and has led to a growing hesitation to become members of such associations.

Ceremonies for new judges and prosecutors and the opening of the judicial year are held in the Presidential Palace. Such events contribute to the perception of an increased politicisation and influence of the executive over the judiciary. Public comments especially incriminating ones, on ongoing judicial cases by representatives of the executive and legislative branches disregard the presumption of innocence of the suspects, and cast serious doubt on respect for due process. They have a serious chilling effect on the judges and prosecutors who deal with these cases. Long detention and pre-trial periods have become the norm rather than the exception.

Accountability

In 2018, nearly all judges had declared their assets as required by law. The **disciplinary procedures system** for both judges and prosecutors has been perceived as undermining important guarantees that safeguard the independence of the judiciary. Mechanisms to detect breaches of the integrity rules and to enforce disciplinary penalties are in place but need to be made effective and free from political interference. The Office of Judicial Ethics was founded in February 2016. The CJP adopted the Code of Judicial Ethics in March 2019.

Professionalism and competence

As of February 2019, 10,000 candidate judges and prosecutors **had been integrated** into the judicial and administrative jurisdictions since the attempted coup, following an **accelerated and non-transparent selection process**. Concerns remain over the lack of objective, merit-based, uniform and pre-established criteria for recruiting and promoting judges and prosecutors. The CJP is not sufficiently independent from the executive, and the Ministry of Justice supervises the selection boards for new judges and prosecutors, and manages their yearly appraisal. The CJP itself plays no role in the selection boards, even though it takes the final decision on recruitment. 2 new regional Courts of Appeals were opened. 116 new members were appointed to the Court of Cassation and the Council of State in July with the declared objective of decreasing the workload in these institutions.

Quality of justice

The large increase in the number of inexperienced judges and prosecutors in recent years and the drastic reduction of the duration of in-service training have seriously impacted on the skills of the future judges and prosecutors needed to effectively manage the case law and tackle the workload.

The Justice Academy should be allocated sufficient resources to tackle the increased need for pre-service and in-service training for newly recruited judges and prosecutors.

Frequent **transfers of judges** and prosecutors have negatively affected the quality of justice. Overall, there are serious concerns regarding the quality of judicial decisions, particularly in terrorism-related cases, in terms of their legal reasoning and the factual evidence on which they are based. Indictments often reflect allegations, and are not supported by credible evidence. These indictments, which are sometimes based on statements by people who have

been accused in other cases or by secret witnesses, raise serious concerns. In some cases, evidence and arguments presented by the defence are not reflected in the Court's assessment. During court hearings, suspects and witnesses are generally not brought to the courthouse and are heard through an audiovisual information system. This hampers the communication of the defence and the accused, and should be limited to the necessary cases.

Lawyers who provide legal assistance to human rights defenders and civil and political activists also face obstacles in performing their work and, in some cases, are subjected to arrest, detention and prosecution. This should be prevented at all costs. There are around 500 lawyers under arrest and awaiting trial.

2 new departments for mediation and for **alternative dispute resolution** were created in the Ministry of Justice. Efforts continued to increase and promote alternative dispute resolution methods to help reduce the burden on the courts. In July 2018, a regulation on the implementation of the Mediation Law on Civil Disputes entered into force.

Efficiency

There is no **human resources strategy** for the judiciary, which struggles to effectively perform its tasks in the wake of the strong reduction of experienced personnel. The recruitment of a large number of inexperienced judges and prosecutors using fast-track procedures without adequate in-service and pre-service training failed to remedy the concerns.

Regarding the **backlog** of cases, the numbers of pending cases in the high courts in December 2018 were 40 636 for the Constitutional Court and 174 632 for the Council of State. In 2018, the Court of Cassation received a total of 1 017 969 cases (352 285 new cases and 665 684 cases transferred from 2017), and dealt with 511 508 cases, resulting in a reduced backlog of 506 461 cases by the end of 2018. These regional courts of appeal continued to operate, but for both civil and criminal cases, their **clearance rate** remained below 100%, which is leading to a growing backlog.

As regards first instance courts, the clearance rate for criminal courts in 2018 was 53.3% compared to 55% in 2016. The total number of cases finalised in 2018 was 1 518 024 compared to 1 324 153 in 2016. As regards the total length of proceedings it went up from 274 days to 294 days.

Systemic solutions are still needed, therefore, to further address the emerging backlog and the excessive length of some trials. As of early 2018, there are 13.9 judges and 5.9 prosecutors per 100 000 inhabitants (16 104 judges and prosecutors in total). According to the European Commission for the Efficiency of Justice (CEPEJ), the European average is 21 judges/11 prosecutors per 100 000 inhabitants.

Fight against corruption

Turkey is **at an early stage** in the fight against corruption. There was **backsliding**, since dismantled preventive bodies have not been replaced by an independent body, in line with the United Nations Convention against Corruption to which Turkey is party. No progress was made on closing a variety of legislative gaps. Both the legal framework and the institutional setup continued to allow undue executive influence in the investigation and prosecution of high-profile corruption cases, and need to be improved in line with international standards. Limited accountability and transparency of public institutions have remained a matter of concern. The absence of a robust anti-corruption strategy and action plan is a sign of lack of political will to fight decisively against corruption. The Council of Europe's Group of States against Corruption (GRECO) recommendations have not yet been implemented. Overall,

corruption is widespread and remains an issue of concern. There is a need for strong political will to effectively address corruption issues, as well as a robust criminal justice response to high-level corruption. In the coming year, Turkey should in particular:

- effectively implement its international obligations in relation to the fight against corruption, including the United Nations Convention against Corruption and the Council of Europe Conventions;
- ensure effective follow-up to the recommendations issued by the GRECO, including by adopting the necessary legislation;
- establish a track record of successful prosecution of, and convictions for, high-level corruption;
- adopt an anti-corruption strategy, reflecting a clear political will and vision to effectively address corruption, underpinned by a credible and realistic action plan.

Track record

The existing legal framework and institutional architecture enables the executive branch to exert undue **political influence** on judges and prosecutors, law enforcement officers and inspectors. Therefore, Turkey's track record of **investigation, prosecution and conviction** in corruption cases has remained poor, particularly in relation to high-level corruption cases implicating politicians and public officials. Sentences do not have a deterrent effect, and convicts can benefit from deferred sentences for some offences. The track record of cooperation by audit and inspection units with prosecutions remained poor. Local administrations, land administration and management, public procurement processes, and the construction and transportation industries, including when implemented via public-private partnerships, remained particularly prone to corruption.

Some of the GRECO recommendations calling for the adoption of new laws and practices on political contributions and expenditure, as well as public disclosure, have yet to be addressed. Turkish authorities publish no data on corruption cases.

Institutional framework

Prevention measures

No permanent, functionally independent anti-corruption body exists. The level of coordination between various preventive bodies remained inadequate. The Prime Ministry Inspection Board, which used to coordinate preventive anti-corruption measures, ceased to exist with the transition to the presidential system. The State Supervisory Council, which assumed some of the duties and powers of the Prime Ministry Inspection Board, lacks independence. The legal framework of anti-corruption also remains weak in the private sector. There have been no regular awareness-raising campaigns on transparency and the fight against corruption.

Law enforcement

No specialised prosecution service to lead anti-corruption investigations has been established. There are also few specialised courts. The executive has retained undue political influence over officers acting as judicial police, thereby preventing them from carrying out effective investigations. **Inter-agency cooperation** and information-sharing between law enforcement and the financial intelligence unit need to be further developed. **Financial investigations** are not systematically started in corruption and organised crime cases. Financial control of political parties remained ineffective.

Legal framework

Turkey is party to all international anti-corruption conventions, including the United Nations Convention Against Corruption, which Turkey still needs to implement fully.

The legislative amendments envisaged in previous anti-corruption strategies, i.e. the **Law on General Administrative Procedure**, the **Law on Public Procurement**, the **Code of Ethics** for Members of Parliament and the **Law on Whistle-blower Protection**, have not been implemented. The legal framework on whistle-blower protection still needs to be aligned with the new EU *acquis* on this issue. The anti-corruption action plan (2016) has not been followed up and lacks political ownership. Turkey has not aligned with GRECO recommendations on judicial independence or transparency of the legislative process and political financing. Turkey has implemented satisfactorily seven of the seventeen recommendations contained in GRECO's Third Round Evaluation Report.

Shortcomings remain unaddressed in the corruption-related provisions of the Criminal Code, which do not meet the standards put in place by the Criminal Law Convention on Corruption. The definition of active bribery, though covered in Article 252 of the Turkish Criminal Code, is still not in line with international conventions. The shortcomings concern, in particular, the provisions on bribery in the private sector.

Public procurement legislation is not in line with the EU *acquis*. The vast and increasing number of exemptions inserted into the framework law on public procurement has become a matter of growing concern. In particular, tenders at municipal level and for public-private partnerships for large infrastructure investments remained prone to corruption. The legal privileges of public officials, such as the requirement for prior authorisation from their hierarchy before starting an investigation of alleged wrongdoing, continued to provide legal protection for public officials in anti-corruption criminal and administrative investigations. The legal framework on preventing, prosecuting and issuing penalties for conflicts of interest as well as on declaring, verifying and disclosing assets remained inadequate. Turkey has no legislation governing lobbying.

Strategic framework

The 2010-2014 anti-corruption strategy and action plan failed to meet most of their initial objectives. Measures envisaged in the transparency and anti-corruption action plan announced in 2016 have not yet been followed up. Turkey needs to strengthen its overall capacity to coordinate, implement and monitor all anti-corruption actions among the many relevant preventive institutions and law enforcement agencies.

Fundamental rights

After two years of rapid deterioration of the human rights situation, Turkey's state of emergency finally ended on 18 July 2018. However, this was not accompanied by concrete steps to improve the human rights in the country. Instead, many of the measures introduced during the state of emergency remain in force today, and continue to have a profound and devastating impact on Turkish citizens.

The legal framework includes general guarantees of respect for human and fundamental rights but still needs to be brought into line with ECHR and ECtHR case law on guarantees of respect for human and fundamental rights. Serious backsliding in the areas of freedom of expression, freedom of assembly, freedom of association, and procedural and property rights continued. Restrictions imposed on the activities of journalists, academics, human rights defenders and critical voices on a broad scale have a negative effect on the exercise of these freedoms, and lead to self-censorship. Legislation introduced immediately after the lifting of

the state of emergency removed crucial safeguards protecting detainees from abuse, thereby augmenting the risk of impunity for the perpetrators of such abuse. The enforcement of rights is hindered by the fragmentation and limited independence of public institutions responsible for protecting human rights and freedoms, and the lack of an independent judiciary. The Council of Europe continued its monitoring of Turkey's respect for fundamental freedoms.

The lack of institutional independence, lengthy review procedures, the absence of sufficiently individualised criteria, and the absence of a proper means of defence resulted in the failure by the Inquiry Commission on the State of Emergency Measures to provide an effective recourse against dismissals so far.

Turkey should in particular:

- effectively ensure full respect for fundamental rights and freedoms;
- align Turkish criminal and anti-terror legislation and their interpretation with European standards and ECtHR case-law and Venice Commission recommendations;
- ensure that all public-sector employees arbitrarily dismissed during the state of emergency are appropriately compensated for any harm, including loss of earnings;
- ensure that any allegation of wrongdoing or crime is subject to due process, based on evidence and fully transparent procedures under the authority of an independent judiciary, and fully respecting relevant procedural rights, in particular the presumption of innocence, individual criminal responsibility, legal certainty, the right to defence, the right to a fair trial, equality of arms and the right to an effective appeal;
- ensure the effectiveness of the Inquiry Commission on the State of Emergency Measures as a domestic remedy.

Turkey is party to most **international human rights instruments**. The Optional Protocol to the International Covenant on Economic, Social and Cultural Rights, and the International Convention for the Protection of all Persons from Enforced Disappearance, have yet to be ratified. The Turkish Parliament ratified the Optional Protocol to the Convention on the Rights of the Child in 2017; it entered into force in March 2018.

Following the lifting of the state of emergency, Turkey revoked its derogations to the European Convention on Human Rights and to the International Covenant on Civil and Political Rights (ICCPR) in August 2018.

In 2018, the **European Court of Human Rights** (ECtHR) found violations of the ECHR in 142 cases (out of 146) relating mainly to the right to fair trial (41), freedom of expression (40), the right to liberty and security (29), freedom of assembly and association (11), inhuman or degrading treatment (11), and prohibition of torture (10). During the reporting period, 6 717 new applications were registered by the ECtHR. In January 2019, the total number of Turkish applications pending before the Court was 7 107. There are currently 410 cases against Turkey in the enhanced monitoring procedure.

In November 2018, the ECtHR announced its judgement in the case of *Selahattin Demirtaş v. Turkey (no. 2)*, which found several violations of the ECHR, and ordered the termination of the applicant's pre-trial detention. In February 2019, the ECtHR declared applications concerning events during curfews imposed in the city of Cizre inadmissible. In the case of *Kavala v. Turkey*, the Council of Europe Commissioner for Human Rights informed the Court in November 2018 of her decision to intervene in the case. In January 2019, she submitted an observation in which she evaluates 'the arrest, initial and continued detention of

the applicant as forming part of a broader pattern of escalating reprisals in Turkey against civil society activists and human rights defenders for their legitimate work’.

The implementation of the *Cyprus v. Turkey* case regarding missing persons and restrictions on the property rights of Greek Cypriots displaced or living permanently in the northern part of Cyprus is still pending, as is the question of ‘just satisfaction’ (compensation). Regarding the implementation of the *Demopoulos v. Turkey* decision of 5 March 2010, 6 538 applications from Greek Cypriot owners have to date been lodged with the Immovable Property Commission (IPC), 105 of them during the reporting period. As of March 2019, 964 applications had been concluded through amicable settlements and 33 through formal hearings. Altogether, the IPC has so far paid out the equivalent of EUR 349 million in compensation. In December 2018, the Committee of Ministers of the Council of Europe reviewed *Cyprus v. Turkey* as well as *Varnava and others and Xenides-Arestis group v. Turkey*. No progress was made on any of those cases.

In its judgement on the *Güzelyurtlu and others v. Cyprus and Turkey* case of January 2019, the ECtHR has found, for the first time, a violation of Article 2 ECHR on the sole basis of a Turkey’s failure to cooperate with the Republic of Cyprus on criminal matters.

On the **promotion and enforcement of human rights**, the National Human Rights and Equality Institution (NHREI) and the Ombudsman, as the main human rights institutions, continued to receive complaints. The major difference in the scope of intervention of both institutions lies with the individual application procedure. The Ombudsman Institution deals only with complaints against the actions of the public administration. The NHREI does not accept applications that are within the remit of the Ombudsman; therefore, the efficiency and capacity of the Ombudsman to deal with such applications also need to be stepped up. Following the appointment of members of the NHREI in March 2017, the institution became operational in 2018, after its implementing legislation was adopted.

The NHREI has concluded two decisions out of 401 received applications; it has conducted 27 visits and published reports of five visits to some detention centres, prisons and an elderly home. The speed and effectiveness of the institution in dealing with applications causes particular concern in light of the high number of alleged violations in the aftermath of the attempted coup.

Neither of these institutions is operationally, structurally or financially independent, and their members are not appointed in compliance with the Paris Principles. So far, the NHREI has not applied for accreditation with the relevant International Coordinating Committee (ICC) of National Institutions for the Promotion and Protection of Human Rights. Turkey should urgently ensure that any and all cases of alleged human rights violations are effectively dealt with and processed, and that these bodies fully comply with the Paris Principles and the European Commission Recommendation on Standards for Equality Bodies, adopted on 22 June 2018.

There was limited implementation of the 2014 action plan on preventing violations of the ECHR. The implementation reports are not made public, thus limiting the accountability of institutions responsible for implementation. Turkey needs to update its action plan on the prevention of the ECtHR violations, since the previous one has expired. Legislative changes, introduced during and after the state of emergency, which are not in line with European standards, continue to hamper in particular the right to freedom of expression, freedom of assembly and the right to a fair trial, to an effective remedy and to protection of property.

Parliament’s Human Rights Inquiry Committee is authorised to visit and observe prisons, including military prisons, without advance permission; during the reporting period, it visited

three prisons and published two reports. In 2018, 2,229 applications claiming violations of human rights were referred to the Committee. 1,305 of these applications were lodged during the previous legislative period, the rest after the June 2018 elections.

Human rights defenders continue to be subject to intimidation, judicial prosecution, violent attacks, threats, surveillance, prolonged arbitrary detention and ill-treatment. The frequency and number of detentions and arrests of civil society representatives, journalists, lawyers, academics and others has increasingly led to a shrinking space for civil society. During the reporting period, there was a climate of intimidation across society as the Government continued to use the state of emergency to narrow the space for dissenting or alternative views.

A law adopted in July 2018 after the lifting of the state of emergency grants provincial governors wide powers to prevent people from entering or leaving certain locations in their provinces for up to 15 days, and to prevent all movement or assemblies at particular locations or times on security grounds. The trials against the group of 10 human rights defenders in Büyükada Island, and against the former director of Amnesty International Turkey, on charges of links to a terrorist organisation continued during the reporting period. Osman Kavala, the chairperson of Anadolu Kültür, remained in detention without indictment for over a year. An indictment against him and 15 other members of civil society organisations was filed with a court in March 2019. The confidentiality order in his file has prevented his lawyers from accessing details of the case.

Lawyers who provide legal assistance to human rights defenders and civil and political activists face huge obstacles in performing their work and are at risk of arrest, detention and prosecution.

Concerning the **right to life**, although Turkey is a party to Protocol 13 of the ECHR, statements on the possibility of reinstating the death penalty have continued to be made by public officials, including by the President. In the south-east, there is a lack of credible and effective investigations into reported killings by the security authorities, as noted by the UN High Commissioner for Human Rights. Furthermore, alleged cases of abductions and enforced disappearances by security or intelligence services in several provinces have not been adequately investigated. **Impunity remains** for such abuses. Legislation adopted in June 2016 grants judicial privileges to the security forces, which increase the risk of impunity.

Allegations of **torture and ill treatment** remain a serious concern. The repeated extensions of the state of emergency led to profound human rights violations, and the Government failed to take steps to investigate, prosecute, and punish members of the security forces and other officials accused of human rights abuses. The removal of crucial safeguards by means of emergency decrees has increased the risk of impunity for perpetrators of such crimes, and has led to allegations of an increase in the number of cases of torture and ill-treatment in custody. Changes to the anti-terror legislation introduced a maximum pre-trial detention period of up to 12 days, in contravention of the relevant ECtHR case law (maximum of up to four days). There are concerns that changes in legislation allowing suspects to be brought back from prisons to police stations after being arrested have led to more cases of ill-treatment or torture. The recommendations of the UN Special Rapporteur on Torture following his 2016 visit to the country need to be implemented. In addition, Turkey still needs to implement the recommendations of the 2016 fourth periodic review by the UN Committee against Torture. The authorities should also authorise the publication of all pending reports of the Council of Europe's Committee for the Prevention of Torture.

The handling of complaints of torture and ill-treatment is also reported to be ineffective, and allegedly entails a risk of reprisal. Complaints, reports and any indications of torture or ill-treatment need to be investigated swiftly, effectively and impartially; perpetrators must be prosecuted and convicted in accordance with the gravity of their acts in line with the country's international obligations, in particular with the ECHR and the UN Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment (UN CAT).

The NHREI, which should act as the national preventive mechanism, does not meet the key requirements under the Optional Protocol to the UN CAT and is not yet effectively processing cases referred to it. In line with its stated zero tolerance policy for torture, greater efforts are necessary to ensure that this institution effectively fulfils its mandate, with a dedicated structure and appropriate resources.

Overcrowding and deteriorating **prison conditions** continue to be a source of deep concern. The prison population rate reached 318 per 100,000 inhabitants and, as of December 2018, the prison population stands at 260,000. At present, 743 children are staying with their detained mothers. As of December 2018, the total number of detainees in prison without an indictment or pending trial is 57,000. Over 20% of the total prison population are in prison for terrorism-related charges. These include journalists, political activists, lawyers and human rights defenders. There have been many allegations of human rights violations in prisons, including arbitrary restrictions on the rights of detainees, denial of access to medical care and the use of torture, mistreatment, prevention of open visits, and solitary confinement. In late autumn 2018, hunger strikes were initiated to protest the alleged isolations in the prison island Imralı; these have continued, and involve around 300 inmates in 60 prisons. In 2018, the Directorate-General for Prisons and Detention Houses received 877 complaints alleging torture and ill-treatment in prisons and detention centres. Legal and administrative action had been taken against 543 personnel by December 2018. Prison monitoring boards, which were dissolved following the attempted coup, were re-established with similar structures, and they remain largely ineffective. There are also concerns related to the lack of access by civil society organisations to prisons, despite the allegations of human rights violations. Given that the national preventive mechanism is not fully operational, there is no oversight over human rights abuses in prisons.

On the **protection of personal data**, the Personal Data Protection Authority (DPA) has become operational and its Board has been appointed, but no legislative changes have taken place to ensure that the law is harmonised with the EU *acquis*, in particular the EU General Data Protection Regulation 2016/679 and Law Enforcement Directive 2016/680, which entered into force in May 2018. This concerns inter alia the application of data protection in law enforcement and the powers of the Data Protection Authority. Turkey has not signed or ratified that 2018 Protocol amending the Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data (Council of Europe, CETS No 223).

On **freedom of thought, conscience and religion**, freedom of worship continued to be generally respected. The Venice Commission recommendations on the status of religious communities in Turkey are yet to be implemented. This concerns in particular the right of the Orthodox Patriarch to use the title 'ecumenical'. Requests by different Christian communities to open places of worship and curricula for clergy are still pending. Hate speech and hate crimes against Christians and Jews continued to be reported (*see below - Minorities*). The controversial use for marking religious celebrations of the Hagia Sophia, which is a museum situated within a listed UNESCO world heritage site, continued to trigger reactions. One Islamist foundation, which opposes the Government, was closed down, and its assets and media outlets transferred to the Treasury. A comprehensive legal framework in line with

European standards needs to be put in place, and appropriate attention must be paid to implementing the ECtHR judgments on compulsory religion and ethics classes, indication of religious affiliation on identity cards and Alevi worship places. For example, in one Court case, the mention of Zoroastrianism in the religion section of the defendant's identity card was seen as evidence of membership of an illegal organisation. Alevis held several demonstrations and made a number of press statements concerning the lifting of the compulsory religion course, and for an end to discriminatory attitude against Alevis in education, employment and social life. The Turkish Government did not implement the action plan, submitted in 2016 to the Council of Europe Committee of Ministers, relating to ECtHR decisions on Cem Houses and on compulsory religion classes. School textbooks still need to be revised in order to remove all discriminatory elements against all religions and faith groups. No steps were taken to open the Halki (Heybeliada) Greek Orthodox Seminary. There are concerns over the protocols signed between the Ministry of National Education and religion-affiliated organisations over the delivery of educational tasks of the Ministry. Through government policies, the work of the Religious Affairs Presidency (Diyamet) increased in all spheres of public life.

Freedom of expression

Turkey is at an **early stage** in this area and the serious **backsliding** continued. The restrictive measures adopted during and after the state of emergency were disproportionate in their implementation and have negatively affected many opposition voices in the media, civil society and academia. Exercise of the freedom of expression has been considerably hampered. Legislation, especially provisions on national security and the fight against terrorism, and its implementation, are diverging from the case law of the European Court of Human Rights. Criminal cases against journalists, human rights defenders, lawyers, writers and social media users continued. A decree law of July 2018 amending the duties and authorities of the Directorate-General of Press and Information, which was originally affiliated with the Prime Ministry, handed over authorisation to issue yellow press cards to the Directorate of Communication linked to the Presidency of the Republic. Many EU journalists faced delays in the renewal of their press accreditation.

No measures have been taken to address the damage incurred as a result of the closure of numerous media outlets or the appointment by the Government of trustees to administer them. The high number of arrests of journalists - over 160 journalists remain in prison - is of very serious concern. The blocking and erasing of online content without a court order on an inappropriately wide range of grounds, based on the Internet Law and the general legal framework, continued. Judicial control of requests relating to content takedowns or the blocking of content based on individual decisions by criminal judges of peace led to concerns, due to the structure of these courts. An estimated 170 000 sites are reportedly banned. A large number of media workers (journalists, engineers, sound and image technicians, etc.) were laid off in 2016 (2 708), 2017 (166) and 2018 (175).

The Commission's 2016 and 2018 recommendations were not followed up, and are therefore restated in this report. In the coming year, Turkey should:

- release journalists, human rights defenders, lawyers, writers and academics being held in pre-trial detention; refrain from, and end, the practice exercised in various forms by both state and non-state agents of intimidating, interfering with and putting pressure on the media, ensuring a safe, plural and enabling environment for the media to carry out their work independently and without fear of reprisals;

- refrain from undue restrictions on freedom of expression, including in relation to anti-terrorism operations, in line with the Guidelines of the Committee of Ministers of the Council of Europe on protecting freedom of expression and information in times of crisis;
- ensure that existing legislation, in particular the Anti-Terror Law, the Criminal Code and the Internet Law, is revised to comply with European standards and is implemented in a manner which does not curtail freedom of expression and ensures proportionality and equality before the law;
- ensure that criminal law provisions, in particular articles on defamation and other similar offences, are not used as a means of putting pressure on critical voices, by ensuring that courts apply European Court of Human Rights case-law and are able to act independently.

Intimidation of journalists

Heavy pressure on the media continued as in previous years, with arrests, detentions, prosecutions and dismissals of media staff. Censorship and self-censorship continued among media workers. There were an estimated 160 journalists in prison in February 2019. Civil society has documented threats and physical attacks on journalists and media organisations. There is government interference in editorial independence, and pressure on media outlets to fire journalists critical of the Government. The state has undertaken direct and indirect takeover of, or the closure of, private media companies. There are restrictions on access to the airwaves, and there have been fines and closures of TV and radio channels critical of the Government.

The criminal justice system allowed journalists to be prosecuted and imprisoned on extensive charges of terrorism, insulting public officials, and/or committing crimes against the state. The right to a fair trial and the respect of the principle of the presumption of innocence were not always ensured in political cases (*see above - Judiciary*). Indictments did not usually establish a link with the alleged offence and, in some high-profile cases, the defence provided by the defendants was not taken into consideration by the court. In many cases, the use of confidential decisions impaired the access to justice and the right of defence, because the charges against the suspects were communicated to them and their lawyers only when the indictment was issued. In some cases, the indictment took more than a year to be issued. On the other hand, details of prosecution files of journalists or members of civil society organisations appeared in the mainstream media, which amplified smear campaigns against them and violated the principle of the presumption of innocence.

Judicial cases against critical newspapers and their affiliated journalists continued. Eighteen journalists from the Cumhuriyet newspaper were convicted in February 2018. A limited number of other writers and journalists have belatedly been released pending trial. Several court cases were subject to comments from the executive.

Legislative environment

No improvements took place concerning the legal framework and its implementation, which guarantee the exercise of freedom of expression in the media and internet. Legislation on anti-terrorism, on the internet and on intelligence services, and the Criminal Code, impede freedom of expression and run counter to European standards. Criminal legislation still allows prison sentences for insulting the President and senior politicians, and for insults to religion. In addition to prison terms, high fines also have a deterrent effect on media reporting, especially for grassroots media. Legislation on hate speech that is not in line with ECtHR case law needs to be improved.

The Internet Law and the general legal framework enable the executive to block online content without a court order on an inappropriately wide range of grounds. Following a March 2018 amendment, the regulation of broadcasting performed by the Radio and Television Supreme Council is applicable to any online media service providers and platform operators, including those operating from abroad. The amendments also gave the Council the power to impose bans on internet broadcasting.

A decree law also closed down the Prime Ministry Directorate-General of Press and Information, which was authorised to issue press cards. This power has now been transferred to the presidency. In December 2018, the new Press Cards Regulation was published. It changed accreditation criteria, making state press cards harder to obtain and making it easier to cancel them. In December 2018, official sources stated that the press cards of 1 954 journalists had been cancelled over the last three years. Many EU journalists faced long delays for the renewal of their press cards. Some of them have seen their accreditation refused without proper justification.

Implementation/institutions

Severe restriction of the freedoms of expression and media continued, including the imprisonment of scores of journalists, the closure of media outlets, the criminalisation of criticism of government policies or officials, and the blocking of websites and content. The trend of prosecutions of journalists, writers, social media users and other members of the public, even children, for insulting the President, has dramatically increased. Such cases often end with prison sentences, suspended sentences or punitive fines. Similarly, a journalist has been sentenced to jail for ‘defamation and insult’ because of her investigation into offshore tax havens which revealed details of the business activities of the country’s former Prime Minister and his sons. Criminal convictions based on press statements made by human rights defenders continued.

Reporters without Borders, in its 2018 World Press Freedom Index, ranked Turkey 157 of 180 countries, down from 155 in last year’s index.

The Zaman case of journalists/writers concluded in July 2018, and all defendants were acquitted of coup charges. Appeals in the case are pending. In October, Istanbul’s Appeal Court upheld aggravated life sentences for six suspects, including the well-known writers and intellectuals Nazlı Ilıcak, Ahmet Altan and Mehmet Altan, over links to the Gülen movement. In late June 2018, Mehmet Altan was released under judicial control. It is worrying that regional courts **keep ignoring the judgments of the Constitutional Court and the ECtHR**. Indeed, in January 2018, the Constitutional Court had ruled that the rights to liberty and freedom of expression of two of the above journalists had been violated, and that their detention could not be considered a necessary and proportionate measure. The lower courts rejected the release of the accused, claiming that the judgment of the Constitutional Court was an ‘usurpation of authority’ and therefore could not be accepted.

In August 2018, the Istanbul Chief Prosecutor’s Office opened an investigation into actions threatening ‘economic security’, while Turkey’s financial watchdog launched a separate probe into what it described as ‘fake news’ aimed at manipulating the economy, thus creating a chilling effect on disseminating news on the deteriorating economic situation. There was an increase in investigations due to social media posts. The Offices of the Ankara and Istanbul Chief Public Prosecutors launched investigations into ‘news items, printed and visual publication, social media accounts that serve in economic attacks’ in August. The pressures on Kurdish media and those reporting Kurdish issues continued through court cases, detentions and arrests of journalists.

Court cases continued against ‘Academics for Peace’, who signed a declaration in January 2016 condemning the security operations in the south-east and calling for resumption of the peace talks. Some of the cases ended in convictions on charges of ‘terrorist organisation propaganda’, and the sentences were postponed, apart from two cases where the academics refused postponement of sentences, one of them has been imprisoned in May. Cases against university students on various freedom of expression-related charges also continued, with concerns regarding the respect of ECtHR case law standards.

The increased use of harsh rhetoric against any form of critical voice by public officials, including at the highest level, continued.

Regarding the internet, Twitter Transparency reported that over 1 464 tweets and 425 accounts were blocked, and 13 843 specific accounts were reported by the Turkish authorities in the first half of 2018. Access to Wikipedia in Turkey, blocked since April 2017, has still not been lifted. According to unofficial sources, some 244 000 websites have been banned, only 2% of which were on the basis of a court decision.

Public service broadcasters

A Presidential decree restructured the public service broadcaster, TRT, and changes to the monitoring rules were interpreted as taking away the right of the Radio and TV Supreme Council (RTÜK) to monitor TRT broadcasts. Following the changeover to the executive presidency, a presidential decree published on 24 July 2018 affiliated the Turkish Radio and Television Corporation (TRT) with the Presidential Communication Authority and the RTÜK with the Ministry of Culture and Tourism. The editorial policy of the public service broadcaster TRT continued to display a significant pro-government line.

The Internet Law, and the draft provisions that further expand the powers of the RTÜK in allocating licenses for online broadcasting, should be also revised in line with EU standards. A state of emergency decree amended several articles of the TRT, and ruled that all purchases, sales, services, consultancy fees, productions and transportation fees will be exempt from the public procurement law. RTÜK’s independence and neutrality is subject to criticism, as members continue to be elected by Parliament without input from civil society or professional organisations. However, the current composition of the RTÜK does not reflect Parliament, since the HDP is excluded (*see Chapter 10 – Information Society and Media*). Under the state of emergency, RTÜK continued to take a number of channels off the air as well as suspending and fining channels for broadcasting content that is ‘contrary to the national and moral values of society, general morality and the principle of family protection’. In September 2018, RTÜK approved a regulation which grants further authority to impose extensive supervision and censorship on radio and television broadcasts made on the Internet.

During the electoral campaigns, the İYİ and CHP presidential candidates and all CHP parliamentary candidates boycotted the TRT due to its alleged lack of impartiality.

Economic factors

The lack of transparency of media ownership continues to cast doubt on the independence of editorial policies. Concentration in the media market increased sharply with the sale of the Doğan holding to Demirören holding. The takeover of media outlets and the appointment of trustees to control media groups have had a negative economic impact, with the loss of hundreds of jobs. Emergency decrees led to the closure of a large number of media outlets. In addition, according to journalists’ associations, the increase in paper prices led some media outlets to stop publishing and some other local outlets to either decrease the number of publications or close their supplements. As a result, unemployment among journalists increased. The journalists’ organisations called for the Press Advertising Authority to review

its advertisement distribution policy. State-sponsored advertising is not fairly and transparently distributed. This further distorts the market, and adds to the economic pressure on some media outlets from major customers, including the state. Independent and sustainable financing of the public service broadcaster is not ensured. Broadcasting law does not ensure fair competition, as it does not prevent monopolisation.

Professional organisations and working conditions

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

(See also Chapter 10 - Information society and media)

There was further backsliding in the area of **freedom of assembly and association**, where the legislation and its implementation are not in line with European standards and do not abide by the Turkish Constitution. The applicable ECtHR case law on freedom of assembly needs to be implemented without delay, and relevant national laws need to be revised accordingly. The implementation of legislation resulting from the state of emergency expanded the administration's powers to limit the right to peaceful assembly. The ECtHR decided in favour of the applicant in the *Güler v. Turkey* case where the applicant was given an official warning for being absent from his job after attending the May Day celebrations in 2008. Another ECtHR judgment on *İmret v. Turkey (no.2)* is related to the Kurdish issue, and calls for legal amendments to vague provisions defining a terrorism-related criminal activity, in this case participation in public demonstrations, based on Articles 220 (7) and 314 of the Criminal Code.

A regulation adopted in October 2018 which obliges associations to disclose all their members to authorities is problematic, and is a violation of constitutional guarantees such as freedom of association and the right to privacy. The budgets of the Turkish Union of Bar Associations, the Turkish Medical Association and other such professional organisations were included in the general 'Single Treasury Institutional Account' managed by the Ministry of Treasury and Finance, which answers directly to the Presidency. This raises doubts about how effectively these organisations can continue to function if their financial resources are controlled by the executive. While a number of commemoration ceremonies and meetings were allowed, many events and demonstrations relating to the Kurdish issue or organised by the opposition groups were prohibited on security grounds. The unauthorised holding of such demonstrations at times resulted in forceful dispersal by the police forces. Initiatives to mark the 'Armenian Genocide Commemoration Day' suffered a setback for the first time in years, as the request of Istanbul Governorship regarding the removal of the word 'genocide' from the statements was rejected by the organisers, resulting in harsh police intervention. While a large World Peace Day demonstration in Diyarbakır was allowed on 1 September, several others were banned around Turkey. In August, after many years, the peaceful gatherings by 'Saturday Mothers' to protest the unidentified killings and missing persons dating back to 1990s were banned by the Ministry of Interior. In September 2018, 500 workers who stopped working in the construction of the third airport in İstanbul on the grounds of bad working conditions and over 30 fatal accidents were temporarily arrested, and are awaiting trial, following police intervention using pepper gas. Trials for 62 workers are ongoing. Governors

in several provinces have used wide-ranging state of emergency powers to ban events and assemblies. The Ankara Governorate ban on all LGBTI activities imposed in November 2017, which has undermined the visibility of LGBTI communities and their ability to exercise the right to peaceful assembly, ended in April 2019. An administrative court in Ankara decided to lift the ban while an appeal had previously been rejected in November 2018. An increased number of penalties for participants in unauthorised events acted as another constraint on the right to freedom of assembly and association.

Issues of **labour and trade union rights** are further covered in *Chapter 19 - Social policy and employment*.

On **property rights**, the confiscations of the property of many institutions, companies or private individuals under the state of emergency and beyond remain of serious concern. There continues to be a lack of effective domestic remedy for confiscations, since the Inquiry Commission on the State of Emergency Measures is slow to issue decisions and lacks transparency. In the south-east, the authorities have started repairing damage in a number of cities and towns. Regarding the implementation of the Law on Foundations, most of the appeals regarding rejected claims for the restitution of property are pending either before a local court or at the ECtHR. Some earlier favourable decisions, which have been challenged by the Treasury, are also awaiting final judgment. Some judicial decisions on property rights were reversed, to the detriment of minority foundations, such as the returning of the Sanasaryan Inn back to the state. The case in relation to the ownership of the land of the Syriac Orthodox Mor Gabriel Monastery is ongoing. The Council of Europe's recommendations on protecting property rights and education rights still need to be fully implemented. Council of Europe Resolution 1625 (2008) regarding property rights on the islands of Gökçeada (Imbros) and Bozcaada (Tenedos) needs to be fully implemented. Relevant legislation on the issue of property rights of non-Muslim minorities and legislation covering all issues of property rights still need to be revised.

The principle of **non-discrimination** is not sufficiently protected by law or enforced fully in practice. The NHREI, which is in charge of applying anti-discrimination legislation, had only finalised two decisions by March 2019. Hate crime legislation is not in line with international standards, and does not cover hate offences based on sexual orientation. The introduction of revised school textbooks in the 2017-18 academic year has raised questions about some content with regard to secularism/religion and gender inequality. In April 2016, Turkey signed the Additional Protocol to the Convention on Cybercrime, concerning the criminalisation of acts of a racist and xenophobic nature committed through computer systems, but ratification is still pending. Turkey should urgently adopt a law on combating discrimination in line with the ECHR, including sexual orientation and identity. Turkey should also ratify Protocol 12 of the Convention, which provides for the general prohibition of discrimination, and implement the recommendations of the Council of Europe's European Commission against Racism and Intolerance.

Equality between women and men is in place in the legislative and institutional framework. However, due to weak implementation of legislation and the low quality of support services available, gender disparity still exists in areas such as decision-making, employment, education and health. The Government has taken some positive steps to improve gender equality, as stated in action plans on education, employment and violence. However, these action plans have not been fully implemented, and lack systematic monitoring. There is a lack of strong political commitment to gender equality: stereotyped views of gender roles, including in the school textbooks and in the media, continue to pervade Turkish society and foster the persistent low social status of women and violence against women. Further efforts

to educate women and men are necessary to prevent domestic violence. Gender-based violence led to the death of 440 women, and only 317 women reported sexual violence in 2018. There are serious concerns that relate to early and forced marriages and discretionary mitigation in court cases of violence against women, possibly mirroring sexist prejudice and victim blaming. Closure of women's associations and some centres after the state of emergency caused additional challenges for women victims who lost support services.

There was little progress on the **rights of the child**. Challenges of child poverty, child labour, and child marriage remain, as do gaps in access to quality inclusive education and protection from violence and abuse, particularly for the most vulnerable groups, including Roma. The 2013-2017 national children's rights strategy and action plan has not been renewed, and its implementation is not being closely monitored. A national strategy to prevent violence against children was in place until 2018, but has yet to be updated or renewed. Despite reports of increased sexual abuse and ill-treatment of children, systematic monitoring and research on these issues remain inadequate. All allegations of child abuse need to be investigated swiftly, effectively and impartially. Juvenile courts are still not in place in all provinces, despite the clear wording of the law. The quality of legal aid for juveniles, and rehabilitation activities in prisons are a matter of concern. Closure by the authorities of several civil society organisations dealing with juvenile rights after the state of emergency led to a decrease in civil society support to victims.

On the **rights of persons with disabilities**, Turkey continued capacity-building efforts to promote inclusive education services. However, the lack of qualified teaching staff for inclusive education is a major obstacle. There is a particularly low rate of participation in early childhood education. Affordable occupational therapy and vocational rehabilitation services need to be expanded to promote the employability of persons with disabilities. The Government continued its financial support scheme for home-based care provision for people with disabilities in need. However, people with disabilities have limited access to the personal and social support needed for independent living. Awareness on the United Nations Convention on the Rights of People with Disabilities (CPRD) among public service providers is reportedly low, and no systematic efforts are made to promote or implement the principles of the Convention. The National Monitoring and Evaluation Committee on the Rights of Persons with Disabilities needs to be activated, and its work should be conducted in line with the CRPD. The NHREI needs to step up efforts to address discrimination on the basis of disability. According to the Criminal Code, the exclusion of a disabled person from public service is not considered a crime, unless it is a hate crime. Legal sanctions against discrimination in education and employment remain unidentified in Turkish Disability Act. Accessibility Monitoring and Audit Commissions established at provincial level have not been effective in promoting accessibility. Turkey has no mental health legislation and no independent body to monitor mental health institutions. Turkey suffers from a lack of reliable, up-to-date data on the situation of persons with disabilities.

There are serious concerns on the protection of the fundamental rights of **lesbian, gay, bisexual, transgender and intersex** (LGBTI) persons. No changes have been introduced to the military disciplinary system or to medical regulations which define homosexuality as a 'psychosexual disorder/illness'. A new law of January 2018 on disciplinary provisions for the security forces stated that 'abnormal/pervert' actions were grounds for dismissal for all security personnel. Activists have been sued for 'participating in an unauthorised demonstration'. LGBTI activities and Pride parades have been banned or stopped by police in several provinces, among them Ankara, Adana and Istanbul. LGBTI activities can only be carried out informally in closed spaces. In 2018, the Court of Cassation changed its 2015 positive jurisprudence on hate speech by stating that calling LGBTI persons 'perverts' is

freedom of expression. Hate speech by government officials and media against the LGBTI community continued during the reporting period. Intimidation and violence against the LGBTI community continues to be a major problem, and hate speech against LGBTI persons is not effectively prosecuted, as it is mostly considered to fall within the boundaries of freedom of speech. There is no specific legislation to address these crimes. There is limited protection of LGBTI organisations which have received threats. Discrimination towards the LGBTI community is still widespread.

No steps were taken to further align legislation with European standards on **procedural rights**, some aspects of which are guaranteed by law, including legal aid and the right to translation and interpretation in criminal matters. Turkey has been repeatedly criticised by the ECtHR for violating the right to a fair trial, notably due to its failure to respect procedural rules. Some prohibitions introduced by state of emergency decrees were lifted, but the legislative amendments adopted in July amending several articles related to fundamental freedoms was criticised for retaining many of the repressive powers of the state of emergency. Accordingly, changes to anti-terror legislation allow maximum detention periods before the detainee is brought before a judge (for release or formal arrest) of up to 12 days. The ECHR standard is a maximum of 4 days. The ban on access to defence during the first 24 hours of police custody is still present in the Anti-Terror Law. Legal professionals are being targeted with allegations of supporting a terrorist organisation. Twelve of 17 lawyers from a Lawyers Association and a Law Bureau, who were released from prison in September 2018, were re-arrested after the prosecutor's objection in the same court, in the absence of new evidence or developments. The evidence indicates that these allegations are a strategy to stop the legitimate exercise of their professional duties, including human rights-related work. As of January 2019, it is estimated that 1,546 lawyers have been prosecuted, including 274 who have been convicted in first-instance courts of membership of a terrorist organisation. Law officials (judges, prosecutors and other civil servants) suspended from the civil service by state of emergency decrees are barred from acting as lawyers, since the Ministry of Justice's appeals against their licences have so far always been accepted by the judiciary. Criticisms persist of the complex and problematic structure of the legal aid system, as well as of the quality of the services offered. However, a strategy plan accompanied by an action plan for 2018-2021 has been developed, with the aim of restructuring the system.

Hate speech and threats directed against **minorities** remain a serious problem. This includes hate speech in the media targeting national, ethnic and religious groups. There has also been increased anti-Semitic rhetoric in the media and by public officials due to the conflict in Palestine. Furthermore, school textbooks need to be revised to delete remnants of discriminatory references. Attacks or acts of vandalism on minority worship places continued and need to be investigated. State subsidies for minority schools have also fallen considerably. However, discussions between the Government and representatives of minorities have continued. For example, President Erdoğan hosted the Ecumenical Greek Orthodox Patriarch and discussed the Patriarch's request for support for the protection and restoration of the Greek orphanage on Istanbul's Prinkipo (Büyükdada) Island. On minority foundations, no new regulation on the election procedures for non-Muslim foundations has been published since 2013. In the absence of a regulation, these foundations are unable to hold elections for their board members. The Armenian Patriarchal election procedures were halted by the Istanbul Governorate. Regarding minorities, full respect for and protection of language, religion, culture and fundamental rights in accordance with European standards have yet to be fully achieved. The issue of property rights of non-Muslim minorities and the need for a revision of legislation covering all issues regarding property rights is pending. As the Venice Commission underlined in 2010, Turkey should continue the reform process and

introduce legislation which makes it possible for all non-Muslim religious communities as such to acquire legal personality.

Implementation of the national strategy (2016-2021) for **Roma** citizens needs to be stepped up, with sufficient budget allocation, especially after the end of the SIROMA IPA project. There is still a lack of solid data allowing for evidence-based policy, measureable indicators and time-bound targets. Adoption and implementation of a new action plan is urgently required following the end of the previous one covering 2016-2018. Local authorities need to be properly involved for effective implementation of the strategy, and adopt local strategies/action plans when relevant. The monitoring committee of the strategy needs to be strengthened and have more regular meetings. A broader group of Roma NGOs should be included in the Committee. Following the June parliamentary election, there are now two Roma MPs. Roma in general live in very poor housing conditions, often lack basic public services and are reliant on benefits. Urban renewal projects continue to primarily affect Roma settlements, forcibly displacing families. In the field of education, Roma children experience additional challenges in accessing quality education, and schools in Roma neighbourhoods are often poorly resourced. Inadequate access to education and high drop-out rates persist, especially at lower and upper secondary levels. Participation in pre-primary education remains very low. It is difficult for Roma citizens to find long-term formal employment. The employment rate of Roma citizens is around 31 percent. A coordinated and rights-based public service delivery approach at district level, as piloted by the IPA funded SIROMA project, needs to be disseminated. The first EU-Turkey Joint Roma Seminar did not take place in 2018 as initially planned.

On **cultural rights**, the Government has not legalised the provision of public services in languages other than Turkish. Legal restrictions on mother-tongue education in primary and secondary schools remain. Optional courses in Kurdish continue in public state schools, as do university programmes in Kurdish, Arabic, Syriac and Zaza. Particular restrictions exist on Kurdish language and literature: there are reports about the dismissal of Kurdish academics and lecturers, partly facing terrorism-related investigations, the closure of Kurdish language NGOs and institutions, pressure on Kurdish media, and bans on Kurdish books (*see Chapter 10 – Information society and media*). In the south-east, several commemorative and literary monuments marking Kurdish personalities, as well as events and bilingual street signs, were removed by appointed trustees and authorities. The State Theatres, Opera and Ballet were re-established by presidential decree in July 2018. It remains to be seen whether the new presidential board for cultural and artistic policies will allow autonomy to cultural institutions.

2.2.2. 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 justice, freedom and security. There has been **some progress** in the past year, in particular in migration and asylum policy. Turkey continued to make significant efforts in hosting and addressing the needs of almost four million refugees, and in preventing illegal crossings towards the EU. Turkey remained committed to implementing the March 2016 EU-Turkey Statement and played a key role in ensuring effective management of migratory flows along the Eastern Mediterranean route. There has been limited progress in the implementation of the recommendations of last year's report. Turkey is not yet implementing the provisions relating to third-country nationals in the EU-

Turkey readmission agreement, despite these entering into force in October 2017. Turkey still needs to align its legislation on data protection to allow for police and judicial cooperation with Europol and Eurojust, as well as on border management and on the fight against terrorism. Most of the recommendations can be repeated, therefore.

For the coming year, Turkey should in particular:

- continue implementing the EU-Turkey Statement of March 2016 and implement all the provisions of the EU-Turkey readmission agreement towards all EU Member States;
- align legislation on personal data protection with European standards, and implement the necessary requirements for the negotiation of an international agreement allowing for the exchange of personal data with Europol and Eurojust;
- revise its legislation and practices on terrorism in line with the European Convention on Human Rights, European Court of Human Rights case law and the EU *acquis* and practices. The proportionality principle must be observed in practice.

Fight against organised crime

Turkey has **some level of preparation** in the fight against organised crime. There has been **limited progress** overall, and no progress in meeting last year's recommendations, which can be largely repeated. Turkey should continue to take measures to improve its track record on dismantling criminal networks and confiscating criminal assets. Turkey also needs to improve its legislation on cybercrime, asset confiscation and witness protection. Two rounds of negotiations took place on an international agreement on the exchange of personal data between Europol and the Turkish authorities. However, the Turkish data protection law is not yet in line with the European standards.

For the coming year, Turkey should in particular:

- establish an Asset Recovery Office in line with the EU *acquis*;
- collect and use appropriate aggregate statistics to facilitate threat assessment, policy development and implementation;
- enhance cooperation with Europol;
- adopt the 2019-2021 action plan for the implementation of the strategy for combatting organised crime;
- develop a strategic approach towards financial investigations, including by adopting the Financial Action Task Force concept of financial investigations; implementing financial investigations as a standard when dealing with organised crime, terrorism and serious corruption cases; launching financial investigations from the very start of a criminal investigation; applying a multidisciplinary cooperation and a pro-active approach with regard to financial investigations; and developing a legal framework for the confiscation of proceeds of crime.

Institutional set-up and legal alignment

Pursuant to the main law on enforcement **institutions** relevant in the fight against organised crime, i.e. the Gendarmerie and the Turkish National Police under the Ministry of Interior, the number of specialised departments dealing with specific forms of organised crime (e.g. drugs, irregular migration, human trafficking, cybercrime, witness protection) has further increased.

Turkey has not yet established or designated an Asset Recovery Office in charge of the identification and tracing of criminal assets.

The Cyber Security Council was abolished and the President of the Republic was authorised to designate a board or an authority to fulfil the duties of the Council. The repercussions of this recent change remain to be seen.

Turkey's **legal framework** for the fight against organised crime and police cooperation is partially aligned with the EU *acquis*. The scope of witness protection needs to be expanded to include all types of serious crime, while its procedural rules also need improvement. Extended confiscation, third-party confiscation, and precautionary freezing of assets need to be aligned with the *acquis*.

The Ministry of Interior continues to coordinate implementation of the 2016-21 **strategy** for combating organised crime. An action plan for the implementation of this strategy covering 2019-21 is under preparation. Turkey is implementing a number of sectoral strategies and action plans, such as a national cybersecurity strategy and action plan for 2016-19.

Implementation and enforcement capacity

In the fight against organised crime, 1 118 persons were arrested in 417 operations in 2018 compared with 685 persons arrested in 274 operations in 2017. In 2018, in 972 cases of organised crime, 1 774 persons were convicted.

In the fight against smuggling (fuel, cigarettes, historical works, commodities etc.), in 2018, 569 suspects were arrested out of 20 187 persons in 13,047 incidents. In 2017, 558 suspects were arrested out of 20 033 persons in 14 009 incidents, and in 2016, 434 suspects were arrested out of 15 933 persons in 10,157 incidents.

The measures taken after the attempted coup of July 2016 continued to affect the operational capacity of the forces of public order. In 2018, 192 personnel (officers, non-commissioned officers, civil servants) from the Coast Guard Command were dismissed (128 in 2017). In 2018, 689 personnel (officers, non-commissioned officers) from the Turkish Jandarma (gendarmarie) were dismissed (1 533 in 2017). 2 204 new personnel were recruited in 2017 and 2018. The capacity of the training academy has been stretched to meet the increasing number of training courses required.

As regards international cooperation, the first round of negotiations took place in November 2018 for an international agreement on the exchange of personal data between Europol and the Turkish authorities competent in fighting serious crime and terrorism. The second round took place in April 2019. The Turkish data protection law is not yet in line with European standards, something which is a central requirement for concluding the agreement. A strategic agreement with Europol has been in force since 2004, while a Turkish liaison officer has been seconded to Europol since 2016. Closer cooperation between Turkish law enforcement and Europol can be achieved by making better use of the existing strategic cooperation agreement and liaison agreement.

Turkey continues to cooperate with 22 Member States, with 47 signed cooperation agreements to fight against terrorism and crime via information sharing and joint operations. Overall, Turkey has 172 security cooperation agreements with 103 countries.

The number of suspicious transaction reports submitted to the Financial Crimes Investigation Board in 2018 grew to 222 743, compared to 176 411 in 2017 and 132 750 in 2016. The number of files analysed and evaluated by the Financial Crimes Investigation Board is showing an upward trend, increasing from 23 893 during the reporting period, compared with 10 554 in 2017.

As regards domestic operational capacity, the courts' need of expertise in organised crime cases continues. Cooperation between law enforcement bodies on organised crime should be improved, in particular that between the police and the gendarmerie. In terms of equipment, law enforcement bodies have appropriate modern vehicles, radio communication systems, software, hardware and premises. Most of the required databases are in place, though they are not always interconnected. Cooperation between the Police Academy of Turkey and the European Union Agency for Law Enforcement Training (CEPOL) has continued.

In line with EU *acquis*, the **confiscation** of criminal assets should be a priority in the fight against organised crime, terrorism and corruption in Turkey. Turkey should develop and implement a more comprehensive and coherent legal framework for the confiscation of the proceeds of crime. In addition, it is crucial that financial investigations into a person's assets are allowed to continue (for years if needed) after a criminal conviction in order to fully and effectively implement a previously issued confiscation order. Finally, Turkey should urgently improve its capacity to manage frozen or confiscated assets so that they do not lose economic value (asset management).

The number of people convicted for **money laundering** was 9 in 2018, unchanged from 2017. During the reporting period, the Turkish Coast Guard Command was involved in 13 drug-related incidents in 2018, ten of which were carried out with other law enforcement agencies; they led to 39 suspects being taken into custody. Turkish law enforcement authorities detained 24 809 suspects in connection with drug-related crimes, which resulted in 8 237 convictions.

Turkey is a destination and a transit country, and to a lesser extent a source country, for women, men and children subjected to **trafficking in human beings** for sexual and labour exploitation. Authorities reported 134 victims of trafficking in human beings until 31 December 2018, compared with 303 in 2017. The main shortcomings identified are the lack of shelters (there are currently only two with a total hosting capacity for 42 victims), access to shelters for men (labour exploitation), victim identification, legal assistance to victims, and a referral system that involves civil society organisations.

Turkey has strong standards preventing the sale of blank-firing, gas and alarm weapons that can be converted into live-firing guns. However, these standards do not apply to the manufacture of such weapons for export. Consequently, Turkey is a major exporter to the EU of blank-firing, gas and alarm weapons, which do not comply with EU standards and are one of the main current sources of **firearms trafficking**.

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

Cooperation in the field of drugs

Institutional set-up and legal alignment

Drug policies are the responsibility of the High Council for the Fight against Drugs, which is responsible for inter-institutional coordination and monitoring in this area. The High Council includes ministers from all of the ministries involved in delivering the objectives of this strategy. The Board for the Fight against Drugs supports the work of the High Council, and the Ministry of Health carries out the secretariat functions. There is a research committee conducting research on drug addiction and new types of addiction, which aims to identify reasons for addiction and measures to be taken to address the issue. There is also a scientific committee, composed of academics, which is tasked with making scientific recommendations for studies and carrying out training on drug abuse. This committee is established within the

Turkish Monitoring Centre for Drugs and Drug Addiction. The National Early Warning System for control procedures is managed by the same centre of the Turkish National Police.

A national anti-drug strategy for 2018-2023 was adopted in May 2018. In July 2017, the Ministry of Interior had adopted its own institutional plan to implement specific projects in this field. The implementation policy on the fight against drugs (2017-2018) was updated during the reporting period.

Implementation and enforcement capacity

Turkey remains a transit route for drugs between Asia and Europe. Turkish law-enforcement bodies conducted successful operations during the reporting period which resulted in the seizure of 175 714 kg of cannabis, 1 476 kg of cocaine, 17 752 kg of heroin, 8 605 662 ecstasy tablets and 26 271 790 captagon tablets. Joint controlled delivery operations and judicial cooperation also continued involving the Germany, the Netherlands, the UAE, Italy, Bulgaria, Austria, the UK, Iran, Spain and the USA.

Since 2008, a total of 718 new psychoactive substances have been included in the scope of the legislation as a result of the activities of the National Early Warning System for the control procedures of the Turkish National Monitoring Centre for Drugs and Drug Addiction working group. The number of sniffer dogs used by the Turkish National Police has increased to 431 from 391 over the past year.

Narcotics teams specialised in fighting against drugs operate now in all 81 provinces, to focus especially on high-risk locations such as schools. This is the result of a constant increase in number of provinces covered: 11 in 2015, 29 in 2016, and 50 in 2017.

Turkey continues to report annually to the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA). The quality and quantity of data Turkey provides has been improving in recent years. Rehabilitation and treatment capacity in the country needs to be further increased, despite the increase in the number of treatment centres. Turkey's capacity for data collection and analysis is being strengthened through projects funded under IPA.

Fight against terrorism

Turkish efforts to tackle terrorism resulted in improvement of the security climate in the country. Turkey is still facing threats from terrorist groups. The EU has condemned all acts of terrorist violence. Measures taken in the fight against terrorism need to be proportionate. While the Government has a legitimate right and responsibility to fight terrorism, it is also responsible for ensuring that these efforts are done in accordance with the rule of law, human rights and fundamental freedoms. Amending the anti-terror law and practices in line with EU standards is key. This is also a remaining benchmark in the visa-liberalisation dialogue.

In its efforts to fight terrorism, Turkish threat perception has prioritised the fight against the PKK and the dismantling of the Gülen movement, nationally designated as a terror organisation in May 2016, and to which Turkey attributes the organisation and execution of the attempted coup of July 2016. The PKK remains on the EU's list of persons, groups and entities involved in acts of terrorism. Turkey continued its efforts to fight against both home-grown and foreign terrorist fighter (FTF) cells. Following the jointly agreed actions at the counter-terrorism dialogue in November 2017, cooperation between Turkey and EU Member States on the issue of foreign terrorist fighters has improved; there is a strong need to continue to implement the actions that were agreed.

Institutional set-up and legal alignment

There is a Police tactical unit responsible for counter-terror in the Branch of the General Directorate of Security.

Turkey has not made any progress in reforming its **legislative framework** on anti-terrorism in the reporting period. While maintaining the effectiveness of its fight against terrorist threats, Turkey needs to bring its legislation on terrorism and corresponding implementation into line with the standards enshrined in the European Convention on Human Rights, the case law of the European Court of Human Rights and the EU *acquis* and practices.

The country is party to the Council of Europe's Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism. The country currently lacks a comprehensive **strategy and action plan** on anti-money laundering and terrorism financing. However, the Financial Crimes Investigation Board (MASAK), in coordination with other relevant institutions, has been preparing a comprehensive national risk assessment document ahead of the upcoming Financial Action Task Force assessment in 2019.

Implementation and enforcement capacity

Turkey's counter-terrorism dialogue with the EU continued, and is among the key areas of joint interest. Turkey developed its cooperation with EU Member States on detecting foreign terrorist fighters (FTF) who seek to cross Turkey to reach - or return from - Syria or Iraq. Closer cooperation with Europol on FTF would be desirable. By 2018, Turkey issued entry bans for more than 70,000 suspected FTF (14% of whom are EU citizens) and deported about 6 969 FTF (917 EU nationals). However, police and judicial cooperation with EU Member States and EU agencies in combating terrorism remained limited due to the absence of a personal data protection law in line with European standards, and differences over the definition of, and penalties for, terrorist offences. Turkey should continue its efforts to effectively prevent and counter radicalisation.

Legal and irregular migration

Institutional set-up and legal alignment

As regards the **institutional framework**, the Security and Foreign Policies Council is one of the nine new Presidential Councils established by presidential decree in July 2018. The Migration Board, established by presidential decree in September 2018, is responsible for the determination, coordination and implementation of Turkey's migration strategy and is convened by the Minister of the Interior.

A decree of July 2018 resulted in the abolition of the following institutions: the Migration Policy Board, previously established under the Law on Foreigners and International Protection (LFIP), the Migration Advisory Board, which organised participation by civil society and academia, and the Coordination Board on Combatting Irregular Migration. A presidential decree which came into force in July 2018 established a new department under the Directorate-General for Migration Management (DGMM), the Department for Combatting Irregular Migration.

The DGMM remains a key player in managing migration and continued to increase its staff capacity, and employs a total of 3 098 staff centrally and in the Turkish provinces. While no DGMM structure abroad has yet been set up, the DGMM has appointed contact points to Afghanistan and Pakistan, the main countries of origin of irregular migration to Turkey.

The **legislation** in this area is partially aligned with the EU *acquis*.

Turkey did not sign any additional bilateral **readmission agreements** in 2018. The readmission agreement with Nigeria was ratified.

The DGMM follows a strategic plan for 2017-21, which contains objectives for regular migration, irregular migration, international protection, the fight against trafficking in human beings, improved integration and communication, and increased institutional capacity.

Implementation and enforcement capacity

The EU-Turkey Statement of 18 March 2016 after three years of implementation continued to deliver results, with both parties committed to its effective implementation. According to the International Organisation for Migration, the number of lives lost in the Aegean Sea during irregular crossing attempts stood at 156 in 2018, compared with 62 in 2017 and 434 in 2016. The daily average of irregular crossings from Turkey to the Aegean islands was 85 from the activation of the Statement until the end of 2018, compared with 1 794 before the activation of the Statement. This sharp downward trend was supported by intensified efforts by Turkey's law enforcement agencies to prevent irregular departures from coastal areas, by Turkish Coast Guard rescue operations in the Aegean Sea, by the restriction of the free movement of persons seeking international protection and by a measure relocating persons under temporary protection who tried to cross irregularly to Europe to temporary accommodation centres in eastern provinces of Turkey. Technical cooperation between Greece and Turkey on returns under the Statement has been facilitated by regular trilateral meetings also involving the EU. At the same time, migratory pressure on Turkey increased significantly. According to the Turkish authorities, 222 290 persons who had crossed into Turkey illegally were apprehended in 2018, compared with 175 752 in 2017. Irregular migrants from Afghanistan, Pakistan and Syria were the three most frequently apprehended nationalities. The number of irregular migrants intercepted by the coast guard reached 23 185 in the reporting period, up from 21 937 in 2017. The number of people smugglers apprehended increased slightly from 4 641 in 2017 to 4 913 in 2018. No data is available concerning their prosecution by the Turkish judicial system.

Turkey continued to implement the 'One-for-One' resettlement scheme under the EU-Turkey Statement, in cooperation with the EU Member States and relevant UN agencies in Turkey. Between April 2016 and December 2018, 18 640 Syrians were resettled from Turkey to the EU, of whom nearly 7 000 in 2018. Respecting its commitments under the EU-Turkey Statement since April 2016, in 2018 Turkey accepted 1 762 returnees from the Greek islands, including 278 Syrians. The number of returns is low and needs to be increased.

Turkey has 18 **removal centres** with a total capacity of 8 276 persons. An additional temporary facility for 4 000 persons was opened in 2018. The DGMM plans to increase its hosting capacity by opening another 16 removal centres for up to 7 200 persons by 2020. Turkey needs to further align its practice with European standards in removal centres, in particular with regard to access to legal counselling and interpreters.

49 523 irregular migrants were returned from Turkey to their countries of origin in 2018. Through an IPA-financed project implemented with IOM, 1 737 irregular migrants received voluntary return assistance. Turkey is working on developing a national mechanism for Assisted Voluntary Return.

Implementation of the **EU-Turkey readmission agreement** remained unsatisfactory. Provisions of the agreement that apply to Turkish nationals are not implemented consistently by all Turkish diplomatic missions in the EU. In relation to third-country nationals, Turkey maintained its position that it would not implement the provisions that entered into force in October 2017 until the visa requirement for Turkish citizens travelling to the Schengen zone

for a short stay has been lifted. Turkey has suspended and therefore is not implementing the bilateral protocol on readmission with Greece (at the end of 2018 there were over 3 500 unanswered requests). Turkey does not readmit third-country nationals from Bulgaria under either the bilateral border agreement or the EU-Turkey readmission agreement.

Asylum

Institutional set-up and legal alignment

The DGMM is the main **institution** responsible for all refugee-related issues. The dual asylum registration and refugee status determination system established by the DGMM and the UNHCR was abolished in September 2018. Since then, registration and refugee status determination for non-Syrians in Turkey has been exclusively managed by the DGMM. In March 2018, the DGMM opened a pilot Refugee Status Determination (RSD) centre in Ankara. Another one is scheduled to start operations in Istanbul in 2019. The basic aim of this initiative is to further harmonise RSD procedures in Turkey. The DGMM now issues ID cards for applicants with an immediate validity of six months once their registration has been completed. An ID card legalises an applicant's stay in Turkey and provides access to the national health insurance scheme, public schools, free interpretation services and other social assistance. In some Provincial Directorates for Migration Management (PDMM), there are backlogs and long waiting times for registering for international protection status. International Protection applicants face serious difficulties in accessing registration and obtaining IDs.

Applicants for international protection, conditional refugee status holders and people under temporary protection (Syrians) can apply for work permits. According to the Turkish authorities, the number of work permits issued to Syrians under temporary protection was 38 289 at the end of 2018, compared with 15 700 in 2017. This increase is attributed to the information activities carried out by the Government to encourage legal employment, and to a reduction in the administrative fees for work permits. Throughout 2018, the DGMM continued the verification of data of Syrians under temporary protection, updating and completing the information taken during their original registration. As of 31 December 2018, the data of 2.6 million Syrians had been verified.

Legislation in this area is partially aligned with the EU *acquis*. The Turkish Law on Foreigners and International Protection (LFIP) maintains the reservation (geographical limitation) expressed in the New York Protocol of the 1951 Geneva Convention, according to which the vast majority of persons seeking international protection in Turkey cannot apply for fully-fledged refugee status but for 'conditional refugee' status and subsidiary protection only. Conditional refugee status limits the stay in the country 'until the moment a recognised conditional refugee is resettled to a third country'. Syrian refugees are collectively granted a specific refugee status under the Temporary Protection Regulation.

The DGMM drafted a strategy and action plan on 'harmonisation' (the term used by the Turkish authorities to define activities related to the integration of migrants and refugees) covering 2019-2023, which contains objectives for employment, health, education, social policies, orientation/information, and social aid. The plan was endorsed by the former Migration Policies Board in February 2018, but has not yet been made public.

Implementation and enforcement capacity

Turkey has continued to provide generous assistance to refugees, hosting the largest refugee community in the world, with 3.6 million Syrians under Temporary Protection and around 370,000 registered non-Syrian refugees. The number of asylum seekers continued to increase over the reporting period. In 2018, Turkey had granted international protection (refugee

status, conditional refugee status or subsidiary protection) to 72 056 applicants. The authorities rejected 13 139 applications. The UNHCR indicates that at the end of December 2018, 370 932 asylum seekers and refugees from countries other than Syria were registered in Turkey; of these, 46% were Afghanis and 39% were Iraqis.

There are currently 62 ‘satellite cities’ in Turkey where asylum seekers and recognised conditional refugees are required to reside. Syrians may register in any of Turkey’s 81 provinces, but must then stay in that province. Registration was temporarily suspended in some provinces during 2018.

Around 155 000 of 3.6 million Syrian refugees live in 13 camps located in the south-east of the country, close to the Syrian border. The number of camps is steadily decreasing as refugees are resettled to urban areas or return to their home countries. In 2018, the DGMM took over the management of the camps from Turkey's Disaster and Emergency Management Agency. Throughout 2018, significant steps were taken to provide wider access to schooling and healthcare to Syrians under temporary protection, including with EU support under the Facility for Refugees in Turkey.

The Facility is implemented as humanitarian and development assistance. Under the first tranche of humanitarian assistance, 45 projects were contracted with 19 partners, covering basic needs, protection, education and health. The EU addressed the needs of particularly vulnerable refugees via the Emergency Social Safety Net, benefitting more than 1.6 million of the most vulnerable refugees. The Conditional Cash Transfer for Education programme was launched in 2017 and is the largest ever Education in Emergencies programme financed by the EU, facilitating access for refugee populations to formal education systems. As of April 2019, over 494 000 children attended school and their families received financial support through this programme.

In education, a grant of EUR 300 million, implemented in cooperation with the Turkish Ministry of National Education, has supported the integration of Syrian children into the Turkish education system, thus providing access to education to over 600 000 children. This support continues under the second tranche, and a new project with the Ministry of National Education was signed, worth EUR 400 million. In addition, in health, the Facility is delivering EUR 300 million in aid to ensure that refugees can access healthcare services, with over 4 million primary health care consultations carried out and over 500 000 Syrian refugee children vaccinated so far. Furthermore, 143 migrant health centres are now operational, with over 2 000 staff employed.

Throughout 2018, the DGMM continued the verification of data of Syrians under temporary protection, updating and completing the information taken during their original registration. By December 2018, the data of 2.6 million Syrians had been verified using Facility funding. This will provide updated data to design evidence-based programmes for targeted assistance, and should be made available to policymakers across relevant government bodies. Reports in the press of alleged expulsions, returns and deportations of Syrian nationals, in violation of the principle of non-refoulement, continued in 2018. The EU monitors the situation of refugees and migrants in Turkey through regular meetings and information exchange with Turkish authorities, as well as national and international organisations, including these focusing on refugee and migrant rights, and through field visits in crucial geographical areas. However, the EU does not have access to the Turkish-Syrian border and is not monitoring returns to Syria. The EU provides significant funding for capacity building of DGMM.

In June 2018, the Turkish Constitutional Court issued a pilot judgement concerning the prohibition of refoulement in light of the amendments introduced to the LFIP by way of an

emergency decree in October 2016. The exception introduced to the principle of non-refoulement provides that a deportation decision ‘may be taken at any time during the international protection proceedings’ against a person for reasons of (i) leadership, membership of or support of a terrorist organisation, or a benefit-oriented criminal group; (ii) a threat to public order or public health; or (iii) in relation to terrorist organisations defined by international institutions and organisations. This exception has been subjected to frequent criticism by civil society organisations, since it allows for deportation while the asylum procedure is still pending. The Constitutional Court has granted interim measures, deciding to suspend deportation decisions in 784 out of 866 applications.

At the end of 2018, out of a total of 526 846 persons registered as eligible to apply for international protection in Turkey (not including nationals eligible for the Temporary protection status), the Turkish authorities had issued 72 961 positive decisions and 13 942 negative decisions, and still had to process a backlog of 317 062 applications.

The pilot centre for refugee status determination established in March 2018 in Ankara to accelerate asylum processing is staffed with a number of caseworkers and designed as a long-term support mechanism. Provincial Directorates for Migration Management may refer asylum applicants to the centre in the event of a sudden increase in the number of applicants. Decisions issued by the RSD centre are not final, and the final decision on granting status still belongs to the governorate where the application is lodged. Interpretation is available, also partly through EU support; however, it is not sufficient and needs to be further expanded. GöçNet is the government database containing data on applicants for international protection, including biometric data in the form of photos and fingerprints. Access to GöçNet by all law enforcement agencies dealing with foreigners has not yet been ensured, although border guards have access to it. There are only two reception and accommodation centres for asylum seekers, set up in Yozgat and Tekird, with a total reception capacity of 150 people.

The DGMM continued to cooperate with the European Asylum Support Office in 2018.

Visa policy

The EU-Turkey visa liberalisation dialogue continued. Turkey established seven working groups to carry out technical work on the outstanding benchmarks of the visa liberalisation dialogue, namely the fight against corruption, judicial cooperation in criminal matters, cooperation with Europol, data protection legislation, anti-terrorism legislation, the EU-Turkey readmission agreement and biometric passports. Significant progress was made regarding biometric passports, as the Directorate-General for Civil Registry and Citizenship started issuing second-generation biometric passports for Turkish citizens in April 2018. These biometric passports are now compatible with EU standards. In November, the EU and Turkey launched negotiations on an agreement on the exchange of personal data between Europol and the Turkish authorities but Turkey has yet to revise its data protection legislation.

No progress has been made in the harmonisation of the Turkish visa policy with the EU visa policy. Turkey should take further steps to ensure full alignment with the EU visa policy. Turkey continues to apply a discriminatory visa regime towards 11 Member States.

Schengen and external borders

Institutional set-up and legal alignment

Legislation to create a **single civil agency** in charge of border security was put on hold, mainly due to security concerns in several border regions. Cooperation between the different agencies involved in border management matters is formally coordinated by the

Directorate-General for Provincial Administration under the Ministry of Interior. However, coordination remains weak, not least since the number of civil executive bodies and law enforcement agencies dealing with border management issues is relatively high, and is organised in a decentralised manner (in border regions in particular). A National Coordination and Joint Risk Analysis Centre was established in 2016 with the aim of providing a platform for collecting, exchanging and processing data on border security and carrying out joint risk analysis among the different border authorities. The centre has not yet become fully operational.

While Turkey's **legislation** on external borders and Schengen is inspired by the EU *acquis* and practices, its legislative and administrative frameworks are not fully aligned with EU standards. In order to bring the country's border management system more into line with the EU *acquis*, Turkey should adopt a law on integrated border management (IBM) and intensify its efforts to set up a civilian and professional border security agency which is specialised in border checks of persons at border crossing points and in border surveillance at land and sea borders. During the course of 2018, no new legislation on border management was adopted.

Since 2012, Turkey has a Memorandum of Understanding with the European Border and Coast Guard Agency. During the reporting period, Turkey participated in joint operations as an observer.

The entire Syrian border is protected by a wall or barbed wire fence. Several border checkpoints remain open for regular trade and border crossings. These construction works also aim to facilitate the removal of anti-personnel landmines laid 60 to 70 years ago.

Implementation and enforcement capacity

The Government continued to build up its mobile border surveillance capacity at land and sea borders during the reporting period. New technologies were rolled out and the infrastructure modernised. The greater influx of migrants and increased numbers of operations by the different border services during 2018 have resulted in an increased number of apprehensions of irregular migrants and organisers of people smuggling in 2018 (see figures in the section Legal and Irregular Migration above). Demining activities with the financial support of the EU were carried out during the reporting period in the province of Ağrı (near Doğubeyazıt) at Turkey's border with Iran. Turkey continued its border cooperation with neighbouring Greece and Bulgaria through the trilateral Police and Customs Co-operation Centre by dispatching liaison officers who are permanently based at the Bulgarian border crossing point Kapitan Andreevo.

Judicial cooperation in civil and criminal matters

Judicial cooperation in civil and criminal matters is regulated by the Law on International Civil Law and Procedural Law, circulars and international conventions. Turkey is a party to most of these.

Turkey still needs to accede to relevant international conventions in the area of civil justice, many of which were drawn up by the Hague Conference on Private International Law, including in particular the Hague Convention of 30 June 2005 on Choice of Court Agreements. Turkey has not yet ratified the European Convention on the Compensation of Victims. Turkey should take effective measures to ensure an acceptable reduction in delays to proceedings resulting from the 1980 Hague Convention on civil aspects of international child abduction and to foster the use of international mediation in such cases.

Turkey now has in place the main legislation governing the judicial cooperation in *criminal matters* and has acceded to most of the international conventions. In 2018, Turkey signed a

Protocol Amending the Additional Protocol to the Convention on the Transfer of Sentenced Persons. The implementation of the newly introduced mechanisms aim to speed up the cooperation under the Law on international judicial cooperation in criminal matters of 2016. It has started to yield positive results. However, the independence and accountability of the justice system has to be substantially strengthened for a smooth application of the principle of mutual recognition of judgements and court decisions in criminal matters.

In 2018, EU Member States accepted 7 extradition requests from Turkey while Turkey did not accept any of the 5 requests from EU Member States. EU Member States did not accept any transfer of convicts to Turkey and neither did Turkey. Turkey still does not cooperate with all EU Member States in these matters.

In 2018, Eurojust dealt with 12 cases involving Turkey.

All aspects of customs cooperation are now covered under Chapter 29 – Customs Union.

3. FUNDAMENTALS FIRST: ECONOMIC DEVELOPMENT AND COMPETITIVENESS

Turkey: Key economic figures	2010-15 average	2016	2017	2018
GDP per capita (% of EU-28 in PPS)	60.0	64.0	65.0	:
Real GDP growth	7.4	3.2	7.4	2.6
Economic activity rate of the population aged 15-64 (%) , total	54.0	56.9	57.9	58.5
<i>female</i>	32.4	36.2	37.5	38.3
<i>male</i>	75.6	77.6	78.2	78.5
Unemployment rate (%) , total	9.6	10.9	10.9	11.0
<i>female</i>	11.2	13.9	14.2	14.0
<i>male</i>	8.9	9.7	9.6	9.7
Employment (annual growth %)	:	0.8	1.8	1.0
Nominal wages (annual growth %)	:	20.2	14.6	:
Consumer price index (annual growth %)	:	7.8	11.1	16.3
Exchange rate against EUR	2.64	3.71	4.56	5.68
Current account balance (% of GDP)	:	-3.8	-5.6	-3.6
Net foreign direct investment, FDI (% of GDP)	1.2	1.6	1.4	1.7
General government balance (% of GDP)	:	-1.3	-1.6	-2.6
General government debt (% of GDP)	:	28.3	28.3	31.1

Source: Eurostat and national sources

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.

Economic governance has become even more central in the accession process in recent years. The Commission's monitoring takes place in two processes: the Economic Reform Programme exercise and the assessment of compliance with the economic criteria for accession. Each enlargement country prepares an annual Economic Reform Programme (ERP), which sets out a medium-term macro-fiscal policy framework and a structural reform agenda aimed at ensuring competitiveness and inclusive growth. The ERPs are the basis for country-specific policy guidance jointly adopted by the EU and the Western Balkans and Turkey at ministerial level in May each year.

3.1. The existence of a functioning market economy

The Turkish economy is **well advanced**, but serious **backsliding** continued, leading to deeper concerns over the functioning of the country's market economy. A sharp deterioration in external financing conditions exposed vulnerabilities which have built up over the years. In response, the Turkish authorities took a range of policy actions that negatively affected the functioning of the markets, particularly interference with price formation and the introduction of constraints on the free use of foreign currency. Existing concerns regarding the independence of key economic institutions, including the independence of their staff, have deepened, in particular after the transition to the presidential system in which checks and balances were eroded.

The current account deficit reached a peak in the first half of 2018 before a strong correction set in as a result of the weakening economy and the fall in the Turkish lira (TL). The inflation rate jumped to levels far above the upper band of the target range following the currency crisis and years of high credit growth, high money growth and low real interest rates.

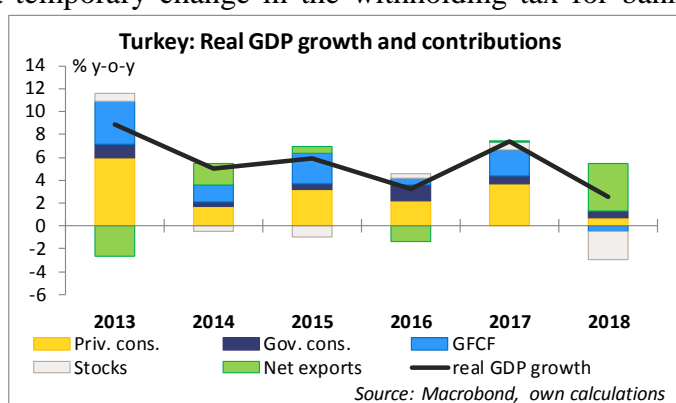
Fiscal, quasi-fiscal and regulatory measures stimulated the economy when it was in an upswing, combined with relatively easy monetary conditions. In the ensuing disorderly unwinding of imbalances, measures taken by the authorities have eroded the functioning of the market economy.

In order to improve the functioning of the market economy Turkey should in particular:

- increase fiscal transparency and credibility, promote domestic savings and reduce incentives for greater indebtedness of companies;
- improve the business environment, including by strengthening the rule of law and reducing the number of businesses remaining under trusteeship;
- unwind the measures that inhibit the free flow of foreign capital and reduce state influence in price setting;
- reduce informality in the labour market and develop more incentives for the participation of women in the labour market.

Economic governance

Turkey faced a sharp deterioration in its external financing conditions in the second half of 2018, which led to strong policy responses, some of which are hampering the functioning of the market economy. The long-running depreciation of the TL accelerated markedly in April 2018 and even more sharply in August 2018. Turkey's high dependence on foreign financing exposed it to changes in investor sentiment. In response, the Turkish authorities, in addition to a series of mainstream policy measures such as an interest rate hike and the adoption of a fiscal consolidation plan, also undertook a range of actions that undermine the proper functioning of the markets. These include restrictions on the use of derivatives, requesting banks to charge below-market interest rates for mortgages, banning the use of foreign currencies in high-value transactions (car leases and real estate), blocking price hikes for specific consumer goods products, forced transfers of foreign currency proceeds into domestic currency, and a temporary change in the withholding tax for bank deposits. The Government also influenced price setting by coordinating a 'voluntary price reduction' while intensifying the sanctioning of price rises deemed



excessive. At an aggregate level, the emergency measures have had limited impact on lowering inflationary expectations and reducing inflationary pressure. Concerns regarding the independence of economic institutions such as the financial supervisor (loosening of macro-prudential standards to stimulate growth), the national accounts office (dismissal of a senior staff member), and the central bank (missing the upper band inflation target by a wide margin for several years, switching between policy rate channels in the absence of economic rationale) have deepened. These concerns deepened further with the transition to the presidential system, in which checks and balances have been eroded. The policy guidance jointly agreed at the May 2018 Economic and Financial Dialogue between the EU and the Western Balkans and Turkey has been implemented to a limited extent.

Macroeconomic stability

The Turkish economy slowed markedly in 2018 after strong growth in the preceding years as financial conditions sharply deteriorated in August. In 2013-2017, GDP grew by an average of 5.5% a year, and GDP per capita, calculated in Purchasing Power Standards (PPS) EUR, by 4.9%. Due to this high growth, per capita income converged significantly with EU levels, from 52% in 2010 to 65% in 2017. Loose financial conditions fuelled growth, in particular in the construction sector. However, this came at the cost of increasing macroeconomic imbalances, setting the scene for sharp depreciation of the TL and a strong deterioration in financial conditions and credit supply. While growth was still robust at the beginning of 2018 (7.1% year-on-year in the first quarter), the deceleration of the economy that started in the second quarter worsened in the third. An increase in net exports only partly offset a sharp contraction in domestic demand.

The current account deficit reached a high in the first half of 2018 of 8.0% of GDP before reversing to a surplus in the second half. The ratio of the current account deficit to GDP was 7.0% of GDP in 2013 and 5.6% in 2017, averaging 5.0% of GDP over this period. After reaching a high in the first half of 2018, the current account corrected following the sharp depreciation of the TL as imports contracted and exports increased. The services balance increased to 3.3% of GDP over the full year 2018, above the 2015 high of 2.9% of GDP. A current account deficit of 3.6% of GDP was recorded over the full year 2018. The services balance improved, with a recovery of tourism in Turkey, although individual tourists spent on average 15.5% less in 2017 than in 2013 (-18.5% Q1-Q3 2018 vs. Q1-Q2 2013).

Capital flows to Turkey have been volatile, with large shifts within categories. Foreign direct investment flows (FDI) have been the most stable, but continue to play a relatively limited role, registering a net inflow of 1.0% of GDP in the first three quarters of 2018. Net portfolio flows into Turkey surged in 2017 to 2.8% of GDP, but reversed and registered an outflow of 0.7% of GDP in the first three quarters of 2018. Turkish companies also increasingly financed themselves through trade credit, receiving more trade credit than they extended. Trade credit flows reversed in the third quarter however (-0.7% of GDP vs. +0.4% in 2017). The ratio of official reserve assets to short-term debt declined from 108% (7 months of imports) in 2016 to 97% (5 months of imports) in 2017, and further to 83% (5 months of imports) in 2018. Turkey's gross international debt grew from 40.1% of GDP in 2013 to a high of 52.9% in the first three quarters of 2018.

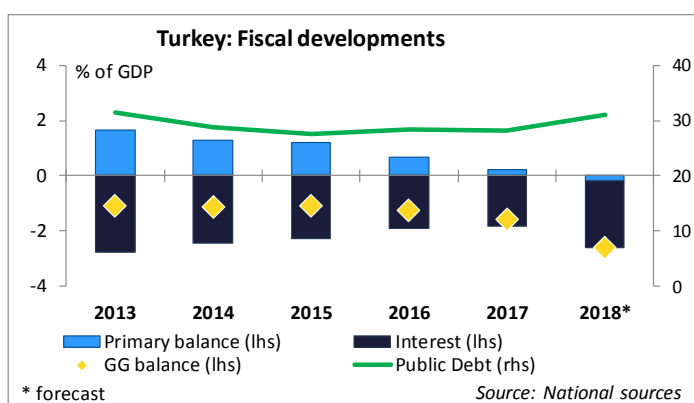
Inflation increased markedly from the low double figures in 2017 to over 20% following the sharp depreciation of the TL in August. Inflation increased to a high of 25.2% year-on-year in September, before falling to 19.7% in February 2019. The Central Bank of the Republic of Turkey (CBRT) has used different policy instruments to influence interest rates. The economic rationale for switching between these interest rate channels is not obvious, and the use of the late liquidity window (LLW) emergency facility increased the risks of

inappropriate funding levels and moral hazard. By the end of 2017, the LLW had become the only financing channel. In May-September 2018, the central bank rapidly alternated between different instruments, announcing first a central repo rate, switching to overnight lending and then reverting to repo until it increased its main policy rate to 24%, well above market expectations.

Fiscal and quasi-fiscal policy have worked pro-cyclically and increased government liabilities. The Government has financed large infrastructure projects through Public Private Partnerships (PPPs), increasing government contingent liabilities. It has also stimulated credit growth through government credit guarantees, and state-owned banks have been at the forefront of increased lending. The primary budget balance fell from 1.7% in 2013 to 0.2% of GDP in 2017. A benchmark fiscal rule was considered but never implemented. There is no independent fiscal council, and medium-term projections, which have been targets rather than conservative estimates, now fall directly under the responsibility of the President.

The budget deficit grew due to pre-election spending.

The central government budget deficit outcome was 2.4% of GDP. Both primary expenditures and revenues increased, but expenditures increased at a higher pace. General government debt stood at 32.6% of GDP in the third quarter of 2018, up from 28.3% of GDP in 2017. Foreign currency denominated debt was stable at 39% of all debt from the first quarter.



With the transition to the presidential system, important changes have been made to Turkey's budgetary framework, which raises concerns about accountability and the transparency of public finances. Budget preparation, implementation and audit are centralised under the President, as are off-balance-sheet items such as the Turkish Wealth Fund.

The macroeconomic policy mix led to an unsustainable credit-fuelled economic boom in 2017 and early 2018 that ultimately led to a further increase in vulnerabilities.

The institutional setting weakened with the transition to the presidential system and, despite a large increase in the nominal policy interest rates, the real interest rate remained close to zero throughout 2018. However, in a reaction to the crisis, the Government announced an austere fiscal agenda which, together with reduced political tensions with Turkey's major allies and strongly positive real interest rates, worked to restore market confidence. Measures to stabilise the financial sector by focusing on recapitalising banks and improving their asset quality were announced in April 2019.

Functioning of product markets

Business environment

Starting a business has become easier. The Government has made good progress, having legislated to improve the investment environment, especially by reducing and facilitating bureaucratic procedures and lowering costs for starting a business and obtaining construction permits. The average cost of starting a business fell from 12.6% to 10.6% of per capita income in 2018. The number of newly created businesses grew by 17% year-on-year between 2017 and 2018. Market exit has remained costly and time-consuming. While some aspects have been simplified, insolvency procedures still last an average of five years and the

recovery rate fell slightly further between 2017 and 2018, from an average of 15.3% to 14.7%. The number of company bankruptcies decreased by 7.1% between 2017 and 2018.

The management of numerous companies has been transferred to the trusteeship of the Savings Deposit Insurance Fund (TMSF). As of 13 November 2018, 1,008 companies based in 42 provinces across Turkey with a total asset value of £55.9 billion (EUR 8.8 billion) and a total of 45,364 employees had been seized or had a trustee appointed since the coup attempt. In the new presidential system, the TMSF has been tied to the presidency. Furthermore, the President now also has the authority to appoint the Head of the TMSF and its members. Turkey does not score well in international business environment rankings, and its position in the judiciary components of these rankings is deteriorating.

The informal sector remains large, even if it is being reduced. Turkey has reported a decline in the informal economy's share of GDP from 32% in 2002 to 27% in 2017. Informal employment has declined from 45.4% of total employment in 2007 to 34% in 2017. Turkey put a lot of effort into receiving and addressing the needs of almost four million refugees, but the high number of refugees has exacerbated the problem of informal employment. From January 2016, refugees fulfilling certain eligibility criteria could apply for work permits. The uptake was relatively limited in the first year, in part because of stringent requirements. Turkey has also allowed the creation of many new businesses headed by Syrians under temporary protection. Turkey's performance as concerns corruption has been deteriorating over the past five years [*see Chapter 23*].

State influence on product markets

The Government has stepped up its interventions in the price-setting mechanism in key sectors. Around 30% of the consumer price inflation basket in Turkey is composed of goods whose prices are set or heavily influenced by public authorities, either directly or indirectly (price limits, tax rate adjustments). This represents an increase from the 25% reported last year. In October 2018, the government launched a full-scale programme to fight inflation by inviting companies to cut prices on consumer goods by at least 10% until the end of the year. In August 2018, amid growing concerns over the risks of pricing behaviours (especially significant price hikes and stockpiling), the Ministry of Trade introduced an amendment to the Regulation on commercial advertising and unfair commercial practices. According to this new legislative framework, price hikes not justified by a rise in input costs or by the exchange rate are considered unfair commercial practices. Measures to boost competition, however, would be more appropriate than direct government interference in price setting. The Food and Agricultural Product Markets Monitoring and Evaluation Committee is seeking to contain the rise in food prices by improving supply conditions for unprocessed food products.

There has been backsliding in improving the transparency of State aid. Legislation to implement the State Aid Law, originally scheduled to be passed by September 2011, has still not been adopted. 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 with the *acquis*. Additionally, Turkey has abolished the administrative structure responsible for implementing State aid legislation, and fully transferred its mandate to the Economic Policies Council and to the President, who is also the appointing authority for this Council's members. Thus, the organisational structure established for the purposes of implementing the Law has been dismantled, and the current structure is not considered to be operationally independent.

Privatisation and restructuring

The pace of privatisation has slowed considerably, accelerating the downward trend of previous years. The total volume of completed privatisations fell from \$1.3 billion (about

EUR 1.2 billion) in 2016 to \$224 million (about EUR 188 million) in 2017. The privatisation of sugar factories represented by far the largest portion of privatisation revenues in 2018. The share of the energy sector (hydropower plants) in privatisation tenders remains high. Network sectors have been liberalised, with the exception of postal services and railways. Government assets within the scope of the Turkish Sovereign Wealth Fund (TWF) appear to be ring-fenced from privatisation. Under the presidential system, the Fund has been affiliated to the Presidency and the mandate of the Prime Minister on the TWF has been transferred to the President. As a result, the strategic investment plan of the TWF requires the President's approval. Furthermore, the President is authorised to transfer public assets to the Fund and to nominate the auditors for it. The President has become the chairman of the Executive Board of the TWF and has appointed the Minister of the Treasury and Finance as the Fund's vice-chairman. Concerns over auditing of the TWF have not been addressed. Borrowing by the TWF would increase government debt. Government revenues as a share of GDP stood at 31.4% in 2017.

Functioning of the financial market

Financial stability

The financial sector performed generally well and demonstrated resilience during a period of high volatility in capital flows and the TL exchange rate. Credit growth started to accelerate at the end of 2016, and continued to do so in the first half of 2017 when the Turkish non-monetary authorities provided policy stimulus through a relaxation of the macro-prudential regulation and an expansion of government credit guarantees. As inflation started to pick up during 2017, the policy rate did not keep up and the realised real interest rate declined while inflation expectations increased. This likely added to the policy stimulus and the resurgence in credit growth. From the end of 2017, credit growth lost momentum and rapidly declined throughout 2018. The banking sector's loans-to-deposits ratio stood at 117.6% in December 2018. The sector's capital adequacy ratio increased from 15.6% to 16.8% between 2016 and 2017 and further to 17.3% by December 2018. The proportion of non-performing loans (NPL) of total banking sector loans remained relatively low, at 3.9% in December 2018. These financial soundness indicators, however, benefited from changes in risk classification. A stress-test performed by the financial supervisor at the end of December 2018 received criticism for lack of transparency.

Access to finance

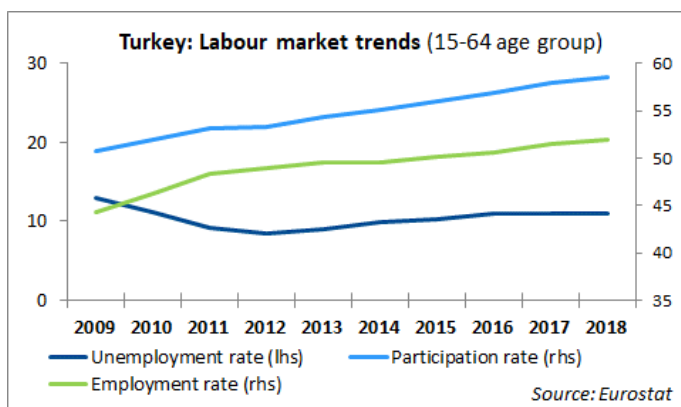
Banks have continued to dominate the financial sector. Over the past five years, banks' credit extension to the private sector increased from 51.2% of GDP in 2013 to 63.6% in the first three quarters of 2018. Their rapid credit expansion continued in 2017 (+21% year-on-year) and in the first half of 2018 (+21%). In the second half of 2018, loan growth stalled in nominal terms and declined strongly in real terms. Compared to the EU, banks offer more loans to the non-financial corporate sector. The number of banks active in Turkey has remained relatively stable, at around fifty. Interest rate spreads between commercial loans in foreign currency and deposits have been relatively stable over the past five years, at around 2 percentage points, and increased somewhat towards the end of 2018. The Government has continued to use the Credit Guarantee Fund to support SMEs and to provide a boost to the economy, for instance by agreeing in May 2018 to introduce a loan guarantee package for businesses worth €35 billion. In May 2018, the Government introduced stricter regulation of the use of foreign currency borrowing by the corporate sector, which should help limit its exposure to exchange rate fluctuations. While this will benefit the non-financial corporate sector, part of the losses on existing foreign currency loans will be borne by the banking

sector. Access to foreign finance for smaller companies is now via the banking sector, and is dependent on the sector's access to international capital flows and its financial stability.

Functioning of the labour market

Unemployment remained stubbornly high during the past few years of strong economic growth, and has started to rise with the turning of the economic cycle, pointing to continued challenges in the labour market.

Although the unemployment rate for 15-64 year-olds remained broadly at the same level in 2017 and 2018, this hides a sizable fluctuation within these two years. The unemployment rate fell by 3 percentage points in 2017 and grew by 3 percentage points in 2018. The unemployment rate for women (14.2% in 2017) remains significantly higher than for men (9.7% in 2017). Female unemployment rates have fluctuated more throughout recent economic developments than male ones. The unemployment rate for people with a higher level of education reached 12.4% in August 2018. Turkey also suffers from a high level of youth unemployment (15-24 years). This stood at 20.3% in 2018, representing a decrease of 0.5 percentage points compared with 2017. A quarter of young people are not in employment, education or training (NEET).



The unemployment rate for women (14.2% in 2017) remains significantly higher than for men (9.7% in 2017). Female unemployment rates have fluctuated more throughout recent economic developments than male ones. The unemployment rate for people with a higher level of education reached 12.4% in August 2018. Turkey also suffers from a high level of youth unemployment (15-24 years). This stood at 20.3% in 2018, representing a decrease of 0.5 percentage points compared with 2017. A quarter of young people are not in employment, education or training (NEET).

The labour force participation rate is increasing, however, but the gender employment gap persists. Driven by a growing working-age population, the labour force participation rate continued to increase from 58.0% in 2017 to 58.5% in 2018. The overall employment rate for 15-64 year-olds increased from 51.5% in 2017 to 52.0% in 2018, with a large difference between men (70.9%) and women (32.9%). Undeclared work remains widespread, with one third of the workforce still in informal employment. The minimum wage has risen over the years in real terms, despite increasing inflation. This complicates the reduction of the informal sector.

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

Turkey has made **some progress** and has a **good level of preparation** in achieving the capacity to cope with the competitive pressure and market forces within the EU, with improvements in energy sector and some advances in spending on R&D, education and physical capital. Turkey is well integrated with the EU market in terms of both trade and investment. However, significant weaknesses exist as regards the quality of education and gender equality in education, as well as the level of innovation, the energy sector and infrastructure. There was no progress on last year's policy recommendations.

In order to improve competitiveness and support long-term growth, Turkey should in particular:

- increase enrolment in education and improving the quality of secondary education;
- remove trade barriers or equivalent that are not in conformity with the EU-Turkey Customs Union, including in public procurement, forced localisation schemes for investment and additional duties on imports from non-EU countries.

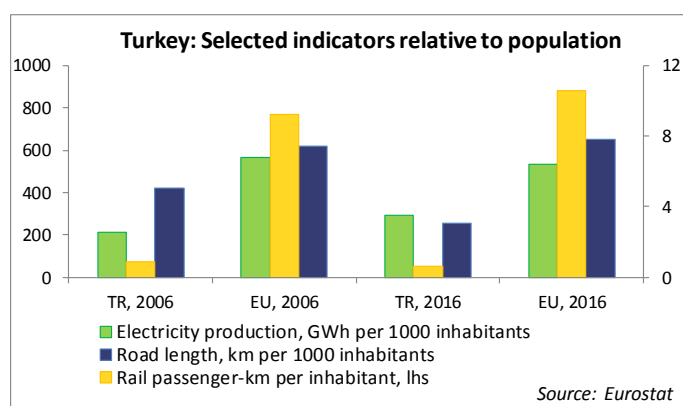
Education and innovation

Significant problems remain in education in terms of both quality and access, which is more difficult for girls. The Global Competitiveness sub-indices for the quality of education ranks Turkey 101 out of 133 countries, and 131 out of 144 countries for the gender gap. Total expenditure in 2017 was ₺176.5 billion, representing an increase of 9.8% compared to 2016. Expenditure on education as a percentage of GDP was 4.7% in 2016 and 4.2% in 2017 (EU average 5.0%, with different demography). The net enrolment rate for pre-school education for the age group 5 increased from 58.8% in 2017 to 66.9% in 2018. The net enrolment rates in primary school (first 4 years) increased from 91.2% in 2017 to 91.5% in 2018, but fell for lower secondary school (second 4 years) from 95.68% to 94.47%. Parents have two choices: they can send their children to either pre-school or primary school at the age of five. Most parents choose pre-schools instead of primary schools. In secondary education (final four years), the net enrolment rate increased from 82.5% in 2017 to 83.6% in 2018. A mismatch continues between the requirements of the labour market and the skills produced by the education system. PISA scores (Programme for International Student Assessment) are relatively low in Turkey (science literacy score of 425 in 2015) in comparison with the OECD average (493) and the EU.

Research and development (R&D) expenditure increased from 0.86% of GDP in 2014 to 0.96% in 2017, but remained well below the Government's current target of 1.8% by 2018 (which was defined using the old national accounting methodology). This is also well below the EU average. About half of this investment came from the private sector. Despite recent initiatives, cooperation between research institutions and the private sector is still limited.

Physical capital and quality of infrastructure

Improvements in the country's physical capital have been modest. Total investment increased from 29.3% in 2016 to 30.0% of GDP in 2017 (28.5% of GDP in 2013). The share of gross fixed capital formation by the government GDP increased from 5.2% in 2016 to 6.6% in 2017 (4.4% in 2013), while private-sector investment decreased by 0.7% of GDP between 2016 and 2017. In order to control public spending, the Government has announced the suspension of investment projects for which the tender process has not yet been launched or has started but not yet been finalised.



Some progress was made in the energy sector, particularly in the gas market. A positive development is the launch of Turkey's natural gas spot trading platform, operated by the Energy Exchange EXIST. Further progress is needed, however, to open the natural gas market and create competition for the state-owned enterprise BOTAŞ. Since 2016, the Turkish Electricity Transmission

Company (TEİAŞ) has been an observer at the European Network of Transmission System Operators for Electricity (ENTSO-E) which allows market players to freely import and export electricity between the EU and Turkey, thus improving security of supply.

In telecommunications, the number of broadband internet subscribers reached 71.8 million. Mobile broadband penetration significantly increased to 73.1%, though it is still below the OECD average of 102.4%. The share of households with access to the internet at home grew

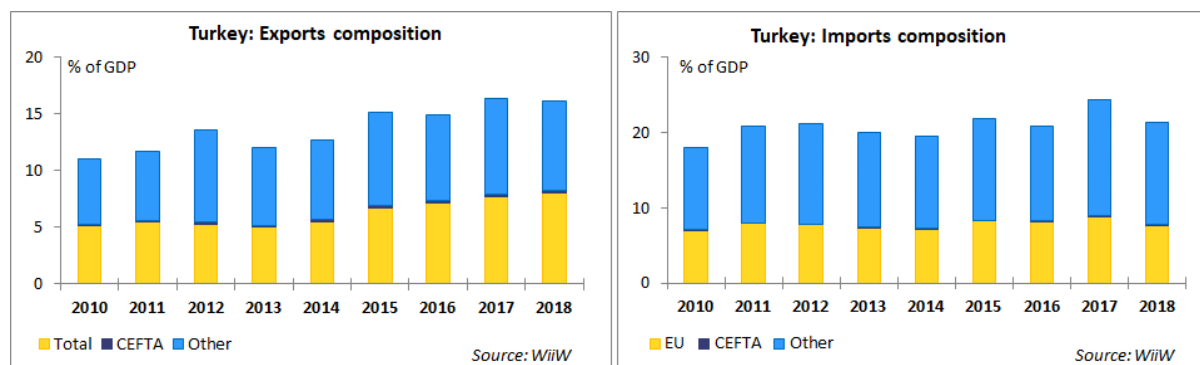
from 80.7% to 83.8% between April 2017 and April 2018. Over the same period, internet usage by individuals aged 16-74 increased from 66.8% to 72.9%. Within 2 years of implementation, the number of 4.5G subscribers reached 68 million. No further progress has been made on aligning telecommunications legislation with the EU framework. As a source of concern, Turkey still needs to amend the Internet Law in line with UN and Council of Europe recommendations.

Sectoral and enterprise structure

The sectoral breakdown of employment growth shows a continued shift towards the services sector, which accounted for 53.7% of total employment and 61.6% of GDP in 2017. Industry accounted for 19.1% of employment and 20.7% of GDP, while agriculture employed 19.4% of the workforce and produced 6.1% of GDP. This confirms the higher share of industry in value added recorded over the past five years. Services contributed by far the largest part of value added over the same period, with a stable share of 61-62% of total value added.

SMEs employ around three quarters of Turkey’s workforce and generate more than half of the economy’s total value added. Turkey continued to implement various corporate schemes, mostly targeting SMEs. The scope of schemes concerning the organisation of sectoral national fairs and participation in international fairs, market research and market entry, investment support for centres of attraction, industry areas, organised industrial zones, technology development zones, support for tourism operators and Treasury support for venture capital funds was further extended to cover a wider range of beneficiaries and activities. Financial institutions do not offer as much long-term funding to SMEs as they do to large corporations. A large proportion of SMEs will no longer be able to borrow in foreign currency. According to a protocol signed in January 2018, further Treasury support of about EUR 9 billion was made available for SMEs through the Credit Guarantee Fund. This has further stimulated the growth in lending to SMEs.

Economic integration with the EU and price competitiveness



Turkey's trade integration with the EU is high and increased further in 2017 and 2018. Turkey is the EU's fifth largest trading partner, and the EU remains by far Turkey's largest trading partner. The share of Turkish exports going to the EU grew from 47.1% to 50%, while the share of Turkish imports coming from the EU declined marginally from 36.4% to 36.2% between 2017 and 2018. The EU also remains the largest source of foreign direct investment (FDI) in Turkey, with a 71% share of stocks in 2017, although this is lower than 2013 (77%). About half of trade related to global value chains (GVCs) is with the EU. The so-called backward participation in GVCs with low value added and low technology content is particularly important in trade with Asia, whereas the integration with EU GVCs is more balanced between backward and forward participation thus contributing to value added. Irrespective of the obligations under the Customs Union with the EU, Turkey has put up

several trade barriers within the Customs Union, including in public procurement, forced localisation schemes for investment and additional duties on imports from non-EU countries.

Turkish openness, measured as exports and imports over GDP, stood at 54% in 2017.

This is a relatively high figure compared to the past two decades. Price competitiveness benefited from the continuous depreciation of the TL in 2017; nominal effective depreciation (NEER) of 18% and real effective appreciation (REER) of 15% on the basis of unit labour costs, which accelerated in 2018 (NEER -24%, REER -15%).

4. GOOD NEIGHBOURLY RELATIONS AND REGIONAL COOPERATION

Cyprus

Turkey welcomed the UN's renewed efforts to consult stakeholders as to a possible resumption of negotiations. Tensions in the region around the prospect of hydrocarbon exploration off the coast of Cyprus increased, due to Turkey's actions and statements challenging the right of the Republic of Cyprus to exploit hydrocarbon resources in the Cyprus Exclusive Economic Zone. Turkey has still not fulfilled its obligation to ensure full and non-discriminatory implementation of the Additional Protocol to the EU-Turkey Association Agreement and has not removed all the 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.

Turkey's actions and statements continued to challenge the right of the Republic of Cyprus to exploit hydrocarbon resources in the Cyprus Exclusive Economic Zone. In February 2018, Turkey undertook repeated manoeuvres by naval vessels to block the drilling operations of a vessel contracted by an Italian company and commissioned by Cyprus, which resulted in the abortion of the planned drilling activities. In May 2019, Turkey sent a drilling platform accompanied by military vessels to the Republic of Cyprus' Exclusive Economic Zone, escalating tensions further. The EU called on Turkey to respect the sovereign rights of Cyprus to explore and exploit its natural resources in accordance with the EU *acquis* and international law, including the UN Convention on the Law of the Sea. In March 2019, the EU called on Turkey to refrain from any such illegal acts, to which it would respond appropriately and in full solidarity with Cyprus. The EU has also stressed the need to respect the sovereignty of Member States over their territorial sea and airspace. In March 2018, the European Council strongly condemned Turkey's continued illegal actions in the Eastern Mediterranean and the Aegean Sea, and recalled Turkey's obligation to respect international law and good neighbourly relations and to normalise relations with all EU Member States.

As emphasised in the Negotiating Framework and Council declarations, Turkey is expected to actively support the negotiations on 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. It is important to preserve the progress made so far and to pursue preparations for a fair, comprehensive and viable settlement, including in its external aspects. 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 has seen welcome developments, but needs to be further 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 2015. 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 applications by the Republic of Cyprus to join several international organisations, including the Organisation for Economic Co-operation and Development (OECD).

Peaceful settlement of border disputes

Bilateral exploratory talks are being 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 set out in a 1995 Turkish Grand National Assembly resolution, still stands. The agreement to ease increasing tensions in the Aegean Sea reached during the December 2017 visit of the Turkish President to Greece has not been followed up in practice. Greece and Cyprus continue to complain about repeated and increased violations of their territorial waters and airspace by Turkey, including flights over the Greek islands. Another source of serious concern was the six-month detention of two Greek soldiers who were patrolling the land border between Greece and Turkey. During this six-month period no bilateral visits took place. The Turkish President and the Greek Prime Minister had a tête-à-tête meeting at the margins of the NATO Summit in Brussels in July 2018. The two Greek soldiers were released in August 2018. The Greek Prime Minister visited Turkey in February 2019. The Greek Foreign Minister visited Izmir and met with his Turkish counterpart during the inauguration of the renovated building of the Greek Consulate in Izmir in September 2018, and on two subsequent occasions. In line with the Negotiating Framework and previous European Council and Council conclusions, the Council reiterated in June 2018 that Turkey needs to commit itself unequivocally to good neighbourly relations, international agreements and 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 any source of friction or action that would damage good neighbourly relations and the peaceful settlement of disputes.

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 **were generally good. Operational cooperation with Greece on migration further continued. However, tensions in the Aegean Sea and Eastern Mediterranean were not conducive to good neighbourly relations and undermined regional stability and security.**

Turkey has continued its policy of engagement in the Western Balkans, in economic, trade, cultural and political terms, maintaining strong ties with the countries of the region and supporting their respective efforts to join NATO and the EU. Turkey and *Albania* agreed on the terms of a strategic partnership, which could be signed in the course of 2019. Contacts with *Bosnia and Herzegovina* developed positively, Turkey providing constant financial support to the Office of the High Representative in Bosnia and Herzegovina. Turkey continued in particular to engage with Bosnia and Herzegovina through its trilateral mechanism dialogues with Serbia on the one hand and Croatia on the other.

Turkey maintained good relations with *Kosovo** and expressed constant support for Kosovo's integration into regional organisations. Reciprocal high-level visits continue to take place. The arrest and deportation to Turkey in March 2018, at the request of the Turkish government, of six Turkish nationals legally residing in Kosovo raised serious concerns about the respect of due process.

Turkey further developed cooperation with *Montenegro*, following two bilateral agreements which were agreed in 2016 and 2017.

Relations with *North Macedonia* developed. Relations deepened with *Serbia*, following the agreement in 2017 to launch a bilateral High Level Cooperation Council, focusing mainly on economic relations, trade and infrastructure. Turkey continued to support the stability of the region through the Southeast European Cooperation Process (SEECP).

Bilateral relations with several individual EU Member States not adjoining Turkey (in particular with Austria, Germany and the Netherlands) improved, followed by Ministerial and on occasion Presidential visits. The Netherlands and Turkey normalised relations. However, there continued to be reports of tensions among members of the Turkish diaspora living in EU Member States, and pressure on them to report on other members of these communities who allegedly belong to the Gülen movement.

5. ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP

5.1. 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 from creating unjustified barriers to trade.

Turkey is at a **good level of preparation** for the free movement of goods. It made **limited progress**, mainly in aligning with the 'New and Global Approach' and the 'Old Approach' *acquis*. Some technical barriers to trade continue to prevent the free movement of goods and some localisation schemes and domestic requirements discriminate against EU products, violating Turkey's obligations under the Customs Union.

In the coming period, Turkey should in particular:

- eliminate obstacles to the free movement of goods that are in breach of Customs Union obligations, such as export restrictions and various requirements related to registration, prior approval, licensing and surveillance, and among others non-acceptance of EU good manufacturing practices certificates for pharmaceutical products as well as discrimination of EU agricultural and forestry tractors
- re-consider its localisation schemes, so as to set up a more conducive investment environment, particularly in the area of pharmaceuticals;
- continue to ensure prompt alignment with the EU *acquis* for this chapter, complete the overall revision of the outdated Framework Law on Technical Legislation of Products and increase the efficiency of the market surveillance system.

General principles

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

With regard to *general principles*, the framework for the free movement of goods is largely in place in Turkey. However, issues related to implementation remain. Problems regarding excessive requests for documentation have been reported when implementing of the risk-based electronic import control system TAREKS for goods coming from the EU, and technical barriers to the free movement of goods persist. In addition, localisation schemes in for pharmaceuticals and agricultural and forestry tractors, as well as local content requirements for renewable electricity generation create *de facto* market access barriers for EU products.

Non-harmonised area

A regulation on *mutual recognition in the non-harmonised area* has been in force since July 2013. The mutual recognition principle has been introduced to certain areas where national rules apply. There has been an increasing number of notifications from Turkey in the last three years, mostly consisting of mandatory technical specifications. The number of notifications is, however, insufficient in light of Turkey's legislative activity.

Harmonised area: quality infrastructure

A legal basis and an administrative structure are in place for technical regulations, standards, conformity assessment, accreditation, metrology, and market surveillance. The revision of the Framework Law on Technical Legislation of Products is still pending and the absence of an overarching legal text leads to a piecemeal alignment of the EU's New Legislative Framework. The Turkish Standards Institute is independent, able to implement European and international standards and has adequate staff resources and financing. By November 2018, it had adopted a total of 19 880 national standards aligned with European standards. The rate of harmonisation of European Committee for Standardisation standards (CEN) stands at around 97% and at 94% for European Committee for Electrotechnical Standardisation standards (CENELEC). The Turkish Standards Institute has been a full member of CEN and CENELEC since 2012. Eight Turkish economic operators are full members of the European Telecommunications Standards Institute, ETSI, while the Information and Communications Technologies Authority is an observer. A national standardisation strategy for 2017-2020 is in place.

There were 47 *notified bodies* and two technical approval bodies in Turkey as of February 2019. The Turkish Accreditation Agency, TÜRKAK, is a signatory of multilateral agreements as part of the European cooperation for Accreditation association. The National *Metrology* Institute, TÜBİTAK-UME is a member of the European Association of National Metrology Institutes (EURAMET) and the Ministry of Industry and Technology participates at the European Legal Metrology Organisation (WELMEC). A three- year national metrology strategy was in place by the end of 2018.

Turkey carries out a regular *market surveillance* programme in line with the EU legislation and submits its annual programme to the European Commission. An electronic information system enables the nine different public entities to report their observations and an annual report on the results is published. According to the 2018 report, the overall budget allocated to market surveillance activities fell by 1% and the number of market surveillance inspectors grew by 4.1% in 2017. There has been a fall of 24% in the number of products subject to market surveillance checks. A total of 232 704 batches were inspected in 2017, of which 168 704 were produced in Turkey. About 54 917 batches were found to be non-compliant or unsafe. During inspections carried out by Member State authorities on products originating in Turkey, 105 750 batches were found to be non-compliant or unsafe. The number of non-compliant or unsafe products detected decreased by 47% in 2017, mainly due to lower

number of inspections whereas the number of products sent for further tests increased. An approach that gives priority to particularly risky products is needed. The measures imposed on non-compliant and unsafe products have been reduced. Market surveillance on products marketed through e-commerce is very limited.

Harmonised area: sectoral legislation

On the '***New and Global Approach***' ***product legislation***, Turkey adopted legislation to align with the *acquis* on cableway installations, gas appliances, pressure equipment and eco-design requirements for heaters. Implementing legislation was issued for construction products, lifts, measuring instruments, recreational crafts and personal watercrafts and energy efficiency of new hot boilers.

On '***Old Approach***' ***product legislation***, Turkey adopted new and amending legislation on detergents, veterinary medicinal products, and market surveillance of automotive products. In the area of pharmaceuticals, contrary to Customs Union rules, Turkey does not accept EU good manufacturing practices certificates. Turkey has been a member of the Pharmaceuticals Inspection Convention since of 1 January 2018 and an observer member of the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use in June 2018. Turkey adopted a regulation in June 2017 aiming to improve alignment with e ***REACH*** (Registration, Evaluation, Authorisation, and Restriction of Chemicals) legislation, but full alignment is still pending. The national registration system for chemicals is expected to be operational by 2023. Turkey's localisation schemes for pharmaceuticals and agricultural and forestry tractors create market access barriers for EU products. In addition, Turkey systematically delays for some years the application for motor vehicles of new emission limits, which increases pollution and represents a trade barrier.

On ***procedural measures***, there is a specific licensing and regulation system for economic operators dealing with ***drug precursors***, with a strict follow-up and monitoring system in cooperation with the police and customs authorities. National legislation is in place setting out licensing procedures for firearms (Directive 2009/43). There was no progress on alignment to the *acquis* on cultural goods.

5.2. 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 for freedom of movement for workers are at an **early stage** and there has been **no progress** during the reporting period.

There has been no progress on **access to the labour market**, future participation in the **EURES** (European Employment Services) network or **coordination of social security systems**. So far, Turkey has concluded 16 bilateral social security agreements with EU Member States, but no new bilateral social security agreements were signed during the reporting period.

5.3. 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 for right of establishment and freedom to provide services are at an **early stage**. **No progress** has been made in the reporting period. Substantial efforts are still needed to align with the *acquis*.

In the coming year, Turkey should in particular:

→ align with the Services Directive on the provision of cross-border services and set up a single point of contact.

No progress has been observed on the *right of establishment*, an area where many requirements remain in place and continue to restrict this right.

Regarding the *freedom to provide cross-border services*, requirements for registration, licensing and authorisation remain in place for service providers registered in the EU. There is no Point of Single Contact but work is ongoing on transforming the information system in the retail sector (PERBIS) into a sector-specific point of single contact.

No progress has been made in the area of **postal services**. The mandate to restructure the scope of the universal postal services and the components of the reserved area are now with the President as they have been transferred from the Council of Ministers with the transition to the presidential system. A reserved area still exists in the standard letter-post service area and the universal service provider still maintains its exclusivity rights in this area. Turkey should continue aligning its national legislation with the *acquis* in the area of postal services.

On the *mutual recognition of professional qualifications*, the vocational qualifications authority has continued to issue occupational standards. Some regulated professions remain subject to reciprocal recognition requirements. Restrictions to mobility of professions, such as nationality and language requirements remain. Turkey should continue aligning its national legislation with the *acquis* in the area of mutual recognition of professional qualifications.

5.4. 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** for free movement of capital. Overall, there has been **backsliding** in this area. Confronted with large capital outflows linked to the currency crisis of August 2018, the authorities imposed restrictions on capital outflows and foreign exchange-denominated transactions. Legislation on real estate acquisition is not aligned with the *acquis*. There has been some progress during the reporting period in the fight against money laundering and the financing of terrorism.

In addition to addressing the shortcomings set out below, Turkey should pay particular attention in the coming year to:

- drafting and adopting an action plan on real estate acquisition by foreigners to lift restrictions and increase transparency;
- further aligning with the *acquis* by strengthening measures to prevent the misuse of its financial system for the purposes of money laundering and the financing of terrorism.

On *capital movements and payments*, Turkey's legislation on *real estate acquisition by foreigners* remains opaque and does not apply to all EU nationals in a non-discriminatory way. Turkey needs to adopt and implement an action plan to further liberalise the purchase of real estate by foreigners, bringing its laws in line with the *acquis*. Turkey has eased the conditions for granting Turkish citizenship to foreign investors, who are investing in capital or buying a real estate, by lowering the quantitative criteria (see further down below). Restrictions on foreign ownership remain in place in sectors such as radio and TV broadcasting, transport, education and the electricity market. In the wake of the August 2018

currency crisis, the authorities imposed numerous restrictions on capital movements for residents and non banking corporations in particular for transactions denominated in foreign currencies (such as banning the use of foreign currencies in high value transactions (car lease and real estate) and forcing transfers of foreign currency proceeds into domestic currency).

Turkey has reached a good standard in *payment systems*. The central bank and the banking regulatory and supervision agency are the two authorities that can grant licences for payment system operators.

Turkey has made progress in the **fight against money laundering** and the financing of terrorism. The country is party to the Council of Europe's Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism. In 2016, the Turkish Financial Intelligence Unit - the Financial Crimes Investigation Board (MASAK) - was granted authority to freeze suspicious funds upon the decision of the Ministry of Treasury and Finance. Turkey needs to continue its alignment of the legislative framework and administrative set up with a view to complying with the fourth round of the Financial Action Task Force's mutual evaluations. The country currently lacks a comprehensive strategy and action plan to fight money laundering and terrorist financing. However, MASAK, in coordination with other relevant institutions, has been preparing a comprehensive national risk assessment document in view on the upcoming FATF assessment.

MASAK has strengthened its administrative and enforcement capacity, and has improved its cooperation with law enforcement agencies and judicial authorities. The number of suspicious transaction reports submitted to the MASAK has increased from 10 522 in 2017 to 23 893 in 2018. In 2018, the number of people convicted for money laundering amounted to nine. Confiscations and the level of seizure of assets remain limited in relation to money laundering and terrorism financing as stand-alone crimes.

Turkey operates an investor citizenship scheme, allowing foreign investors to acquire Turkish citizenship on the basis of investment. The Commission's Report of 23 January 2019 on Investor Citizenship and Residence Schemes underlines that such schemes pose risks for the EU. Turkey should put in place robust monitoring systems linked to this scheme, in particular to counter possible security risks such as money laundering, terrorist financing and infiltration of organised crime. In addition, as provided for by new EU anti-money laundering rules, Turkey should devote particular attention to enhanced customer due diligence in the context of the investors' citizenship programme.

5.5. Chapter 5: Public procurement

EU rules ensure that the public procurement of goods, services and works in any Member State is transparent and open to all EU companies on the basis of non-discrimination and equal treatment.

Turkey is **moderately prepared** for public procurement. Turkey has been **backsliding** in the past year due to the introduction of ever more exemptions for purchases that are subject to general public procurement rules. Large gaps remain in its alignment with the *acquis*. The Commission's recommendations from last year have not been implemented, and remain valid.

In addition to addressing the shortcomings set out below, in the coming year Turkey should in particular:

→ revise its public procurement legislation to further align it with the 2014 EU Directives on public procurement including concessions and public-private partnerships, to provide for remedies in line with EU public procurement directives and to increase transparency;

- eliminate the discriminatory domestic price advantages and offset practices and repeal exemptions;
- establish an independent procurement body and divide the functions allocated within the public procurement authority between a fully independent review body and the central procurement institution.

General principles

Concerning the *legal framework*, Turkey's national public procurement legislation broadly reflects the principles of the Treaty on the Functioning of the European Union. However, compulsory domestic price advantages and offsets, which allow authorities to demand compensating measures if goods are not produced domestically, are discriminatory and thus contradicts the EU *acquis*. Turkey also cancelled the lower limit of \$10 million that was a prerequisite for the offset practice.

The *Public Procurement Law (PPL)* is partly aligned with the 2004 EU Public Procurement Directives, but major gaps in compliance remain. The legislation, which is consistent with and supported by budget and expenditure regulations, allows public contracts to be prepared, awarded, and managed in line with sound project management principles. However, the legislation has a number of inconsistencies with the *acquis*. The coverage of public procurement rules is significantly reduced by a long and increasing list of exclusions of varying importance and scope. A range of sector-specific laws limits transparency.

Turkey aims to develop local manufacturing capacity by means of public procurement. The scope of the compulsory domestic price advantage of up to 15% for 'medium and high-technology industrial products', which was established for such purpose, has been expanded to the delivery of software. For works contracts, the legislation also stipulates the compulsory use of certain material, machinery and equipment to be listed by the relevant ministries without any limit in the form of a certain proportion. In 2018, the number of tenders open to international competition with domestic price advantage was 43.75 %, up from 37.46% in 2017, while in terms of the contract value it was 44.00%, essentially unchanged from 44.12% in 2017. The legislation has not yet been aligned with the 2014 EU Directives.

The *Public Procurement Authority (PPA)* is responsible for implementing the Public Procurement Law and monitoring the public procurement system. The Ministry of Treasury and Finance (MoTF) is in charge of coordinating policy formulation and implementation. The PPA is affiliated to the MoTF but is nominally autonomous. However, the operational independence of the Public Procurement Board is impaired, since the President of the Republic is authorised to directly appoint the President and members of the Board, while the specific qualification requirements in terms of education and sector experience have been removed.

Award of public contracts

Turkey's 2018 *public procurement market amounted to 5.7% of GDP, which is a drop from 7.5% in 2017*. Procedures continued to generally respect transparency and efficiency principles.

Operational responsibility for preparing and carrying out **public-private partnerships** projects lies with the line ministry or other relevant authorities concerned. Since July 2018, the power of the High Planning Council to approve the public-private partnerships has been transferred to the President, while early-stage review of the projects, which had been carried out by the former Ministry of Development, will be carried out by the strategy and budget directorate affiliated to the Presidency. However, the directorate has not yet established a

sufficient operational capacity. Turkey still lacks a functioning single framework for coordinating, supervising and monitoring public-private partnership operations.

Monitoring of the contract awards and implementation is satisfactory. The PPA issues statistics every six-months, which provides a basis for measuring performance and making improvements to the public procurement system.

The **capacity of contracting authorities to manage public procurement processes** continues to improve. Turkey keeps promoting the effective use of e-procurement. Mechanisms to identify and address corrupt and fraudulent practices are in place, including rules on **integrity and conflict of interest**. However, Turkey has not yet developed a risk indicator system that signals potential integrity problems in the procurement process. Turkey should fill the substantial number of vacant posts in the PPA in order to strengthen its administrative and coordination capacity.

Remedies

The **right to legal remedy** is secured in the Constitution and the PPL lays down the institutional set up and mechanism for handling complaints. Complainants are entitled to appeal before the Public Procurement Board, which is part of the PPA. The review and remedies system provides for speedy, effective and competent handling and resolution of complaints and sanctions. However, further alignment of the legislation with the EU Remedies Directive is needed.

In 2018, the Public Procurement Board received 2 017 complaints in 2018 (2.41% of contracts), compared with 3 526 (3.59% of the contracts) in 2017. The Board's position as part of the PPA has remained a concern; indeed, a fully independent Public Procurement Board would avoid possible conflicts of interest and ensure transparency. With the introduction of the Presidential system in July 2018, the President of the Republic (instead of the Council of Ministers) is now responsible for the appointment of the Board's president and members.

5.6. 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 company law. **Some progress** was achieved on the 2018 recommendation on statutory audit.

In the coming year, Turkey should in particular:

- finalise technical alignment with the *acquis* in the company law area;
- adopt the financial reporting standard for small and micro companies to achieve further *acquis* alignment.

On **company law**, a few alignment issues remain, for example concerning cross-border mergers, domestic mergers, divisions and takeovers. The central registration recording system (MERSIS) maintains company registration data electronically, and makes it available to the public. Setting up of, in particular, limited liability and public companies has been simplified by the amendments to the Turkish Commercial Code. Work continues to enhance the corporate governance reporting standards. Disclosure of and public access to company financial documents in the business register (as required by EU company law and accounting rules) has still to be put in place.

Concerning **corporate accounting and auditing**, Turkey is currently preparing the financial reporting standard for small and micro companies to comply with Directive 2013/34/EU and the related *acquis*. Alignment concerning non-financial information or reports on payments to governments is unclear. Efforts to extend the scope of statutory auditing continued and thresholds have been increased based on a decision published in 2018. Public-interest entities (PIEs) of any size are obliged to appoint a statutory auditor and there are additional specific requirements in place for the statutory audit of PIEs. A system of investigations and sanctions is in place. National standards on auditing and a code of ethics for auditors have been issued in accordance with the International Standards on Auditing and the *International Ethics Standards Board for Accountants Ethics Code*. Further work is required to align with the *acquis* on accounting and the statutory audit.

5.7. Chapter 7: Intellectual property law

The EU has harmonised rules for the legal protection of intellectual property rights (IPR) and of copyright and related rights. Rules for the legal protection of IPRs cover, for instance, patents and trademarks, designs, biotechnological inventions and pharmaceuticals. Rules for the legal protection of copyright and related rights cover, for instance, books, films, computer programmes and broadcasting.

Turkey has a **good level of preparation** in this area. There has been **limited progress** during the reporting period. Recommendations from last year's report have been only partially met and remain valid:

- adopt copyright legislation in line with the *acquis*;
- improve enforcement measures to combat industrial and intellectual property infringements, including further specialisation in Intellectual Property Rights (IPR) courts and facilitated procedures to obtain search and seizure warrants;
- sustain a constructive dialogue with IPR owners and enhance awareness raising on concerns related to counterfeiting and piracy, focusing on the benefits of a strong IPR protection system for economic growth.

With regard to **copyright and related rights**, the draft copyright law is under consultation. Longstanding systemic problems to be addressed by the new copyright law remain, in particular: the treatment of foreign producers, public performance rights, reproduction rights, collective rights management, distribution of copyright levies to right owners, exceptions, the compensation method, interpreters' rights, and performers' rights.

Concerning **industrial property rights**, the Turkish Patent and Trademark Office (TPTO) has organised various trainings on different industrial property rights and the code of conduct of patent and trademark agents. Since the new Industrial Property Law was adopted in early 2017, implementation and enforcement has been slow. There is a lack of common legal understanding in particular on new enforcement procedures such as accelerated destruction. Regulatory data protection is not aligned with the Customs Union Agreement. Generic producers are able to apply for market authorisation before the patent rights have expired.

Concerning judicial **enforcement**, enforcement in the area of accelerated destruction procedure is weak. Warehousing and storing of counterfeit goods seized in the operations remain a longstanding problem. Courts take expert witness statements even where is unnecessary. Supervision of expert witnesses, trademark and patent agents for their conduct is weak and conflict of interest issues related to them have not been resolved. The most common complaint from different industries is the problems they encountered in finding out about search and seizure warrants against counterfeit goods. There is a lack of specialised

knowledge and experience in the lower courts on IPR issues. The Turkish National Police conducted successful operations against traders of fake spirits and tobacco products in December 2018.

Turkey is a producer of counterfeit leather goods, shoes, textile products, foodstuffs and cosmetics. Counterfeit and fake products are sold both online and in open bazaars and in international fairs in touristic areas of Turkey. They pose important risks to consumer health and safety. Unauthorised use of software is very widespread.

In 2017, the number of e-applications by IPR right owners via Customs Administration's IT system increased by 14.4% compared with 2016. In 2017, the number of counterfeit goods seized by the Customs in the border controls increased by 18.3% compared to 2016, due to ongoing training of customs officers. Customs Administration has improved coordination of the customs enforcement through information exchange with other units of the Customs Administration. IPR indicators related to confiscated counterfeit goods are now more frequently and structurally used in risk analysis system. In the second half of 2018, a number of trainings on counterfeiting for the customs officers were launched in cooperation with around 65 trademark owners.

5.8. Chapter 8: Competition policy

EU rules protect free competition. They include antitrust rules against restrictive agreements between companies and abuse of dominant position and also include rules on concentrations between companies, which would significantly impede competition. EU rules also set out a system of State aid control. Governments are only allowed to grant State aid if restrictive conditions are met, with a view to prevent distortion of competition.

Turkey has **some level of preparation** in the area of competition policy. There has been **backsliding** particularly concerning the independence of the state aid authority and State aid legislation. Legislation on anti-trust and mergers is largely aligned with the *acquis*.

In addition to addressing the shortcomings set out below, in the coming year Turkey should in particular:

- step up the enforcement of the State aid law by adopting secondary legislation without further delay and give access to an updated inventory of aid schemes;
- establish an operationally independent State aid authority;
- revise its competition legislation to increase the alignment level with the EU *acquis* in the area of anti-trust and mergers).

Anti-trust and mergers

The **legislative framework** is broadly aligned with the *acquis*. The Law on the Protection of Competition reflects Article 101 and 102 of the Treaty on the Functioning of the European Union. Implementing legislation in this field is largely in place. Turkey needs to harmonise the legislation with the *acquis* by introducing *de minimis*, commitments and settlement procedures and amendments in mergers control.

Regarding the **institutional framework**, the Competition Authority is responsible for implementing the Law on the Protection of Competition. Its mandate is very similar to that of the European Commission. Operationally, it is a largely independent competition authority. However, the direct appointment of the president and the members of the competition authority by the President of the Republic without involvement of the relevant public

institutions and the lack of specific requirements for professional qualifications on education and sector experience for board members impair the independence of the Board.

The Competition Authority's *enforcement capacity* is adequate. Overall *implementation* is effective, but there has been a fall in the number of decisions, in particular on anti-trust (down from 191 in 2013 to 88 in 2018), and in the fines imposed (down from EUR 195 million in 2013 to 57.9 million in 2018). The number of *ex officio* investigations remains low (from 17 in 2012, to 8 in 2018). The Competition Authority conducted an average of 85 down-raids annually between 2016 and 2018 (76 in 2018). In 2018, out of the 95 judgements concluded as a result of the appeals against the Competition Authority decision, 86% of them were upheld by national courts.

State aid

The *legislative framework* is partially in line with the *acquis*. State aid regulations do not cover agriculture, fisheries and services sectors, which are not part of the EU-Turkey Customs Union. Turkey's Law on the Monitoring and Supervision of State Aid is broadly in line with Articles 107 and 108 of the Treaty on the Functioning of the European Union. However, concerning secondary legislation Turkey repealed a set of deadlines previously defined in the law and empowered the former Council of Ministers (since July 2018 the President) to delay the enforcement of implementing legislation for an unlimited period. Therefore, the implementing legislation required to enforce the State aid control is not in place and Turkey has yet to adopt *an action plan for alignment with the acquis*.

Concerning the *institutional framework*, during the reporting period the former Directorate General for State Aids, administratively assisting and undertaking the management of the State Aid Monitoring and Supervision Board, was abolished. The mandate of the Board which was responsible for implementing the law has been fully transferred to the Economic Policies Council and to the President, who is also the appointing authority of this Council's members. Thus, the organisational structure previously established for the purposes of implementing the State aid law has been repealed and the current structure is not considered as completely operationally independent.

No assessment of Turkey's *enforcement capacity* can be made as there is no functional organisational structure or no implementing legislation in force. A State aid inventory has yet to be set up and made accessible.

Liberalisation

Competition and State aid rules apply to state-owned enterprises. However, the competences of the Prime Minister, the Council of Ministers and the High Planning Council concerning the privatisation process have been transferred to the President, who has assumed a power over the privatisation decisions and procedures.

5.9. 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. There has been **no progress** during the reporting period.

In addition to addressing the shortcomings set out below, in the coming year Turkey should in particular:

→ further strengthen bank governance and supervision, crisis management and the

resolution framework;

→ continue to support the development of Turkish capital markets and their proper supervision.

For ***banks and financial conglomerates***, the Banking Regulatory and Supervisory Agency has determined the requirements to be met for the inclusion of debt in the calculation of banks' equity. It has also amended the regulation on bank transactions regarding establishing companies and acquiring shares. According to this amendment, under certain conditions, the agency's approval is no longer required for banks when establishing new companies or acquiring shares in existing companies established by more than one bank or financial institution. The agency has introduced new procedures for the rescheduling of loans granted to debtors. Under the new presidential system, the president and the members of the agency and of the Saving Deposit Insurance Fund will be directly appointed by the President of the Republic for a period of 4 years.

Regarding ***insurance and occupational pensions***, in December 2018 the Ministry of Treasury and Finance introduced an amendment to rules on automatic enrolment of employees into the pension scheme by their employers. With the new legislative framework, employees who have used their right of withdrawal from the auto-enrolment pension system will be automatically re-enrolled in the system within three years.

There has been some progress on ***financial market infrastructure, notably with regard to the supervision and investment services***, but no progress on ***securities markets and investment services***. The independence of the Capital Market's Board has been reduced, since the President of the Republic has been granted the power to directly appoint its president and the members for a period of four years.

5.10. Chapter 10: Information society and media

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

Turkey has **some level of preparation** in the area of information society and media. There has been **backsliding** in this sector. Lack of transparency of media funding, the growing influence of political interests on editorial policies, the concentration of media ownership, the shrinking space for pluralism and restrictions on freedom of expression, the lack of independence of regulatory authorities remain of concern. There is inadequate competition in fixed voice and broadband markets and excessive taxation and costs for operators and consumers of information and communications technologies.

In addition to addressing the shortcomings set out below, in the coming year Turkey should in particular:

- improve the independence of the regulatory authorities for telecommunications and media and their board members and amend the Internet Law in line with the Venice Commission's recommendations;
- align the universal service, authorisation arrangements, market access and rights of way in electronic communications with the EU *acquis*;
- complete the release of 700 MHz from broadcasting services of mobile broadband;
- take steps to strengthen the public broadcaster and to finalise the digital switchover process.

On **electronic communications and information and communications technologies (ICT)**, there has been no progress in aligning legislation with the *acquis* on market access and universal service. Turkey has modified the appointment regime for the Information and communication technologies Board by authorising the President of the Republic to directly appoint its members. Specific requirements concerning education and sector experience as qualifications for such appointments have also been removed. Additionally, the mandate of the Cyber Security Council composed of representatives from the line ministries has been fully transferred to the President. The independence of the related Board and the Council, which has been impaired by these changes, remains a concern. Competition in the fixed voice and broadband market is not effective. Fees charged by municipalities for rights of way and for base stations installation further increase costs. Mobile broadband penetration increased significantly to 73.1% in the second quarter of 2018, though it is still below the OECD average of 102.4%. The fixed broadband penetration rate is 15.7% compared to the OECD average of 30.4%. Within 2 years of implementation, the number of 4.5G subscribers reached 68 million. As a source of concern, Turkey still has not amended the Internet Law in line with UN and Council of Europe recommendations (*see Chapter 23 — Judiciary and fundamental rights*).

Concerning **information society services**, the national strategy covering 2015-2018 remains in place and there is a need to update it. The proportion of people using e-government increased from 42% to 45.6%.

In the area of **audio-visual policy**, there has been no progress in alignment with the *acquis*. A State of Emergency decree published on 12 January 2018 shut down two more media outlets on grounds of alleged links with terror organisations, transferring their assets and properties to the control of the Savings Deposit Insurance Fund. With this, the number of radio and TV stations closed following the coup attempt of 15 July 2016 reached 63. The sale of Turkey's largest media group in March 2018 led to a further concentration of media in the hands of a few groups close to the Government. The media landscape is now dominated by outlets either close to the Government or dependent on public contracts, which further reduces pluralism in the Turkish media. The lack of transparency of funding and links with political and business spheres also affect the private media sector, displaying a strong influence on editorial policies.

In the run up to the presidential and parliamentary elections of June 2018, the incumbent President and his party enjoyed a notable advantage, which was also reflected in proportionally excessive coverage by government-affiliated public and private media. During the elections, compliance with media regulations is overseen by the Radio and Television Supreme Council (RTÜK). The decision of the Supreme Board of Elections (SBE) listing the channels to be monitored during the election campaign was adopted as late as 28 May 2018, less than a month before the elections. RTÜK's reports to the SBE are not public. Moreover, a decree repealed the SBE's powers to sanction radio and TV broadcasters, which fail to be impartial and politically neutral. The public broadcaster TRT's channels, which are 90% dependent on state funding, were virtually inaccessible for the opposition, in particular during the election campaign. Taken together, all these factors left the media campaign practically without effective supervision according to the Council of Europe/PACE report. (*See Political criteria*)

In March 2018, the Parliament approved a bill, granting RTÜK the authority to regulate online content, a form of media increasingly used by critical voices in Turkey. In September 2018, following the approval of its Supreme Council, RTÜK published a draft internet regulation on its website. The draft contains controversial provisions with regard to

jurisdiction, licencing and restricting access to content. In January 2019, the Supporting, Evaluation and Classification of Cinema Films Law was published in the Official Gazette. According to the Law, cinema films that are locally produced or imported will be evaluated and classified before they are made available for commercial circulation and screening.

Following the changeover to the executive presidency, a presidential decree published in July 2018, affiliated the Turkish Radio and Television Corporation (TRT) with the Presidential Communication Authority and RTÜK with the Ministry of Culture and Tourism. Its effects on the functioning of RTÜK remain to be seen.

As for the media regulator, public consultations with media service providers continued. RTÜK's decisions are available online. However, membership of RTÜK's Supreme Council does not reflect the current composition of the Parliament, as required by law.

The completion of the digital switchover remains uncertain, as the re-tendering procedure has not yet started.

5.11. 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** has been made in the past year, especially continuing to improve implementation of the EU-Turkey trade agreement for agricultural products. However, the Commission's recommendations from last year have been only partly taken up. There is still no strategy for producing agricultural statistics.

In the coming year, Turkey should in particular:

- adopt a strategy for producing agricultural statistics;
- develop a strategy to align its agricultural support policy.

On **horizontal issues**, the development of an integrated administration and control system (IACS) has continued. The Farm Accountancy Data Network covers all 81 provinces and has now been integrated into the agricultural production and registration system. The agricultural census is not yet complete and the strategy for agricultural statistics has not yet been adopted. Further alignment with EU policies requires the decoupling of payments from production and linking area-based payments to cross-compliance standards.

On **common market organisation**, no progress was made in legislative alignment.

The EU and Turkey have amended Protocol 2 to Decision No 1/98 of the EC-Turkey Association Council on the trade regime for agricultural products and agreed to broaden the scope of the tariff quota for meat products exported from the EU to Turkey to include fresh and chilled bovine meat. This will be an important step forward to ensure proper and transparent management of the import quota is ensured in line with the new rules on the management of tariff quotas.

In the EU pre-accession programme for **rural development** (IPARD II), 12 746 applications were received and 3 446 projects given contracts, with the EU contributing a total of EUR 245.4 million by the end of 2018 to investments in agricultural holdings and in processing and marketing, and farm diversification (measures 1, 3 and 7). Accreditation for budget implementation tasks was granted to the *Links between Actions of Rural Development* (LEADER) measure in February 2019. There was a series of events and studies on

establishing and improving of the National Rural Network (NRN) in several provinces. Twenty-five local action groups established under LEADER have started developing local action strategies. Through LEADER and the NRN measures, the successful IPARD Programme implementation also involved civil society.

In **quality policy**, further implementing regulations were adopted following the 2017 Intellectual Property Law that increased the level of alignment with the EU Geographical Indications legislation. The EU-Turkey reinforced cooperation on mutual registration of Geographical Indications (GIs) has been relaunched, aiming at facilitating the mutual registration and adequate protection of GIs through information and knowledge exchange.

Alignment with the EU *acquis* of the regulation on principles and implementation of **organic farming** is well advanced. The Turkish Accreditation Agency accredits organic agriculture control bodies.

5.12. 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 seeds, plant protection material, protection against harmful organisms and animal nutrition.

There is **some level of preparation** in the area of food safety, veterinary and phytosanitary policy. There has been **some progress** in the past year concerning enforcement capacity for animal welfare, food, feed and animal by-products and food safety legislation. However, the Commission's recommendations from last year have only been taken up in part. Turkey has ratified the European Convention for the Protection of Animals kept for Farming Purposes, but food establishments still need to be upgraded to meet EU standards. Full implementation of the *acquis* in this area will require significant further work.

In the coming year, Turkey should in particular:

- upgrade food establishments to meet EU standards, including submitting a national programme and a monitoring plan;
- make progress on addressing zoonoses.

There has been limited progress in aligning and implementing the *acquis* on **general food safety**. Turkey has not yet fully aligned its **veterinary policy** with the EU *acquis*. The identification and registration of bovines and small ruminants has continued. The regulation concerning the identification and monitoring of equidae, and the one concerning cats, dogs and ferrets, were adopted. Electronic identification of cattle began in 2018. Border inspection posts at land and sea borders and at the Sabiha Gökçen Airport in Istanbul are still not fully operational.

Turkey has continued its fight against animal diseases. Foot and mouth disease outbreaks have decreased as a result of mass vaccination. The disease-free zone ensured by vaccination in the area of western Turkey bordering Bulgaria and Greece has been maintained by strict movement controls. Vaccination against lumpy skin disease has continued. A regulation on disease-free compartmentalisation and another on protection against and combating bluetongue have entered into force. Significant efforts are still needed to fully align with the *acquis* on transmissible spongiform encephalopathies and surveillance systems, including full compliance with the February 1998 Decision of the EC-Turkey Association Council on the trade regime for agricultural products. Further structural and administrative work is necessary to fully implement the *acquis* on animal welfare. A regulation has been adopted on minimum rules for protection of chickens kept for meat production. Turkey has ratified the European

Convention for the Protection of Animals kept for Farming Purposes. There has been no progress on zoonoses.

Turkey has continued to implement training, inspection and monitoring programmes for the **placing on the market of food, feed and animal by-products on the market**, and administrative capacity for official controls has been improved. No progress has been made on developing the national plan for upgrading agri-food establishments. Significant work is still needed to apply the new rules on registering and approving food establishments. Substantial work on animal by-products is still required. Provisions for funding inspections have still not been aligned with the EU system.

Alignment of **food safety rules** with the *acquis* has advanced on issues such as labelling, additives and purity criteria, flavourings, food supplements and enzymes. Relevant regulations have been adopted, among others for labelling and specifications for food additives.

Progress on **specific rules for feed** remains limited. There has been no progress on **phytosanitary policy**. Alignment is yet to be completed for new foods and for **genetically modified organisms**.

5.13. Chapter 13: Fisheries

The common fisheries policy lays down rules on fisheries management, protects living resources of the sea and limits the environmental impact of fisheries. This includes setting catch quotas, managing fleet capacity, rules on markets and aquaculture and support for fisheries and coastal communities.

Preparations in fisheries remain at an **early stage**. **Some progress** was made on resources and fleet management, inspection and control, and on international agreements. However, no progress was made on addressing last year's recommendation on adopting a fisheries law.

Therefore, in the coming year, Turkey should in particular:

→ adopt a fisheries and aquaculture law which is aligned with the EU *acquis*.

Institutional capacity has been further improved. There has been some progress in **resources and fleet management**. The total of 1264 fishing vessels over 10 meters long has been scrapped from the fleet since 2013. Nearly 1500 vessels were monitored via the new vessel monitoring system. The system monitors sea fishing activities as well as the registry, location, time, speed and destination of the vessels, and of the fishery catch data. The implementation of electronic logbooks has also started with the new system. A new support scheme has been introduced to improve data quality, particularly socio-economic data on marine and inland artisanal fishing vessels, and to ensure sustainable management.

On **inspection and control**, some progress was made in legislative alignment and on implementation of the International Commission for the Conservation of Atlantic Tuna (ICCAT) recommendations on Bluefin tuna. No progress was made on **market policy**.

Regarding **international agreements**, cooperation between Turkey and the EU has continued in ICCAT and the General Fisheries Commission for the Mediterranean. Turkey has signed the Sofia Ministerial Declaration on Black Sea Fisheries and Aquaculture and the Regional Plan of Action for Small-Scale Fisheries in the Mediterranean and the Black Sea. The cooperation agreements with Somalia, Gambia and Mauritania have been ratified. Turkey has also ratified the FAO Agreement on Port State Measures to prevent, deter and eliminate illegal, unreported and unregulated fishing. Because the EU *acquis* implements the provisions of the United Nations Convention on the Law of the Sea, including through the common

fisheries policy, Turkey's ratification of the Convention is necessary to improve cooperation with the EU on fisheries and maritime policy.

5.14. Chapter 14: Transport policy

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

Turkey is **moderately** prepared in transport policy. **Some progress** has been made in the reporting period. The institutional set up of the Ministry undergone significant re-organisation. Some further liberalisation was implemented in the railway market. In the maritime sector, the institutional and technical capacity to implement international conventions remains limited. Negotiations for a comprehensive agreement in the aviation sector as well as the working arrangement with the European Aviation Safety Agency (EASA) are two significant issues which will take Turkey a step further. In the coming year, Turkey should in particular:

- finalise its new Road Safety Strategy for 2021-2030 in line with the EU's safe system approach;
- create a competitive level playing field for all railways operators;
- take steps towards alignment with the EU *acquis* particularly in the areas of aviation, intelligent transport systems and EU passenger rights in all modes of transport.

As regards the **general transport *acquis***, Turkey is preparing a new comprehensive study to assess the level of alignment in the transport sector and identify gaps and actions to close them. The now finished logistics master plan has broadly identified the locations of the logistics centres in the regions. Turkey has also finalised and published its intelligent transport systems strategy and action plan. Turkey is not yet aligned with the Clean Power for Transport package.

On **road transport**, the legal framework is well aligned with the *acquis*. Turkey has continued to carry out robust roadside inspections. Cargo securing remains an issue in updating the relevant Turkish road transport legislation. Turkey's Directorate-General for Highways of the Ministry of Transport and Infrastructure has published a regulation on road infrastructure safety assessment. Road safety is suffering from the lack of a lead agency and Turkey needs to take significant steps to ensure better coordination among the relevant stakeholders with a concrete road safety strategy for the safe system approach. The Turkish national police joined the European Traffic Police Network (TISPOL) in July 2018. There has been no progress in the negotiations to implement the smart tachograph in the European Agreement concerning the Work of Crews of Vehicles engaged in International Road Transport (AETR), which covers Turkey. Because the smart tachograph will be mandatory under EU law on 15 June 2019 for vehicles registered in the EU, delays in the AETR agreement not only prevent Turkey from fully aligning with EU standards on road safety but will also pose a challenge for vehicles manufacturers established in Turkey, since they will have to find a way to install smart tachographs on their vehicles intended for the EU before they are put on the market.

The institutional set up in the **railways** sector is not fully aligned with EU requirements. The Directorate-General for Rail Regulation is not sufficiently independent from the Ministry of Transport. Its human resources and technical capacity have not reached the level of its European peers. The state-owned railway operator (TCDD Transport) is financially dependent on the funds channelled from the state-owned Infrastructure Manager (TCDD

Infrastructure) in breach of the principle of separation of essential functions. A regulation on railway interoperability is in its final stage of preparation pending consultation with the European Commission. TCDD Infrastructure has issued a network statement, which defines the terms under which competing railway companies can access the railway infrastructure including access pricing methodology. Two passenger and three freight train operation certificates have been issued to private sector operators. All railway vehicles in the country have been registered in the rolling stock registry. However, implementing legislation provides that only domestically produced freight and passenger rolling stock may be registered until 1 January 2020, establishing an entry barrier for imports. The DG for Railway Regulation has issued safety certificates for all railway operators. It has certified the training centre in Eskişehir for training of train drivers and safety critical positions. It is also establishing a statistical portal to aggregate all railway-related services and productivity data.

In **maritime transport**, emergency response centres in Tekirdağ and Antalya have been fully operational since early 2018. Turkey has become a party to two International Maritime Organisation (IMO) conventions on the control of harmful anti-fouling systems on ships, and on the safe and environmentally sound recycling of ships. Turkey needs to develop the institutional and technical capacity required to fulfil its responsibilities under IMO conventions. Turkey has still not signed the Paris Memorandum of Understanding, despite being on its white list. Turkey has adopted all the necessary legislation to ensure alignment with the *acquis* on a Community vessel traffic monitoring and information System (VTMS).

Turkey has to align with the relevant EU legislation on **inland waterway**. Turkey has not signed the main international agreements on inland waterways.

In **aviation**, Turkey is aiming to become fully integrated into the EU aviation system, including becoming a member of the European Aviation Safety Agency (EASA). Several instructions have been issued based on EASA Operations. The new Istanbul Airport was inaugurated in October 2018. Negotiations on the comprehensive EU-Turkey aviation agreement continued, albeit at a slow pace. They will define the future of aviation relations between the EU and Turkey and the level of Turkey's integration into the EU single aviation market. There has been no progress on the renewal of the working arrangement between the Turkish Directorate-General for Civil Aviation and the EASA. Given the insufficient human resources in the aviation sector, Turkey needs to fully operationalise the aviation training academy. The lack of adequate communication between air traffic control centres in Turkey and Cyprus continues to compromise air safety in the Nicosia flight information region, requiring an operational solution. In other areas of the aviation *acquis*, Turkey is making progress in aligning its regulations with the *acquis* but further efforts are needed, particularly in air traffic management.

There has been some progress on **combined transport**. Turkey prepared a four step multi-modal national transport master plan in March 2018 and transport information management systems in June 2018.

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

5.15. Chapter 15: Energy

EU energy policy covers security of supply, the internal energy market, hydrocarbons, renewable energy, energy efficiency, nuclear energy, nuclear safety and radiation protection.

Turkey is **moderately prepared** in this chapter. **Good progress** has been made on security of supply, renewable energy and energy efficiency.

In the coming year, Turkey should in particular:

- adopt legislation in line with the Euratom *acquis*, clarifying structural, staffing and coordination issues in nuclear energy regulation and guarantee the independence of the newly established nuclear energy regulator;
- deepen gas market reform by setting up a legally binding plan and a timetable for the unbundling of activities and establishing transparent, cost-reflective and non-discriminatory pricing in the gas sector;
- roll out the implementation of the national energy efficiency action plan (NEEAP) in particular the envisaged national energy efficiency financing mechanism.

Very good progress has been made on **security of supply**. The first phase of the Trans-Anatolian Pipeline project (TANAP) was completed in June 2018. The second phase, aiming to connect TANAP to Europe via the Trans-Adriatic pipeline project (TAP) is expected to be finalised according to plan by June 2019. The offshore section of the TurkStream pipeline project, run by Turkey and Russia, was completed in November 2018.

In addition to the two floating storage regasification unit (FSRU) terminals operated by Turkey's Petroleum Pipeline Corporation (BOTAS), the construction of a third FSRU on the Aegean coast started in 2018. In addition, Turkey started the expansion of its second underground gas storage facility (Salt Lake) to increase its capacity to 5.4 billion cubic meters of gas and a daily production capacity of 80 million cubic meters of gas until 2020. This expansion is considered very important for Turkey's security of supply. Turkey is at an advanced stage of implementation of the *acquis* on mandatory oil stocks and has already constituted the necessary volume of these stocks. Relevant legal provisions became effective in January 2018.

As regards **electricity networks**, Turkey has progressed in aligning with the EU network codes, fostering network integration and greater capacity of interconnections to increase efficiency and security of electricity supply. In October 2018, the Turkish electricity transmission system operator (TEIAS) applied to continue as an observer member of the European Network of Transmission System Operators for Electricity (ENTSO-E). The modernising and upgrading of the Turkish electricity network in line with ENTSO-E should continue, including on the harmonisation of Turkish electricity codes with relevant EU network codes and on further *acquis* alignment.

In the **internal energy market**, some progress has been made on pending improvements in transparent, cost-reflective and non-discriminatory pricing mechanisms for electricity and gas. The capacity of Turkey's Energy Market Regulatory Authority (EMRA) to implement transparency and competition law on the Turkish natural gas market in line with the EU Regulation on Wholesale Market Integrity and Transparency (REMIT) needs to be improved. Legislation on natural gas market transactions also needs to be improved.

A positive development was the launch in September 2018 of Turkey's natural gas spot trading platform, operated by the EXIST Energy Exchange. The platform enables spot market transactions in natural gas, balancing transactions and reconciling of imbalances. However, the viability of the exchange is impacted by BOTAS's dominant market position. BOTAS remains vertically integrated and has yet to unbundle its trading and grid operator functions. Insufficient progress was reported on establishing a transparent, cost-reflective and non-discriminatory gas transit regime.

The Turkish Treasury has issued a guarantee for the external debt financing of four major BOTAŞ projects, namely: the Salt Lake Natural Gas Underground Storage Facility, the Trans-Anatolian Natural Gas Pipeline (TANAP), the North Marmara Natural Gas Storage Plant and the Floating LNG Storage and Gasification Unit. EMRA has lifted tariffs for LNG and FSRU terminals to promote LNG and FSRUs investments in Turkey.

The state-owned electricity generation company (EÜAŞ), responsible for more than a third of Turkey's power generation capacity, took over the Turkish electricity trading and contracting Company (TETAŞ) in July 2018. This has made EÜAŞ responsible for signing energy purchase and sales agreements as well as importing and exporting electricity.

On **hydrocarbons**, Turkey is at an advanced stage of alignment with EU legislation but needs to further align with Directive 2013/30/EU on the safety of offshore oil and gas operations, also as regards transit of hydrocarbons. At the end of 2018, Turkey started exploration activities for oil and gas in the eastern Mediterranean. Turkey undertook seismic research activities in the Cyprus' Exclusive Economic Zone (EEZ), and threatened to conduct its own drilling activities for hydrocarbon exploration in the Cyprus EEZ.

Turkey's progress in the **renewable energy** sector has been good. Three large tenders in photovoltaics (PV) and onshore and offshore wind energy generation were launched based on a model applying a fixed feed-in tariff and guaranteed investment in domestic manufacturing and R&D for a fixed period of time. These tenders failed to attract sufficient investor interest, however, and are expected to be extended or relaunched in 2019. Concerns have been voiced regarding special incentives and local-content requirements, which affect access by EU and other international companies' to tenders in the renewable energy sector.

The Ministry of Energy and Natural Resources is one of the few that kept its name and political mandate, with some structural changes in renewable energy and energy efficiency under the Presidential executive system introduced in Turkey in 2018.

Progress on **energy efficiency** has been good in terms of adopted legislation, and moderate in terms of actual implementation. The long-awaited national energy efficiency action plan (NEEAP) was finally adopted in 2018. Although the plan is broadly aligned with the EU Energy Efficiency Directive 2012/27/EU, the 2007 Energy Efficiency Law needs to be revised in order to avoid overlaps and account for institutional changes. Turkey needs to align with the 2010 Energy Performance of Buildings Directive. The development of a national energy efficiency financing mechanism, envisaged under the NEEAP, has to be prioritised. Better coordination by involving and regularly consulting relevant stakeholders in the design, monitoring and evaluation of energy efficiency policies and measures will help ensure their feasibility and increase the rate of compliance.

Moderate progress has been made on **nuclear energy, nuclear safety and radiation protection**. A new atomic industry regulatory body was created in 2018 by presidential decree. The decree has left gaps on structural, staffing and coordination issues and needs to be followed up by additional legislation, consistent with the Euratom *acquis*, to bridge those gaps. Given Turkey's plan to have a first nuclear power reactor commissioned and operational by 2023, the legal and institutional framework should be improved rapidly to align with the EU's nuclear legislation and ensure nuclear safety in line with the Euratom Treaty.

Turkey has declared its intention to issue a national report on the stress tests at its first nuclear power plant (NPP) at Akkuyu to allow for the preparation of a pending peer review. During the 2018 EU-Turkey technical energy dialogue, the EU invited Turkey to participate in similar peer reviews. Turkey has been invited to attend the European Nuclear Safety

Regulators Group (ENSREG) as an observer, in preparation for stress tests and to facilitate common approaches on nuclear safety and waste management, but has not yet confirmed its participation. There is a need of additional legal and technical assurance that the Turkish nuclear power plants will be constructed, commissioned, and operated safely and in line with the Euratom Treaty and EU secondary legislation. Additionally, Turkey has not yet acceded to the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management, and is not yet a member of the European Community Urgent Radiological Information Exchange system.

5.16. Chapter 16: Taxation

EU rules on taxation cover value added tax and excise duties as well as aspects of corporate taxation. They also deal with cooperation between tax administrations, including the exchange of information to prevent tax evasion.

Turkey is **moderately prepared** in the area of taxation. **Some progress** was made in this area notably through the removal of the regional headquarters regime, amendments to the technology development zones regime and progress with the 2009 action plan on excise duty of alcoholic beverages. Turkey has also ratified the Organisation for Economic Co-operation and Development (OECD) Convention on Mutual Administrative Assistance in Tax Matters and has signed the Multilateral Competent Authority Agreement – in the context of the OECD Automatic Exchange of Information standard. Not all of last year’s recommendations were sufficiently addressed, however, and so in addition to addressing the shortcomings set out below, in the coming year Turkey should:

- align the range of excisable energy products with the *acquis*;
- tackle the deficiencies identified by the Global Forum on Transparency and Exchange of Information.

Indirect taxation

As regards **indirect taxation**, a wide the range of products is subject to a 1% value added tax, deviating from the *acquis* (a 15% minimum rate is standard although member states can apply reduced rates of VAT to certain goods and services). Legislation on structure, exemptions, special schemes and the scope of reduced rates need to be further aligned with the *acquis*.

On excise duties, the specific duty on imported and blended tobacco, which was imposed at \$150 per tonne and used to finance the Tobacco Fund, has been removed, in line with the 2009 action plan. Turkey’s cigarette excise duties legislation contradicts the *acquis* in terms of the specific and *ad valorem* elements of the tax, but the overall level of excise duties on cigarettes is close to EU levels. Regarding alcoholic beverages, Turkey has removed the taxation differentials in absolute terms between raki (mainly domestically produced) and certain other alcoholic beverages (mainly imported) in compliance with the 2009 action plan. Excise duties on energy products are generally well above the EU minimum rates, but kerosene, coal and electricity are not subject to excise duties, contrary to the *acquis*. The regular practice of introducing temporary tax cuts and restructuring public debts is detrimental to voluntary tax compliance in Turkey.

Direct Taxation

In **direct taxation**, the Council of the European Union Code of Conduct Group has evaluated Turkey’s preferential tax regimes and has assessed the technology development zone and regional headquarters regimes as being potentially harmful. In the context of the commitments made by Turkey to respond to the December 2017 Council Conclusions on the

list of non-cooperative jurisdictions for tax purposes, Turkey has repealed the regional headquarters regime from 2019 and has set an end-of-2021 deadline for the vested rights. Turkey has also amended the technology development zone regime.

Administrative cooperation and mutual assistance

The Convention on Mutual Administrative Assistance in Tax Matters (MAC) entered into force in July 2018. The MAC requires the parties' competent authorities to mutually agree on the scope of the automatic exchange of information and the procedures to be complied with. Turkey is also committed to the OECD Automatic Exchange of Information standard, and signed the Multilateral Competent Authority Agreement in 2017. In the context of the December 2017 EU Council conclusions on the list of non-cooperative jurisdictions for tax purposes, Turkey also committed to implementing the automatic exchange of information with all EU Member States by the end of 2019.

Operational capacity and computerisation

Regarding *operational capacity and computerisation*, the Revenue Administration remained affiliated to the Ministry of Treasury and Finance within the scope of the presidential system and maintained its mandate. The e-invoice system was used by 72 000 taxpayers in 2017. Efforts to establish an integrated public finance management information system are ongoing.

5.17. Chapter 17: Economic and monetary policy

EU rules require the independence of central banks and prohibit them from 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. There has been **backsliding** during the reporting period, because of increased political pressure on the central bank, undermining its independence and credibility. Deadlines for the submission of fiscal notifications are not always respected. There was no implementation of the 2018 report's recommendations.

In addition to addressing the shortcomings set out below, in the coming year Turkey should:

→ avoid any political interference undermining the independence of the central bank.

On *monetary policy*, significant further progress is needed to ensure the independence of the central bank. The inflation target is determined jointly by the central bank and the government. There has been increasing political pressure on the central bank (e.g. the public comments of the President of the Republic to lower borrowing costs and to fight inflation through lower interest rates), thus undermining its operational and institutional independence. As regards personal independence, under the new presidential system, the Governor and Vice-Governors are now directly appointed by the President of the Republic, while the members of the Board of the Monetary Policy Committee are subject to his approval. On the other hand, Turkey made some progress in terms of simplifying its monetary policy by setting back the one-week repo rate as the main policy rate, but switched to providing all funding through other channels at two instances. Further work should be done to ensure full alignment with the *acquis* in relation to privileged access to financial institutions by the public sector.

On *economic policy*, significant further alignment with the Directive on Requirements for Budgetary Frameworks is needed. Turkey revised its national account system to better comply with the European System of National and Regional Accounts (ESA-2010). However, further efforts would be required to align fiscal reporting and notifications under

the excessive deficit procedure with ESA 2010. Further improvements are also needed to ensure the credibility of macroeconomic forecasts. Turkey does not have numerical fiscal rules or a fiscal council that monitors fiscal policy independently, as is required by the Directive. Turkey continues to submit fiscal notifications twice per year, although not always by the set deadlines.

The 2019-2021 Economic Reform Programme (ERP) was formally submitted on 26 February 2019, with almost a one month delay. Following the transition to the new presidential system, the central coordination of the ERP was given this year to the newly established Presidency's Strategy and Budget Directorate. The structural reform priority measures are better specified than last year, although the quality of these measures in terms of description, timeline, estimated impact and risks could be improved.

5.18. 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. Turkey has continued to make **good progress** in terms of integrating the administrative records of public institutions into the national accounting system. Some progress has also been achieved in the area of agricultural and migration statistics. However, further efforts are needed to align macroeconomic statistics with the EU *acquis*.

In addition to addressing the shortcomings set out below, in the coming year Turkey should continue to:

- improve compliance with the European System of National and Regional Accounts (ESA 2010);
- improve coordination between TurkStat and other data providers, while improving the quality and use of administrative records;
- improve statistics on agriculture and migration.

As regards **statistical infrastructure**, the statistics legislation is based on the principles of the European Statistics Code of Practice, and it ensures the professional independence of the Turkish Statistical Institute (TurkStat). However, a presidential decree adopted in July 2018 shortened the mandate of the President of TurkStat and changed the appointment procedures of senior officials. The President of TurkStat is appointed directly by the President of the Republic, while the appointment of the vice-presidents and heads of departments is also subject to his approval. There are certain concerns regarding the transparency of appointment and dismissal processes within TurkStat. Important efforts have been made to integrate the administrative records of public institutions into statistical production. Closer cooperation between TurkStat and some of the main data providers will help to improve the quality of registers and increase the use of administrative data.

For **macroeconomic statistics**, the GDP data were revised to ensure greater compliance with the European System of National and Regional Accounts (ESA 2010) at the end of 2016. Turkey continues its efforts to integrate the administrative records of public institutions into the national accounting system. The GNI inventory submitted to Eurostat in 2017 represents a substantial improvement compared to the earlier version, but needs to be further aligned with Eurostat's GNI Inventory Guide. Turkey produces highly compliant statistics on international trade in goods. In November 2018, Turkey submitted to Eurostat tables for the excessive

deficit procedure for 2014-2017. The harmonised index of consumer prices is highly compliant with the EU *acquis*.

On **business statistics**, implementation of the regulation on structural business statistics is still ongoing. TurkStat has started to use administrative records to produce indicators related to short-term and structural business statistics. Short-term statistics are largely aligned, with the exception of services. Innovation, ICT and full data sets for R&D statistics are produced and sent to Eurostat. Rail, maritime and regional transport statistics are compliant and work is ongoing for road freight and passenger mobility data. Tourism statistics are also available.

As for **social statistics**, data from the income and living conditions survey is available and labour market statistics are fully aligned with the EU *acquis*. The methodology for employment data follows EU practice. Data are available for education and vocational training. There is good compliance in public health statistics for data related to health surveys and causes of death, while further progress is needed for data on health expenditure and non-monetary healthcare. Social protection statistics are highly compliant. Crime statistics are produced, but they have not yet been transmitted to Eurostat. There was progress on migration statistics. Statistics on immigration and emigration were published using administrative registers for the first time in September 2018, and sent to Eurostat. The data cannot be published by Eurostat because of definitional problems.

As regards **agricultural statistics**, no agricultural census has been carried out since 2001. Crop, animal production, milk and dairy statistics are available. Supply balance sheets are available for almost all basic crop products and for wine. Work is ongoing for the economic accounts for agriculture and the agricultural input price index. Turkey carried out a farm structure survey in 2016 to determine the physical sizes of the agricultural holdings. Turkstat published the results of the survey in April 2018, but the microdata and the methodological report have not been sent to Eurostat.

As for **environmental statistics**, waste statistics are available, but further progress is needed for data on agricultural and construction waste. Environmental accounts on greenhouse gas emissions, environmental taxes, material flow, energy and environmental protection expenditure are available. **Energy statistics** are in line with the EU *acquis*. Good quality statistics on energy prices are available and are sent regularly to Eurostat.

5.19. 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 non-discrimination. They also promote social dialogue at European level.

Turkey has **some level of preparation** in the area of social policy and employment. There has been **no progress** during the past year, especially in employment policy. In the coming year, Turkey should in particular:

- remove obstacles which limit the enjoyment of trade union rights and reinvigorate the bilateral and tripartite social dialogue;
- oversee the implementation of health and safety at work legislation for the benefit of the entire labour force;
- promote women's employment by stepping up appropriate work-life balance policies.

In **labour law**, Turkey is moderately prepared. Labour law is still not applicable to agriculture and forestry workplaces with fewer than 50 employees, or to domestic workers, except for matters involving occupational health and safety. This, coupled with high rates of informality, means that a high proportion of the working population is not protected by the

labour law. The current number of the labour inspectors is well below the benchmarks set by the International Labour Organisation, as critical for the enforcement of the labour law. Mediation (mandatory before resorting to labour courts) has started functioning. The national programme for the elimination of child labour for 2017- 2023 has been launched, but no official data has been released on its implementation.

On **health and safety at work**, the EU framework directive has been largely transposed, except the requirement that low-risk enterprises with fewer than 50 employees utilise occupational health and safety professionals. This provision will enter into force in July 2020. Occupational accidents claimed at least 1,636 lives in 2017, up from 1,405 in 2016, with the construction sector causing the highest number of fatalities. The fatal accident rate per number of persons employed (“incident rate”) has also increased. Migrant children are particularly vulnerable to work-related accidents. The low level of union density, high levels of informality and extensive subcontracting of work in the private sector are factors that increase risks to employees’ safety. The high number of occupational incidents and fatalities at the new Istanbul airport site, the largest construction site in Turkey, attracted public attention with mass worker protests in September 2018. Turkey needs to improve its prevention, identification and reporting systems for occupational fatalities and diseases and implement a proper system of labour inspection.

Social dialogue has backslid during the last year. The members of the Economic and Social Council, which has not convened since 2009, will now be appointed by the President of the Republic. The tripartite consultative committee, which has continued to be the main tripartite social dialogue forum, convened once in 2018. Trade union density among registered private-sector employees was 13.8% in January 2019. Trade union density among the 2.47 million public servants is high at 67.6%, although it has been decreasing since 2016. Managers and members of some unions continued to face arbitrary dismissal, harassment and detention for various union activities of a peaceful nature. Sixty-two workers, including one union leader, are on trial because of their involvement in mass worker protests against poor working conditions at the new Istanbul airport construction site. These and other breaches of fundamental labour rights as the freedom of association and the right for collective bargaining have raised the attention of the International Labour Organisation (ILO). The list of public institutions whose employees are not allowed to organise in unions, already long by international standards, has been further expanded. Mass dismissals of public servants for alleged links to terrorist groups, in relation to the coup attempt of 2016, have continued. The State of Emergency Appeal Commission, which is mandated to examine dismissals of public servants, still has a large backlog of unresolved cases for those affected by measures under the state of emergency (*see section Measures under the state of emergency*).

In 2018, two strike actions in the private sector were postponed (and de-facto banned) by the Government. Meanwhile, the Constitutional Court has ruled that a 2015 decision to postpone a metal sector strike, imposed by the Government on the grounds of national security, was in breach of the right to strike.

In 2018, the overall **employment** rate was 52.0%, 32.2% for women. The unemployment rate was 11%. The labour force participation rate was 58.5%, with an increase in female labour force participation from 37.6% in 2017 to 38.3% in 2018. Of employed women, 23% work as unpaid family workers in agriculture. The youth unemployment rate was 20.3%: a decrease from 20.8 % in 2017. While there is a minor decrease in the number of females not in employment, education or training in the age group 15-24 from 34.0 % in 2017 to 33.6 % in 2018, there is an increase for males from 14.6% in 2017 to 15.6% in 2018. In 2018, the rate of employees/employers not registered to any social security institution reached 33.6%.

Approximately 800 000 Syrian refugees are employed largely in the informal sector. 43.4% of women are in undeclared jobs with this rate climbing to 90.8% for women in agriculture. Turkey has set concrete targets for the labour market, demonstrating long-term policy making. No official figures for employment have been announced following the “employment mobilisation programme” launched in 2016 to create two million jobs, primarily by covering employers’ share of social security contributions and to encourage registration. As was the case last year, the majority of the job placements continued to be in occupations not requiring any qualifications. People with disabilities face difficulties getting a foothold on the labour market and large gender inequalities exist. A major part of the unemployment insurance fund was used for employment subsidy programmes to employers, and the impact of this is yet to be evaluated.

Turkey has a good level of preparation for using the **European Social Fund**. The Ministry of Family, Labour and Social Services manages similar sectoral funds under IPA and IPA II programmes, covering areas of employment, education, lifelong learning and social inclusion. (*concerning the effectiveness of the management of IPA funds, see chapter 22 – Regional Policy and Structural Instruments*).

In **social inclusion and protection**, Turkey has continued to provide a wide range of public and social services to 3.9 million registered refugees, who are predominantly Syrian nationals placed under ‘temporary protection’. Income inequality as measured by the Gini coefficient remained stable, but with 0.426 was higher than for all EU Member States. The income-quintile ratio (another common reference for inequality) stands at 8.6 (EU 5.2), and substantiates the same tendency. Turkey has no policy framework for poverty reduction. Social protection expenditures represented 12.3% of GDP in 2017. Participation of persons with disabilities in Turkey’s economy and society remains a challenge, the main issues being limited enforcement of anti-discrimination legislation, inadequate physical infrastructure at workplaces, and lack of affordable occupational therapy services. Implementation of the Strategy on Roma Citizens needs to be improved, including the preparation, adoption and implementation of an action plan for 2019-2021, with the involvement of all relevant actors. Social assistance beneficiaries are referred to the public employment service for employment or active labour market measures. There has been little progress in moving from institutional to community-based care for vulnerable persons. Home-based care subsidies for vulnerable children and persons with disabilities are expanding. Quality standards, monitoring, inspection and evaluation of all care services need to be improved.

Turkey has no strategy or action plan for **non-discrimination in employment and social policy**. The human rights and equality body has started processing complaints and its capacity needs to be strengthened. Public awareness needs to be raised about rights and responsibilities in this field. A survey revealed that more than 80% of young Syrian migrants perceive discrimination in the labour market. The legislative framework does not prohibit discrimination on the grounds of sexual identity and orientation. (*See Chapter 23 – Judiciary and fundamental rights*).

On **equality between women and men in employment and social policy**, there have been no legislative developments in relation to part-time work for working parents in the public sector. The legislative and institutional mechanisms needed to balance family and working life as a basic component of all national policies promoting women’s employment are still lacking. The main source of inequality, and the gender gap, is the low participation of Turkish women in the workforce. There is a wide gap in the employment rates (38%), labour force participation rates and unemployment rates of women and men, and a gender pay gap observed for all levels of educational attainment. The lack of institutions and services

providing care for children, the sick and the elderly people continues to hinder women's employment, due to a gender bias in caring responsibilities (*See also Chapter 23*).

5.20. Chapter 20: Enterprise and industrial policy

EU enterprise and industrial policy strengthens competitiveness, facilitates structural change and encourages a business-friendly environment that stimulates small and medium-sized enterprises.

Turkey has a **good level of preparation** in the area of enterprise and industrial policy. There has been **good progress** on the legal framework for doing business but issues such as tackling the informal economy, the long-term financing of small and medium-sized enterprises and the legal framework for microfinance remain challenges.

In the coming year, Turkey should in particular:

- improve policy compliance following the results of the Small Business Act report;
- focus on measuring the impact of policy tools.

Enterprise and industrial policy principles

There has been significant progress on the legal framework covering the business environment. An omnibus law amending other laws to improve the business environment, published in March 2018, did much to ease the administrative burden on enterprises. This law and other accompanying measures helped Turkey improve its ranking in the 2019 Doing Business Index by 17 places making the country one of the top 10 reformers. Following the transition to the executive presidency system, the Ministry of Industry and Technology extended its mandate to cover foreign direct investments, incentive schemes for industry, and regional development including the development agencies set up for the purpose.

Turkey's efforts to digitalise government services have continued for foreign direct investments where an electronic incentive implementation and foreign investment information system was introduced. An e-export strategy and action plan has been adopted for 2018-2020 to increase exports in e-commerce.

Turkey's focus on localisation schemes (some of which create obstacles to the free movement of goods with the EU – *see Chapter 1*) and the strategic use of public procurement for the benefit of local industry have continued during the reporting period. Turkey maintained the scope of the 15% domestic price advantage in public procurement with compulsory use for medium and high-technology industrial products, contrary to EU rules (*see also Chapter 5*). A presidency decision on the industry cooperation programme exempted public contracts containing de-localisation and technology transfer from public procurement rules. Such steps and the existing and planned schemes for localisation in sectors such as pharmaceuticals, medical devices, biotechnological products and agricultural and forestry machinery, are not compatible with the general principles of the EU common industrial policy. The informal economy is still substantial and remains a major problem area. The innovation performance is the weakest in intellectual assets and the employment effect. Evaluations of impact on policy objectives are not systematically conducted.

Enterprise and industrial policy instruments

The Turkish legislation is not yet fully harmonised with the Late Payment Directive. Turkey has continued to implement various schemes supporting companies, mainly SMEs. The scope of schemes of a number of schemes has been further extended to cover a wider range of beneficiaries and activities. These are schemes for the organisation of sectoral national fairs and participation in international fairs, market research and market entry, investment supports

for centres of attraction, industry areas, organised industrial zones, technology development zones, supports for tourism operators and Treasury supports for venture capital funds. According to a protocol signed in January 2018, further Treasury support of about EUR 9 billion has been made available for SMEs through the Credit Guarantee Fund. Several technical assistance and financing schemes run by the SME support administration (KOSGEB) are also operational. Turkey has continued to support technology development zones. There were 81 of these zones in January 2019 (69 in 2017) with 61 being operational. In 2018, 1,022 patents had been obtained from 29,503 completed projects (compared with 640 patents from 28,852 projects in the previous reporting period). Turkey remains active in the COSME programme, the Enterprise Europe Network and in the Small Business Act assessment process.

5.21. Chapter 21: Trans-European networks

Turkey is **well advanced** in the area of trans-European networks, where **good progress** has been achieved. The logistics master plan has been finalised. Turkey's role in fostering energy security in the region and the EU has been strengthened by the completion of the first phase of the Trans-Anatolian Pipeline project (TANAP), the backbone of the southern gas corridor.

In addition to addressing the shortcomings set out below, Turkey should pay particular attention in the coming year to:

- accelerating efforts to align with key parts of the *acquis* to facilitate alignment in TEN-T;
- establish a transparent, cost-reflective and non-discriminatory gas transit regime in line with the *acquis*.

As regards **transport networks**, Turkey has collected information for the last eight years on the Trans-European Transport (TEN-T) network, which is now collated on the transport information management system. The data will be transferred to the TEN-Tec system. Turkey has provided a firm commitment with an indicative completion target to finalise the railway connection over the Yavuz Sultan Selim Bridge in İstanbul. A joint monitoring board is being established to oversee and steer the development of railway projects in the Marmara region which indeed will provide high capacity reliable railway connections in the east-west corridor and form an important part of the further extension of the TEN-T. The construction of the Halkalı – Kapıkule railway project, which is co-financed by the EU using IPA II funds, is expected to start in the first half of 2019. The logistics master plan has been finalised. Turkey needs to ensure that its transport network projects are implemented in line with the TEN-T regulatory framework, and upgrade its transport networks in line with the requirements of the TEN-T Regulation.

As regards **energy networks**, significant progress has been achieved on gas networks and in particular on the Trans-Anatolian Pipeline project (TANAP), the backbone of the southern gas corridor. The completed first phase will bring 6 billion cubic meters of Azeri gas per year through Georgia to Turkey. The second phase, aiming to deliver ten billion cubic metres of gas to Europe via Greece, Albania and Italy, is expected to be finalised by June 2019, with gas arriving in Europe via the Trans-Adriatic pipeline project (TAP) in 2020. Progress has been made on the TurkStream pipeline project with the completion of its first offshore section. The construction of the onshore connecting line to the existing transit pipeline of the Turkish Petroleum Pipeline Corporation's (BOTAS) is ongoing. The routing of the second export line, whose offshore section is under construction, is yet to be determined, the options being either Greece or Bulgaria. Insufficient progress can be reported on the establishment of a transparent, cost-reflective and non-discriminatory gas transit regime (*See Chapter 15 –*

Energy). There has been limited progress on the interconnection between Turkey and Bulgaria. For electricity networks, Turkey has made progress in aligning with the EU network codes, fostering network integration and greater capacity of interconnections to increase efficiency and security of electricity supply.

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

Regional policy is the EU's main investment policy for sustainable and inclusive economic growth. Member States bear responsibility for its implementation, requiring adequate administrative capacity and sound financial management of project design and execution.

Turkey is **moderately prepared** in the area of regional policy and the coordination of structural instruments. Overall, there has been **no progress** in this area, especially in absorbing IPA II funds and in strengthening capacity for programme implementation. However, for regional integration and territorial cooperation there has been some achievement in setting up management and control systems and implementation results within IPA I. In the coming year, Turkey should in particular:

- focus on the completion of the ongoing operations under IPA II, in particular the mature operations within the existing pipeline, in order to ensure full implementation of EU funds by the set deadlines to deliver high quality results and avoid de-commitments;
- ensure effective strategic planning and risk management at the programme level;
- strengthen the capacities of the National IPA Coordinator (NIPAC) and National Authorising Officer (NAO) to coordinate Operating Structures (OSs), as well as administrative capacities in the field of Regional Policy and coordination of Structural Instruments.

No progress has been made in the **legislative framework**. Mechanisms for evidence-based policymaking, policy and program evaluations, and impact assessment are not yet in place. It is not clear how the 2014-2023 National Strategy for Regional Development (NSRD), which provides a framework for planning on regional and national level, will be enforced in the new presidential system introduced after the June 2018 elections.

There has been no progress in the **institutional framework**. All four Operating Structures (OSs) for IPA Multi-Annual Operational Programmes (MAAPs) have been entrusted with budget implementation tasks for the management of MAAPs in the IPA II period (2014-20). However, the functions and responsibilities of the structures in charge of managing IPA II assistance are still not adequately understood. In addition, Turkey's transition to an executive presidential model resulted in a restructuring in the institutional set-up, which has caused uncertainty for the upcoming period. The role of the NIPAC still remains weak. The development agencies lack the power and resources to act as engines of development. On the positive side, a permanent Head of the Audit Authority responsible for auditing of the functionality and efficiency of the management and control mechanisms was appointed in April 2019.

Administrative capacities have backslid during the year. The line OSs responsible for MAAPs have experience and capacities to manage procurement procedures and contracts, but a systematically high staff turnover, a lack of experience enforcement of contractual conditions and a low ownership by the OSs have led to delays in procurement and implementation.

There is some progress in **programming**. Project pipelines have been established by all IPA structures for the IPA II period (2014-20). Drafting of project documentation is fairly

advanced and procurement is ongoing but at a limited pace. It is important to reduce the substantial four-year delay between programming and implementation.

On **monitoring and evaluation**, progress is slow regarding the effective use of the integrated monitoring information system developed by the Ministry of Development, and there has been backsliding on a systematic evaluation policy in the context of IPA II funds. Monitoring of sustainability and financial adjustment applicable to IPA I is not sufficient.

Concerning **financial management, control and audit**, the de-commitment risk of the IPA II funds remains high, especially for IPA 2014 funds within MAAPs, which are due in the end of 2019. OSs still suffer from a lack of capacity for the preparation of tender documentation and procurement. Efficiently prioritising and organising procurement processes, and the follow-up of implementation are key elements in speeding up the implementation and avoiding de-commitments.

5.25 Chapter 25: Science and research

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

Overall, Turkey's preparations in science and research are **well advanced**. Turkey made **good progress** notably in e-infrastructures, open data and gender mainstreaming in research. The cooperation between Turkey and EU is good but there is room for improvement. Last year recommendations remain valid.

In the coming year, Turkey should in particular:

- ensure promotion to research and innovation clusters;
- develop and/or update National strategies and infrastructures in the science, technology and innovation sectors;
- reinforce its efforts towards aligning its national research area (TARAL) with the European Research Area (ERA) and increase participation in Horizon 2020 and maximise its benefits.

On **research and innovation policy**, the share of R&D expenditure to GDP slightly increased in 2017 compared with 2016, but remains below 1% (EU28 average is 2%). The number of researchers per million inhabitants (a third of the European average) is still limiting Turkey's overall research capacity. The share of female R&D personnel slightly increased in 2017, compared to 2016 and reached 32% of the total R&D personnel. The female R&D personnel is highest in higher education (44%), followed by the government sector (28.6%) and financial and non-financial corporations (25.1%). The New Economic Program launched in September 2018 has strategic goals in science, technology and innovation policies and a new Policy Board on Science, Technology and Innovation has been established. Both measures may have a positive impact in the sector.

On **framework programmes**, participation in Horizon 2020 is stagnant at a level that is too low. The figures show that to date, Turkey has been slightly more successful in Horizon 2020 than in the previous FP7 programme but further efforts are still needed. The Horizon 2020 Action Plan prepared by the Scientific and Technological Research Council of Turkey (TUBITAK) to increase and to broaden Turkish participation in Horizon 2020 is welcome and needs to be quickly implemented. Turkey needs to continue its efforts to align its National Research Area (TARAL) with the **European Research Area** (ERA). TARAL

progress is satisfactory and promising to link the ERA into diverse national R&I policies and ecosystems, however there is still room for improvements as only in some cases a coherent strategy is presented. Turkey has achieved good results on ERA priorities related to gender equality and it is encouraged to continue in that direction.

On **Innovation Union**, Turkey remains a ‘moderate innovator’ according to the European Innovation Scoreboard for 2018. Performance has increased slightly over recent years, but is still below EU in most of the indicators. The number of Technology Development Zones – to better serve cooperation between business and academia grew to 81 in 2018. Research and innovation clusters, knowledge exchange, mentoring for start-ups and closer cooperation between academia and industry-SMEs should be promoted in order to increase commercialisation of RDI products and the number of patents granted.

5.26 Chapter 26: Education and culture

The EU supports cooperation in education and culture through funding programmes and the coordination of Member State policy through the open method of coordination. The EU and the Member States must also prevent discrimination and ensure quality education for children of migrant workers, including those from disadvantaged backgrounds.

Turkey is **moderately prepared** on education and culture. There has been **some progress** on this chapter, notably regarding the national qualifications system. Turkey recognises the value of culture in development policies and encourages the promotion and protection of its cultural heritage.

In the coming year, Turkey should in particular:

- further improve inclusive education, with a particular focus on girls and children from disadvantaged groups and closely monitor and continue work to reduce the proportion of school dropouts;
- ensure the good functioning of the Turkish Qualifications Framework;
- take concrete steps to implement of the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions.

In the area of **education**, with a level of public expenditure of 4.3% of the GDP, Turkey is at an advanced stage of implementing the Bologna process, although significant quality differences persist among Turkey's 206 universities. Turkey has set up a Higher Education Quality Board in charge of quality assessment and assurance. A regulation was published in November 2018 regarding the principles and procedures for Turkey's quality assurance in higher education system of Turkey as well as for the management of the Higher Education Quality Council was published in November 2018. The Board is not yet a member of the European Association for Quality Assurance in Higher Education.

The implementation of a national vocational qualifications system by the Vocational Qualifications Authority (VQA) is ongoing. The VQA, which is the authority responsible for preparing national occupational standards and national qualifications and authorising of certification bodies, is also in charge of implementing of the Turkish qualifications framework (TQF).

In November 2018, 792 national occupational standards were published in the Official Gazette and 467 qualifications approved. The number of authorised certification bodies increased from 116 in 2017 to 182 in 2018. Through the exams and skill tests carried out by these certification bodies, 431 907 individuals have been issued a VQA vocational

qualifications certificate. The principles and procedures on ensuring the quality assurance of the qualifications to be Included in TQF were published.

Although the TQF now refers to the European qualifications framework, Turkey will have to ensure that principles and procedures relating to quality assurance, credit systems, inclusion of qualifications, and validation of non-formal and informal learning are fully in place. In the formal vocational education and training sector, the implementation of modular curricula and a credited module system, instead of the current class passing system, remains an important issue for the effective implementation of the TQF.

An amendment to the Law for Private Education adopted in May 2018 puts on an equal footing holders of certificates of completed training issued by private education institutions and holders of certificates following an exam at an accredited vocational qualification institution. This change undermines efforts made to establish a quality-assured vocational qualification system in Turkey.

There has been some progress in the net enrolment rate of children, particularly in pre-school education, which increased from 58.8% in 2017 to 66.9% in 2018. The net enrolment rates in primary school increased from 91.2% in 2017 to 91.7% in 2018, but fell in lower secondary school from 95.7% to 94.5% over the same period. In secondary education, the net enrolment rate increased from 82.5% in 2017 to 83.6% in 2018.

Turkey has been participating in the EU programmes as a candidate country since 2004. Applications for the Erasmus + programme's mobility actions further increased from 9 391 in 2017 to 10 578 in 2018, with a budget of nearly EUR 110 million.

For Turkey, quality and inclusiveness are amongst the main priorities as they aim at reducing disparities between urban and rural areas, increasing the quality of teachers through continuous professional development and in-service training, reducing gender inequalities, updating curricula to include transferable skills, etc. Although these efforts are welcome, based on the latest PISA results Turkey appears at the bottom of the ranking table, suggesting serious issues with the overall quality of education.

As for **culture**, following the full entry into force of the presidential system, a Culture and Arts Council was established under the auspices of the President of the Republic. The Council is composed of cultural professionals and oversees the implementation of cultural policies. Pursuant to Turkey's ratification of the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions in 2017, the Ministry of Culture and Tourism contributes to the studies of the Convention's National Committee, but measures have yet to be taken for its implementation.

Turkey withdrew from the Creative Europe programme in January 2017. Cultural relations with the EU continue on a bilateral basis and in the EU-Turkey Civil Society Dialogue programmes funded under the IPA.

Besides active participation in the youth actions of the Erasmus+ programme, there are some good developments in the field of youth policies, based on the National **Youth and Sports** Policy Paper which was adopted in 2013 in line with the European Union Youth Strategy (2010-2018). This paper includes 20 main policy fields including key topics defined in the European Union Work Plan for Sport (2017-2020) such as anti-doping, good governance in the field of sport as well as innovation and social inclusion through the promotion of physical activity.

5.27 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 has **some level of preparation** in this area. There has been **some progress**, mainly in increasing capacity in waste management and wastewater treatment and legislative alignment, but enforcement and implementation still remain weak. More ambitious and better coordinated environment and climate policies 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:

- complete alignment with the directives on water and industrial pollution, and ensure that the Environmental Impact Assessment Directive is correctly implemented;
- ensure alignment with the *acquis* on public participation and the right to access environmental information;
- ratify the Paris Agreement on climate change, and start implementing its contribution to the Agreement, and complete its alignment with the EU *acquis* on climate action.

Environment

Turkey has achieved some level of preparation in the area of **horizontal legislation**. Implementation of the Directive on infrastructure for spatial information is still at an early stage. There are concerns on how the Environmental Impact Assessment Directive is implemented. There are still complaints about the application of the rule of law in court decisions on environmental issues and about public participation and the right to environmental information. Turkey is still not a party to the Aarhus Convention. The 2016 law that waived licencing and other restrictions for strategically important investment projects is a major concern. Procedures for transboundary consultations have not yet been aligned with the *acquis*. The Strategic Environmental Assessments Directive is currently aligned in some sectors. Alignment on environmental liability remains limited.

On **air quality**, national legislation aligning with the VOC Solvents Emissions Directive was adopted in 2018. National legislation still needs to be adopted in line with the current directives on ambient air quality and national emissions ceilings. Severe air pollution in some cities is reported on an annual basis. Local clean air action plans are being prepared for 64 provinces. A national strategy for air quality monitoring is in place and 7 out of 8 planned regional networks are operational. Air quality monitoring data is published online.

The legal framework on **waste management** is mostly aligned. Turkey has adopted a strategy promoting a zero waste management approach, efficient use of natural resources, landfilling reduction and increased recycling and reuse. Legislation introducing a ban on the free distribution of lightweight plastic bags came into force in January 2019 and attracted substantial public interest. Work has continued to bring waste treatment facilities up to *acquis* standards. Alignment and capacity for sorting, recycling and medical waste treatment have increased. Significant efforts are necessary to implement waste management plans at local and regional level. Economic instruments to promote recycling and the prevention of waste generation are improving, but remain limited.

In the area of **water quality**, the level of alignment is advanced. Over 30% of water bodies were identified as sensitive areas. The preparation of management plans for four river basins

out of 25 has been completed. Transboundary consultations on water issues are still at an early stage. Wastewater treatment capacity has increased as a result of continuous investments. Alignment with the Marine Strategy and Bathing Water Directives is still pending.

The framework legislation on **nature protection**, the national biodiversity strategy and an action plan have yet to be adopted. Regulations allowing planning and construction in wetlands, forests and natural sites are still not in line with the *acquis*. The lists of habitats and species detected in Turkey under the Habitats and Birds Directives have been prepared. The institutional framework for managing future Natura 2000 sites needs to be streamlined and adequately resourced. Investments, particularly in hydropower and mining, need to comply with nature protection obligations, especially for potential Natura 2000 areas.

In **industrial pollution and risk management**, alignment with most EU directives and regulations is at an early stage. There is good alignment with the Seveso II Directive and the ecolabel regulation was adopted in 2018. Alignment with the Seveso III Directive, Industrial Emissions Directive, the eco-management and audit scheme, and the Paints Directive are still pending.

On **chemicals**, legislation on persistent organic pollutants was adopted in 2018. The legislation on the import and export of dangerous chemicals is yet to be adopted. The adoption of a regulatory framework to implement the Directive on the protection of animals used for scientific purposes has advanced.

Alignment with legislation on **noise** is well advanced. Preparation of noise mapping and local noise action plans are at an advanced stage.

Turkey has still not established the Common Emergency Communication and Information System (CECIS) since it joined the Union **Civil Protection** mechanism in 2016. Although required by the latter, Turkey has not yet submitted a summary of their national assessment.

Climate change

There was no progress in this area over the previous period. A national strategy consistent with the EU 2030 climate and energy framework has not yet been formulated, and mainstreaming of climate action into other sector policies is still weak. The existing national strategy and action plan only partially addresses climate change mitigation and only for the short-term. Turkey has still not ratified the Paris Agreement on climate change. Regarding its commitments under the UN Framework Convention on Climate Change, Turkey submitted its third biennial report on greenhouse gases in January 2018. The latest national inventory was submitted in April 2018.

Turkey is not yet aligned with the Emission Trading Directive. Legislation aligning with the EU's economy-wide greenhouse gas monitoring mechanism still needs to be adopted. Further efforts need to be made to fully implement the legislation aligned with the Fuel Quality Directive and to initiate alignment on emissions standards for new cars. Turkey also needs to establish an alignment plan for the Carbon Capture and Storage Directive.

5.28 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.

There is a **good level** of preparation for legislative alignment of consumer and health protection. There has been **some progress** on legislative alignment and the establishment of

structures needed to implement the EU public health *acquis*. Previous recommendations have not been fully implemented.

In the coming year, Turkey should in particular:

- ensure effective protection of consumers by better enforcement and better coordination of and cooperation with consumer groups;
- increase its institutional/administrative capacity, inter-sectoral cooperation, financial resources and appropriate diagnostic facilities to address public health issues at central and provincial level.

Consumer protection

National legislation is aligned with the EU *acquis* on **consumer protection** in non-safety related issues, though enforcement, consumer awareness, coordination and cooperation with sectoral stakeholders remain insufficient. Within the Ministry of Trade, the Directorate General for Consumer Protection and Market Surveillance conducted market surveillance inspections pursuant to the Law on the Protection of Consumers.

In 2018, Turkey re-organised the town-based consumer arbitration committees and reduced them from 1 011 to 211 for cost-efficiency reasons. The Directorate General for Consumer Protection initiated a distance-learning programme for arbitration committees. Also in 2018, a strategy for the protection of financial consumers was adopted.

Turkey continued to improve its product safety and market surveillance regime. However, the number of complaints has remained quite high. Consumer information and awareness, especially concerning investment frauds promising a high profit, remains a matter of concern.

Turkey has continued to improve its online services and organise training and awareness raising activities, in particular on product safety. Consumer judges and some arbitration committee members were also trained on EU consumer policy and EU best practices, though the quality of the decisions of arbitration committees in terms of common legal understanding and well-justified decisions needs to be improved. The time it takes for an arbitration committee to reach a decision is very long (one year on average, contrary to the six-month legal deadline). The impartiality of expert witnesses in consumer conflicts is not always ensured. Inconsistency between the decisions of different arbitration committees and consumer courts on very similar consumer complaints remains a systemic problem. There is weak participation by consumer organisations in policymaking and decision-making mechanisms. Co-operation in the consumer protection sector involving all stakeholders needs to be improved. Overall, more political commitment and willingness in the area of consumer protection is needed.

Public Health

With regard to **public health**, the re-organisation of the Ministry of Health has continued with the aim of creating administrative structures to address public health issues at central and provincial levels.

In **tobacco** control, Turkey has achieved major legislative advances during the past two decades. Tobacco use has been reduced considerably and indoor air quality has been improved. However, smoking prevalence is still high and increasing (31.5%) and some violations of indoor smoking bans continue. The mean age of starting smoking is 18.1 years (17.2 years for men and 20.2 years for women). An updated strategy document and action plan on tobacco control (2018-2023) is in place. The plan focuses on provisions that reduce demand for tobacco, availability for children and young people, and supply in general.

Turkey ratified the Framework Convention on Tobacco Control Protocol on Illicit Trade in April 2018. Moreover, a provision in the omnibus law, passed in November 2018 and effective as from June 2019, introduced plain tobacco packaging to regulate the retail packaging and appearance of tobacco products.

The fight against smoking is considered the first step in prevention of lung **cancer**. According to the Lung Cancer Report, the economic burden of lung cancer is estimated at around TRY 8.8 billion and there are more than 175 000 new cases of cancer each year. Cancer registry centres have been established in every province. However, Turkey is not part of the European Network of Cancer Registries.

Despite intensive awareness raising campaigns on **nutrition, physical activity** and the reduction and prevention of **alcohol-related** harm in Turkey, fruit and vegetable consumption remains low, with almost 88% of men and women consuming fewer than five servings of fruit and vegetables per day, thus exposing them to higher risk of **non-communicable diseases**. Moreover, 81.3% (70.1% of males and 92.2% of females) are not involved in any effective physical activity and 64.4% are overweight. The high levels of risk factors for non-communicable diseases require immediate action, as they are responsible for 87% of all deaths and 18% of adult premature deaths in Turkey. A multi-sectoral action plan on non-communicable diseases for 2017–2025 is in place.

Regarding **blood, tissues, cells and organs** capacity building of the blood bank system is ongoing. There are now 18 regional blood banks, which has led to a reduction in the number of temporary blood banks by Ministry of Health. There are 37 establishments which collect blood in Turkey. No progress can be reported on alignment of tissues, cells and organ legislation and the operation of the haemovigilance system.

For **communicable diseases and serious cross border threats to health**, the early warning response and epidemiological surveillance systems demonstrated that they operate effectively during the anthrax cases that Turkey faced in August. Standard operating procedures for coordination between the health sector and other sectors are considered to have been tested successfully on a larger scale. Laboratory services have also proved to support the surveillance system efficiently.

Turkey has the highest rate of antibiotic resistance among OECD countries. The average resistance proportion is about 35%, which is seven times higher than European countries with the lowest proportions. A new electronic prescription system is in place to monitor and control the use of antibiotics.

On **mental health**, the number of community-based mental health centres has increased to 167 from 163. Although the suicide rate in Turkey is lower than in most European countries, it has started to become a significant public health problem with a 50% increase in the number of people who committed suicide in the last four decades.

According to the Ministry of Interior, there has been a sharp decrease in the number of drug-induced deaths (228 for the first 9 months of 2018, down from 1020 in 2017). This is linked to the effective functioning of the national coordination mechanisms on preventing **drug abuse** through the control of supply and demand. Drug addicts are offered better rehabilitation and information through awareness campaigns. In addition, access to drugs is being reduced by removing distribution and consumption locations, along with the fight against illicit trade.

As concerns health access inequalities, there is no data available on the level of healthcare services for people with disabilities, people living with HIV, and children and adults who use drugs.

5.29. 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, adequate implementing and enforcement capacity, and access to the common computerised customs systems.

Turkey maintains a **good level of preparation** for the customs union. **Some progress** has been made concerning the rules on managing tariff quotas during the reporting period. Duty relief, free zones and surveillance measures are not fully in line with the *acquis* or with Turkey's obligations under the Customs Union.

In the coming year, Turkey should in particular:

- further improve risk-based controls and simplified procedures in line with the *acquis* to facilitate legitimate trade, while ensuring security and safety;
- eliminate import and export restrictions hampering the effective free movement of goods.

There has been some progress on **customs legislation**, particularly concerning the rules on management of tariff quotas. The level of alignment remains generally high. However, the customs law is yet to be harmonised with the EU Customs Code. Gaps remain for improvement of risk-based controls and simplified procedures in line with the *acquis* to facilitate legitimate trade, while ensuring security and safety.

As for the rules on management of tariff quotas, a new allocation method was introduced enabling that the requests could be made in the customs declaration automatically. Furthermore, the limitations as regards allocation of tariff quotas for the processed agricultural products were removed.

Rules on surveillance, free zones and duty relief are yet to be aligned with the *acquis* while some exemptions were introduced regarding the surveillance on imports of a few products (electric accumulators, PVC floor coverings, malleable pipe fittings and parts for lifts) on the basis of origin. Additional duties applied on imports of a large number of products originating in third countries were not removed infringing the fundamental principle of the Customs Union as those duties apply to products of third country origin even though they were in free circulation in the EU (See also Chapter 1 – Free movement of goods). Turkey has not wholly removed the export restrictions on certain leather products in violation of the Customs Union rules. Designation of specialised customs offices and proof of origin requirements for goods in free circulation in the EU are not in line with Customs Union rules. Turkey's increased duty on sweet corn is disproportionately high contrary to Customs Union rules.

On **administrative and operational capacity**, efforts to strengthen the customs enforcement capacity have continued in relation to intellectual property rights. However, further alignment with the *acquis* in this area is required. Further efforts are needed to improve risk-based controls to enforce safety and security measures. Unlike the computerised transit system which Turkey has been implementing as part of its membership of the Convention on a Common Transit Procedure, tariff IT systems (TARIC, Surveillance) remain to be operational. A strategy bringing together IT activities with business initiatives has been prepared and adopted.

5.30. 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 is **moderately prepared** in the area of external relations. There has been **backsliding** in the reporting period. The level of alignment with the Common Customs Tariff (CCT) was reduced, as Turkey continued to apply additional customs duties and further diverged from the EU Generalised Scheme of Preferences in breach of the EU-Turkey Customs Union.

In the coming year, Turkey should in particular:

- urgently re-align its customs tariff with the CCT;
- complete its alignment with the EU's Generalised System of Preferences and dual-use export control regime.

No progress has been made on the **common commercial policy**. Turkey has not maintained its once good level of alignment with the EU common commercial policy despite the EU-Turkey Customs Union, since it still applies additional duties to a large number of imported products (*See Chapter 29 - Customs Union*). Turkey's deviation from the CCT by its levy of additional duties has been compounded by its deviation from the EU Generalised Scheme of Preferences in terms of both countries and products. The intensive use of safeguard measures remains a cause of concern. Turkey continues to open new investigations based on weak evidence and use safeguards where more targeted trade defence measures, such as the anti-dumping instrument, would be more appropriate. There should be closer coordination between the EU and Turkey within the World Trade Organisation, in particular on the Doha Development Agenda, and in the OECD and the G-20. On export controls on dual-use goods, Turkey has not aligned 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 and the Missile Technology Control Regime. Alignment is also needed with the EU position on medium and long-term export credits.

Regarding **bilateral agreements with third countries**, Turkey is generally aligned with the terms of EU as regards the terms of free trade agreements it has entered with third countries. However, it has continued to implement its free trade agreement with Malaysia although the EU has not yet concluded a similar agreement with this country.

As for **development policy** and **humanitarian aid**, official development aid granted by Turkey has markedly increased to EUR 7.2 billion or 0.95% of Official Donor Assistance/Gross National Income (ODA/GNI) in 2017, exceeding the 0.7% recommended by the UN. The assistance was largely directed towards humanitarian support for Syria-related activities on Turkey's own territory.

5.31. Chapter 31: Foreign, security and defence policy

Member States must be able to conduct political dialogue under EU 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** in the area of foreign, security and defence policy. **Some progress** was made through regular political dialogue on foreign and security policy, including at ministerial level. The EU and Turkey continued their dialogue on counterterrorism and on the EU's common security and defence policy. Turkey joined Russia and Iran in the Astana process about Syria and reached the Sochi deal that prevented another humanitarian catastrophe. It continued to provide substantial humanitarian assistance to Syrian refugees and maintained a military presence in Idlib. Turkey also continued to provide humanitarian and development aid in other regions, including in Afghanistan and to Rohingya refugees.

In the coming year, Turkey should in particular:

→ take decisive steps to significantly improve its alignment with EU declarations and Council decisions on common foreign and security policy.

The **political dialogue** between the EU and Turkey on foreign and security policy issues continued at all levels. It benefited from the results achieved through the successful joint implementation of the EU-Turkey Statement of March 2016. A high-level political dialogue took place in November 2018, where a number of foreign policy issues were discussed in detail. Ministerial level contacts have been constant, especially on Syria. Political Directors' meetings took place in February and October 2018. Discussions focussed mainly on developments in the Middle East and North Africa region (Syria, Iraq, Iran, Libya, Saudi Arabia and the Gulf, Israel and Palestine and the Middle-East Peace Process) but also on Russia, Ukraine, South Caucasus, Central Asia, the Western Balkans and on key international developments (Rohingya, Jerusalem). Turkey attended a number of conferences organised or supported by the EU on the Black Sea region (fisheries), Palestine/Gaza, Gambia, Somalia and the Sahel region, as well as the Brussels II Conference on Syria at the level of Deputy Prime Minister. The Foreign Minister represented Turkey in the EU-hosted High Level Meeting on Syria in the margins of the 73rd session of the UN General Assembly. Furthermore, a political dialogue between the EU and Turkey on UN issues took place in October 2018.

(See Political criteria — Regional issues and international obligations - for more information on developments in bilateral relations with other enlargement countries and EU Member States.)

The institutional framework enabling Turkey's participation in the **common foreign and security policy (CFSP)** and security and defence policy (CSDP) is in place. Turkey voiced support for the overall objectives in the Global strategy for the European Union's Foreign and Security Policy. During the reporting period from beginning of March 2018 until end of February 2019, Turkey aligned, when invited, with 16 out of 87 relevant High Representative declarations on behalf of the EU and Council decisions, representing an alignment rate of around 18 %. Turkey has not yet signed the statute of the International Criminal Court nor the Paris Agreement on Climate Change. Turkey has held the Chairmanship of the Organisation of Islamic Cooperation (OIC) Summit since April 2016.

The 'Operation Olive Branch' led by Turkish forces and the Free Syrian Army's ended in March 2018 with the expulsion of the Democratic Union Party/People's Protection Units (PYD/YPG), which Turkey regards as a terrorist organisation linked to the PKK, from Afrin in north-western Syria. The Turkish government said it would withdraw from Syria only once a political solution is reached.

Turkey aimed at advancing its interests in **Syria** through its participation in the Astana talks involving top political, military and intelligence officials from Turkey, Russia and Iran. In September 2018 Presidents Erdoğan and Putin agreed on the Sochi Memorandum on Idlib in Syria, avoiding a full-scale attack of the Syrian regime on Idlib and a likely humanitarian disaster. In pursuance of the agreement, Turkey worked to remove heavy armaments and radical terrorist groups from a demilitarised zone in Idlib. Turkey continues to support the National Coalition for Syrian Revolutionary and Opposition Forces, based in Istanbul, and hopes that by entrenching the opposition's presence in Idlib it can strengthen the hand of the opposition delegation at the UN-led Geneva talks and the planned Constitutional Committee agreed at Sochi in January 2018. Turkey continued to provide extensive humanitarian assistance to more than 3.6 million Syrian refugees on its soil. Turkey has upgraded

infrastructure in the opposition-held areas in northern Syria and reports that more than 360 000 Syrians have returned to these areas from Turkey and elsewhere.

Turkey's relations with **Iraq's** government developed in a context marked by uncertainties after the elections held in Iraq. Turkey pledged to provide \$5 billion at the Kuwaiti International Conference for Reconstruction of Iraq held in February 2018, which would be allocated to reconstruction projects to be defined when security conditions are met. Ankara continued to develop its relations with the leaders of the Kurdistan Regional Government (KRG) administration. Turkey continued to conduct air strikes against camps run by the PKK and its affiliates in the Qandil Mountain and expressed increased concern about other camps run by the PKK in Sinjar and Mahmur. Turkey succeeded to maintain a military presence in Iraq with the camp of Bashiqa, in the hope of finding a long-term agreement with Iraqi authorities with a view to institutionalising it. Turkey expressed much concern about attacks targeting Turkmen living in northern Iraq and brought the wounded to Turkey for medical treatment.

Relations with the **USA** reached a new low in the summer of 2018 with the imposition of new trade tariffs and sanctions on two Turkish Ministers in connection with the detention of Pastor Brunson, who was released in October 2018. There are still numerous serious irritants, including US support for the Syrian Democratic Forces in north-eastern Syria, the long standing request for the extradition of Fetullah Gülen, expected penalties on Halkbank for the alleged breach of sanctions on Iran, as well as US policy on Palestine.

Turkey and **Russia** intensified dialogue and cooperation, in particular on the Syrian conflict. Bilateral cooperation developed in strategic fields such as energy and defence: Russia confirmed the supply of a S-400 air defence system to Turkey, which the latter said would not harm cooperation with NATO. Yet, the US opposed the deal and floated possible sanctions against Turkey in case the deal would be implemented. Russian sanctions, which had been imposed following the downing of a Russian jet by the Turkish army in late 2015, were lifted and relations were normalised. Presidents Erdoğan and Putin met repeatedly in the course of the reporting period, including on the occasion of the launch of the construction of the nuclear plant Akkuyu – a project worth \$ 20 billion – near Mersin in April 2018. The construction of the Turkstream pipeline took full speed.

Relations with **Ukraine** developed, including in the defence industry sector, and progress is being made on a possible future Free Trade Agreement between Turkey and Ukraine. While reiterating its condemnation of Russia's "illegal annexation of Crimea" and support to the "rebels" in the Donbass region, and its concerns over the living conditions and human rights of Tatars in Crimea, Turkey did not align itself with relevant Council decisions, including EU restrictive measures relating to Russia and Ukraine.

Turkey reacted strongly to the murder of Saudi journalist Jamal Khashoggi at the **Saudi Arabia** (KSA) Consulate in Istanbul. Turkey invited the UN Special Rapporteur on extrajudicial, summary or arbitrary executions to collect evidence during a mission in Istanbul and Ankara in January/February 2019. While pressing for an international investigation, it kept the dialogue open with Saudi authorities. Ankara supported EU moves to safeguard the international agreement on the **Iranian** nuclear plan (Joint Comprehensive Plan of Action) and announced its intention not to abide by US sanctions on Iran even though it received a temporary waiver to continue importing Iranian crude. Turkey continued to provide humanitarian and development assistance to **Afghanistan**. Turkey encouraged UN political and humanitarian initiatives regarding **Yemen**.

Turkey continued to increase its engagement in **Libya**. Relations with **Egypt** did not improve, despite Turkey proposing to Egypt to relaunch some form of bilateral consultations. Turkey and **Israel** withdrew their ambassadors mid-May 2018, after Turkey criticised Israel for the killing of Palestinians in Gaza. Turkey continued to express strong opposition to the US administration's recognition of Jerusalem as Israel's capital and the move of the US Embassy to Jerusalem. Turkey criticised the withdrawal of US funding for the United Nations Agency for the Palestinian Refugees (UNRWA) and pledged to increase its funding at a meeting held in New York in September 2018 on the margins of the UN General Assembly as well as to raise the international community's awareness on UNRWA's financial situation.

Regarding **South Caucasus** and **Central Asia**, Turkey continued to engage closely with **Azerbaijan**, **Georgia**, and **Turkmenistan**, through its trilateral dialogue mechanisms on foreign policy, transport and energy. Turkey took note of Armenian President Sargsyan's decision in March 2018 to declare the two protocols with Turkey on the normalisation of bilateral relations "null and void"; the Turkish Ministry of Foreign Affairs said soon after that the two protocols would nevertheless stay on the agenda of the Grand National Assembly of Turkey, hoping for a future resumption of relations. Turkey worked on developing relations in particular with **Uzbekistan**, taking advantage of President Mirziyoyev's accession to power. Turkey continued to maintain close relations with the countries of the **Western Balkans**, in particular by providing financial support to the Office of the High Representative (OHR) in Bosnia and Herzegovina. It has also developed its cultural, religious and educational diplomacy in this region.

Turkey has further strengthened its relations with partners in **Africa**, **Asia** and, to a lesser extent, **Latin America**. Turkey plans to hold a third Turkey-Africa Partnership Summit in 2019 (the two first took place in 2008 and 2014). To develop relations with India was flagged as a priority but time would be needed to do so as Turkey has privileged its relations with Pakistan so far, and more recently with Bangladesh, in the wake of the Rohingya humanitarian crisis. Turkey started to implement humanitarian projects worth \$ 51 million in Bangladesh, in support to Rohingya refugees, but was denied access to beneficiaries in Myanmar. Turkey continued talks with China on the Belt and Road Initiative. Turkey participated actively in the MIKTA (Mexico, Indonesia, South Korea, Turkey and Australia) informal group of global middle power countries.

Turkey continued to participate in all international export control arrangements and instruments on **non-proliferation**. It has not yet aligned itself with the EU position on membership of the Wassenaar Arrangement and the Missile Technology Control Regime (*see Chapter 30 — External relations*).

Turkey continued to actively participate in military crisis management operations under the **EU common security and defence policy (CSDP)** notably EUFOR ALTHEA in Bosnia and Herzegovina. Turkish participation in the Ukraine and Kosovo missions was suspended after Turkish seconded staff was withdrawn following the attempted coup of 2016, but Turkey later expressed its interest in continuing to contribute to these missions and submitted applications. The issue of EU-NATO cooperation, going beyond the 'Berlin plus' arrangements, involving all EU Member States, continues to be unresolved. Turkey continued to lobby in favour of a reform of the UN Security Council and reiterated its dedication to the 2030 Agenda of the Sustainable Development Goals.

5.32. Chapter 32: Financial control

The EU promotes the reform of national governance systems to enhance managerial accountability, sound financial management of income and expenditure, and external audit of

public funds. The financial control rules further protect the EU's financial interests against fraud in the management of EU funds and the euro against counterfeiting.

Turkey has a **good level of preparation** on financial control, though **backsliding** occurred during the reporting period because the Prime Ministry Inspection Board was abolished, and no new national anti-fraud coordination service (AFCOS) was assigned to work with the European Commission. Also, the Turkish Sovereign Wealth Fund (TWF) has remained outside the scope of the Turkish Court of Accounts, as the TWF is audited by auditors appointed by the President of the Republic, who is now also the Chairman of the TWF. The impact of the new presidential system on financial control remains to be further assessed. Most of the Commission's recommendations since 2016 have not been implemented, and remain valid.

In the coming year, Turkey should:

- update the Public Internal Financial Control policy paper and its action plan and ensure that a formal coordination, monitoring and reporting framework is put in place for the updated action plan;
- ensure systematic and timely implementation of external audit recommendations;
- nominate an AFCOS and re-establish the AFCOS network.

Public internal financial control (PIFC)

The **strategic framework** is partially in place, but the Public Internal Financial Control policy paper dates back to 2012. There is no mechanism in place to coordinate implementation of the reforms and to ensure regular monitoring and reporting on implementation. Also, as Turkey does not have a strategic framework for public administration reform in place, it is not clear to what extent all the enabling conditions for managerial accountability are being addressed. (*see also Public administration reform*).

The Turkish administration has a uniform management structure that combines elements of **managerial accountability** and delegation with results-oriented performance management system. Further efforts are needed to address harmonisation of legislation, managerial accountability, including delegation of decision-making responsibilities, and functioning of internal control. The Public Financial Management and Control (PFMC) Law applies to all public institutions and sets out the relevant responsibilities of the heads of public institutions, including managerial duties and the delegation of authority to authorising officers. With the introduction of the presidential system after the June 2018 elections, the PFMC Law was amended to reflect the changes in the institutional and administrative structure. Roles and responsibilities of the relevant institutions have not yet been clearly defined, which may, in turn, lead to less transparency and weaker accountability. Weaknesses remain in accountability arrangements with agencies (*see also Public administration reform*).

The PFMC Law regulates **internal control**, which functions largely in line with international standards. The application of risk management is still at an early stage, and irregularity management and reporting are yet to be further developed. Turkey has established a treasury single account, but the inclusion of local administrations, state owned enterprises and regulatory and supervisory agencies within its scope raises concerns.

Internal audit practice is regulated in line with international standards in the PFMC Law. An internal audit manual and a code of ethics are in place, as are manuals prepared by the central harmonisation unit. Quality review needs to be systematically implemented. There is generally a lack of data on internal audit planning and implementation of recommendations.

Two **central harmonisation units** (CHU-IA and CHU-FMC), are in charge of developing and disseminating methodological guidance, monitoring and reporting on PIFC implementation. The CHU-FMC does not perform internal control quality reviews and there is no systematic follow-up of the implementation of audit recommendations.

External audit

The **constitutional and legal framework** provides the independence of the Turkish Court of Accounts (TCA). The TCA law is in line with International Organisation of Supreme Audit Institutions (INTOSAI) standards. It provides for an exhaustive audit mandate and gives the TCA full discretion in discharging its responsibilities. Concerns exist around fiscal discipline, transparency and accountability in relation to the Turkish Sovereign Wealth Fund, now directly affiliated with the President and outside the scope of the Turkish Court of Accounts (TCA), though it is subject to an independent audit.

The TCA has both audit and judicial functions. There has been a minor increase of staff from 1 414 in 2017 to 1 422 in 2018, including with the number of auditors from 759 to 783. However, overall **institutional capacity** was adversely impacted by the emergency decrees, as 10% of TCA staff were dismissed. The TCA strategic development plan for 2014-2018 needs to be updated. Given the high number of local level budget users, the capacity of the TCA to audit local administrations, municipal companies and associations needs to be increased.

The TCA has improved the **quality of audit work** by adopting performance audit and regularity audit manuals and by strengthening its training centre. Audit reports largely comply with international standards. In 2018, the TCA carried out 97 performance audits, in comparison with 72 performance audits in 2017. The TCA annually submits four audit reports to parliament (External Audit General Evaluation Report, Accountability General Evaluation Report, Financial Statistics Evaluation Report, and Report on State Enterprises), in addition to a statement of general conformity.

Regarding the **impact of audit work**, the TCA assesses the internal control environment of audited entities as part of its audit work, and thus contributes to PIFC development. The TCA reports are analysed by the State Economic Enterprise Commission. The TCA reports are published online every year, with the exception of those on State Economic Enterprises. The TCA annual audit report is discussed in the relevant parliamentary committee, but increased parliamentary scrutiny and follow-up still needs to be ensured. The low number of referrals for prosecution continues to be of concern. Many TCA recommendations are not systematically and timely implemented by the audited institutions. A working group between the TCA and the Ministry of Treasury and Finance is operational and there is a need for a similar working group with the Turkish Parliament.

Protection of the EU's financial interests

While Turkey has reached a good level of **acquis alignment**, it still needs to align its legislation with the new EU Directive 2017/1371 on the fight against fraud to the Union's financial interests by means of criminal law. Following the abolition of the Prime Ministry Inspection Board in 2018, Turkey is yet to assign a new national **anti-fraud coordination service** (AFCOS) to work with the European Commission. An anti-fraud network, involving other relevant authorities, also needs to be re-established. Turkey also needs to adopt a national anti-fraud strategy. Turkey should significantly strengthen its **cooperation with the European Commission** during investigations, and continue to report irregularities and suspected fraud cases to the Commission. Turkey has reported 371 cases to the Commission via an online irregularity management system since 2012, of which 110 cases in 2018.

Turkey needs to continue to develop a solid track record on investigations and the reporting of irregularities.

Protection of the euro against counterfeiting

Turkey has reached a high level of *acquis* alignment in this area. **Technical analysis** of counterfeit money, including euro banknotes and coins, is carried out by the central bank. Credit institutions that do not withdraw counterfeits from circulation are subject to financial penalties. Turkey ensures **cooperation** with the Commission and the European Central Bank and takes part in the actions of the Pericles 2020 programme.

5.33. Chapter 33: Financial and budgetary provisions

This chapter covers the rules governing the funding of the EU budget ('own resources'). These resources mainly consist of: (i) contributions based on the gross national income of each Member State; (ii) customs duties; and (iii) a resource based on value-added tax. Member States must have the appropriate administrative capacity to adequately coordinate and ensure the correct calculation, collection, payment and control of own resources.

Turkey has **some level of preparation** in the area of financial and budgetary provisions. **Some progress** was made on aligning statistics with EU standards. Solid coordination structures, administrative capacity and implementing rules will need to be set up in due course.

In the coming year, Turkey should in particular:

→ further align the GNI Inventory with Eurostat's GNI Inventory Guide.

Basic principles and institutions in the underlying policy areas linked to the application of the own resources system are already in place (*see Chapters 16 – Taxation, 18 – Statistics, 29 – Customs union and 32 – Financial control*). The Customs Union with the EU on processed agricultural goods and industrial goods (with the exception of coal and steel products) continues to ensure considerable alignment of Turkey's customs legislation with the customs *acquis* while a draft customs law aligned with the Union Customs Code is yet to be adopted. This will facilitate preparation in **traditional own resources**.

For the **value added tax-based resource**, preparation is needed to correctly calculate the statistical VAT base, the weighted average rate and the positive and negative corrections to offset the impact of derogations from the *acquis*. Sound measures are needed to combat VAT and customs duties fraud and to tackle the informal economy.

Concerning the **gross national income-based resource**, GDP data was revised in December 2016 to achieve greater compliance with the European system of accounts (ESA 2010). Turkey will need to continue its efforts to ensure its national accounts and GNI calculations are exhaustive, and take account of the informal economy.

As concerns the **administrative infrastructure**, Turkey will need to set up a fully operational coordination structure, with appropriate administrative capacity and implementing rules, to ensure that it will be able to correctly calculate, forecast, account for, collect, pay, control and report own resources to the EU in line with the *acquis*.

ANNEX I – RELATIONS BETWEEN THE EU AND TURKEY

Within the framework of **accession negotiations**, 16 chapters have been opened so far and one of these was provisionally closed. In June 2018, the General Affairs Council concluded that Turkey has been moving further away from the European Union. Turkey's accession negotiations have therefore effectively come to a standstill and no further chapters can be considered for opening or closing and no further work towards the modernisation of the EU-Turkey Customs Union is foreseen. Reforms and developments in Turkey continue to be monitored by the bodies set up under the **Association Agreement**. The Association Committee met in November 2018, while subcommittees kept being held throughout the reporting period.

The Commission, jointly with the European External Action Service, has maintained EU-Turkey relations in all key areas of joint interest based on a **broad strategic engagement**. Commissioners continued to visit Turkey during the reporting period and there was a Leaders' meeting between Presidents Juncker and Tusk and President Erdoğan in Bulgaria in March 2018. High Representative/Vice President Mogherini and Commissioner Hahn took part in a **High Level Political Dialogue** with Foreign Minister Çavuşoğlu on 22 November 2018, prepared by a political dialogue at directors' level in October 2018. Regular discussions on foreign and security policy were held on a wide range of topics and regions including developments in the Middle East and North Africa region (Syria, Iraq, Iran, Libya, Saudi Arabia and the Gulf, Israel and Palestine and the Middle-East Peace Process) but also on Russia, Ukraine, South Caucasus, Central Asia, the Western Balkans and on key international developments (Rohingya, Jerusalem).

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. A **High Level Economic Dialogue** was held in February 2019 in Istanbul, where both parties discussed macroeconomic and investment developments and engaged with the business community. As part of the Economic Reform Programme exercise, Turkey participated in the multilateral economic dialogue with the Commission and Member States held in May 2018 to prepare the country for participation in multilateral surveillance and economic policy coordination as part of the EU's Economic and Monetary Union. The EU and Turkey also continue to coordinate in the framework of the G-20. Turkey and the EU continued to improve their sectorial cooperation; a **High Level Transport Dialogue** took place in January 2019. Negotiations on a comprehensive EU-Turkey **Air Agreement** continued during the year. Regarding the **Customs Union**, the Commission adopted a recommendation for opening of negotiations with Turkey on the modernisation of the Customs Union on 21 December 2016. This recommendation has been forwarded to the Council where it has been under consideration, without prejudice to Member States' position. In June 2018, the General Affairs Council concluded that, under the prevailing circumstances, no further work towards the modernisation of the EU-Turkey Customs Union could be foreseen. The Customs Union Joint Committee met in May 2018 to discuss a significant number of issues hampering the smooth functioning of the Customs Union.

In the area of **visa, migration and asylum**, the implementation of the March 2016 EU-Turkey Statement has continued to deliver concrete results in reducing irregular and dangerous crossings and in saving lives in the Aegean Sea. Turkey sustained its considerable efforts to provide massive and unprecedented humanitarian aid and support to more than 3.6 million registered refugees from Syria and some 370 000 registered refugees from other countries. A progress report on the implementation of the European Agenda on Migration

was issued in March 2019. In the context of the EU-Turkey visa liberalisation dialogue, Turkey has established seven working groups to carry out technical work on the outstanding benchmarks. The Directorate-General for Civil Registry and Citizenship started issuing second-generation biometric passports for Turkish citizens in April 2018. In November, the EU and Turkey launched negotiations on an international agreement on the exchange of personal data between Europol and the Turkish authorities competent for fighting serious crime and terrorism.

Turkey and the EU further built on the fruitful cooperation under the Facility for Refugees in Turkey. The Facility manages a total of EUR 6 billion: EUR 3 billion for 2016-2017 has been fully contracted and more than EUR 2 billion disbursed, with the balance to be disbursed in the course of implementation of Facility projects through to mid-2021. The European Council gave its agreement on the financing of the second tranche of the Facility in 2018, with resources coming from the EU budget (EUR 2 billion) and Member States (EUR 1 billion). Programming for the second tranche was launched immediately afterwards; already EUR 450 million were contracted in 2018. The funding will continue to support projects focused on humanitarian assistance, education, migration management, health, municipal infrastructure, and socio-economic support.

Regarding bilateral financial assistance, the Commission adopted the revised Indicative Strategy Paper of Turkey in August 2018, strengthening the focus of EU financial assistance on the fundamental pillars of the enlargement strategy. Furthermore, as a consequence of low absorption capacity, lack of performance and backsliding on reforms, this revision involved a substantial cut of the budget of the Instrument for Pre Accession Assistance, that was reduced by EUR 759 million for the 2018-2020 period. The total allocation for the year 2018 amounted to EUR 387 million. This was composed of the annual programme with a EUR 110.8 million EU contribution designed to support activities on fundamental rights, co-finance Turkey's participation in Union programmes and agencies in order to continue to enhance people-to-people contacts between Turkey and the EU and provide support to civil society (EUR 12.4 million). An EU allocation of EUR 145 million was made to the multi-annual action programmes on Environment and climate action, Education, employment and social policies, Competitiveness and innovation and Transport. Finally, EUR 131 million were allocated to the agricultural and rural development programme.

Turkey participates in the following **EU programmes**: Erasmus+, Horizon 2020, Customs 2020, Fiscalis 2020, COSME (Competitiveness of Enterprises and Small and Medium-sized Enterprises) and EASI (Employment and Social Innovation). Turkey participates in the European Environmental Agency, in the European Monitoring Centre for Drugs and Drug Addiction and since 2015 in the Civil Protection Mechanism and has agreed to participate in the European Solidarity Corps.

ANNEX II – STATISTICAL ANNEX

STATISTICAL DATA (as of 29.04.2019)

Turkey

Basic data	Note	2006	2013	2014	2015	2016	2017
Population (thousand)		68 860.5	75 627.4	76 667.9	77 695.9	78 741.1	79 814.9
Total area of the country (km ²)		785 347	785 347	785 347	783 562	780 270	780 270

National accounts	Note	2006	2013	2014	2015	2016	2017
Gross domestic product (GDP) (million national currency)		789 228	1 809 713	2 044 466	2 338 648	2 608 526	3 106 537
Gross domestic product (GDP) (million euro)		436 278	714 313	703 412	772 979	780 225	753 904
GDP (euro per capita)		6 300	9 400	9 100	9 900	9 800	9 400
GDP per capita (in purchasing power standards (PPS))		11 200	16 300	17 700	19 300	19 200	19 900
GDP per capita (in PPS), relative to the EU average (EU-28 = 100)		45	61	64	66	65	66
Real GDP growth rate: change on previous year of GDP volume (%)		7.1	8.5	5.2	6.1	3.2	7.4
Employment growth (national accounts data), relative to the previous year (%)		:	:	:	:	:	:
Labour productivity growth: growth in GDP (in volume) per person employed, relative to the previous year (%)		:	:	:	:	:	:
Unit labour cost growth, relative to the previous year (%)		:	:	:	:	:	:
**3 year change (T/T-3) in the nominal unit labour cost growth index (2010 = 100)		:	:	:	:	:	:

Labour productivity per person employed: GDP (in PPS) per person employed relative to EU average (EU-28 = 100)		:	:	:	:	:	:
Gross value added by main sectors							
Agriculture, forestry and fisheries (%)		9.3	7.7	7.5	7.8	7.0	6.9
Industry (%)		22.6	22.4	22.7	22.4	22.3	23.2
Construction (%)		7.2	9.2	9.2	9.3	9.7	9.7
Services (%)		60.9	60.7	60.6	60.5	61.0	60.2
Final consumption expenditure, as a share of GDP (%)		:	:	:	:	:	:
Gross fixed capital formation, as a share of GDP (%)		28.7	28.5	28.9	29.7	29.3	30.0
Changes in inventories, as a share of GDP (%)		0.9	1.2	0.1	-1.4	:	:
Exports of goods and services, relative to GDP (%)		21.7	22.3	23.8	23.3	22.0	24.8
Imports of goods and services, relative to GDP (%)		26.5	28.1	27.6	26.0	24.9	29.3
Gross fixed capital formation by the general government sector, as a percentage of GDP (%)		:	:	:	:	:	:

Business	Note	2006	2013	2014	2015	2016	2017
Industrial production volume index (2010 = 100)		92.7	116.5	120.5	124.1	126.3	134.3
Number of active enterprises (number)		:	2 695 131	2 677 316	2 689 910	:	:
Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%)		:	12.4	12.2	12.1	12.3	:
Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%)		:	12.4	10.8	:	:	:
People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%)		:	74.2	73.5	72.7	:	:

Value added by SMEs (in the non-financial business economy) (EUR million)		:	97 399	95 399	104 876	:	:
Total value added (in the non-financial business economy) (EUR million)		:	184 511	178 415	207 088	:	:

Inflation rate and house prices

	Note	2006	2013	2014	2015	2016	2017
Harmonised consumer price index (HICP), change relative to the previous year (%)		9.3	7.5	8.9	7.7	7.7	11.1
**Annual change in the deflated house price index (2010 = 100)		:	:	:	:	:	:

Balance of payments

	Note	2006	2013	2014	2015	2016	2017
Balance of payments: current account total (million euro)		-24 823	-47 920	-32 852	-28 940	-29 937	-41 918
Balance of payments current account: trade balance (million euro)		-32 569	-60 174	-47 868	-43 378	-36 943	-52 186
Balance of payments current account: net services (million euro)		11 068	17 783	20 079	21 837	13 789	17 649
Balance of payments current account: net balance for primary income (million euro)		-4 767	-6 490	-6 202	-8 699	-8 294	-9 783
Balance of payments current account: net balance for secondary income (million euro)		1 445	962	1 139	1 300	1 511	2 402
Net balance for primary and secondary income: of which government transfers (million euro)		1 871	880	840	979	1 493	2 224
**3 year backward moving average of the current account balance relative to GDP (%)		:	-7.1	-5.6	-5.0	-4.1	-4.4
**Five year change in share of world exports of goods and services (%)		:	:	:	11.94	10.41	1.56
Net balance (inward - outward) of foreign direct investment (FDI) (million euro)		15 340.1	7 474.6	4 568.3	11 632.3	9 211.3	7 277.2
Foreign direct investment (FDI) abroad (million euro)		735.9	2 662.5	5 020.7	4 336.2	2 480.8	2 328.9

of which FDI of the reporting economy in the EU-28 countries (million euro)		:	1 372.2	1 372.6	2 404.2	1 374.1	1 037.4
Foreign direct investment (FDI) in the reporting economy (million euro)		16 076.0	10 137.0	9 589.0	15 968.5	11 692.1	9 606.1
of which FDI of the EU-28 countries in the reporting economy (million euro)		:	4 371.3	4 495.3	8 380.2	4 371.7	2 841.5
**Net international investment position, relative to GDP (%)		-37.4	-41.8	-47.6	-44.6	-42.8	-54.3
Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%)		39.5	-4.6	9.5	6.2	-10.8	-13.3

Public finance

	Note	2006	2013	2014	2015	2016	2017
***General government deficit / surplus, relative to GDP (%)		:	0.2	0.2	0.6	-1.1	-2.8
***General government gross debt relative to GDP (%)		:	31.4	28.8	27.6	28.3	28.3
Total government revenues, as a percentage of GDP (%)		:	33.0	32.3	32.6	33.0	31.4
Total government expenditure, as a percentage of GDP (%)		:	32.8	32.1	31.9	34.1	34.2

Financial indicators

	Note	2006	2013	2014	2015	2016	2017
Gross external debt of the whole economy, relative to GDP (%)		38.0	41.4	43.4	46.7	47.4	53.4
Gross external debt of the whole economy, relative to total exports (%)		173.6	187.5	183.9	201.6	218.2	216.9
Money supply: M1 (banknotes, coins, overnight deposits, million euro)		38 616	78 110	91 571	97 885	103 717	99 085
Money supply: M2 (M1 plus deposits with maturity up to two years, million euro)		160 193	309 213	360 158	373 608	381 256	357 979
Money supply: M3 (M2 plus marketable instruments, million euro)		171 832	323 062	375 844	387 048	393 581	370 812
Total credit by monetary financial institutions to residents (consolidated) (million euro)	1)	100 358	341 791	423 556	448 738	447 892	440 779
**Annual change in financial sector liabilities (%)		:	22.2	17.3	14.5	17.5	19.8

**Private credit flow, consolidated, relative to GDP (%)	2)	:	17.4	11.1	14.2	13.6	13.9
**Private debt, consolidated, relative to GDP (%)		:	71.7	74.6	79.4	84.8	85.1
Interest rates: day-to-day money rate, per annum (%)			15.77	5.62	9.15	10.7	9.32
Lending interest rate (one year), per annum (%)			21.47	13.35	14.77	16.85	15.79
Deposit interest rate (one year), per annum (%)	3)		16.99	9.21	9.25	10.72	10.33
Euro exchange rates: average of period (1 euro = ... national currency)			1.809	2.534	2.906	3.026	3.343
Trade-weighted effective exchange rate index, 42 countries (2010 = 100)			87.1	90.4	85.9	85.0	83.8
**3 year change (T/T-3) in the trade-weighted effective exchange rate index, 42 countries (2010 = 100)		:	-9.6	-2.3	-7.2	-7.3	-12.9
Value of reserve assets (including gold) (million euro)			50 323	98 663	95 828	99 624	95 863

External trade in goods	Note	2006	2013	2014	2015	2016	2017
Value of imports: all goods, all partners (million euro)		111 096	189 784	182 338	186 536	179 468	207 000
Value of exports: all goods, all partners (million euro)		68 020	114 563	118 654	129 555	128 792	139 229
Trade balance: all goods, all partners (million euro)		-43 076	-75 222	-63 684	-56 981	-50 676	-67 771
Terms of trade (export price index / import price index * 100) (number)	4)	102	98	100	107	111	105
Share of exports to EU-28 countries in value of total exports (%)		56.3	41.5	43.5	44.5	47.9	47.0
Share of imports from EU-28 countries in value of total imports (%)		42.6	36.7	36.7	38.0	39.0	36.4

Demography	Note	2006	2013	2014	2015	2016	2017
Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants)		12.4	12.0	12.3	11.8	11.2	10.8
Infant mortality rate deaths of children under one year of age (per thousand live births)		24.5	10.8	11.1	10.7	10.0	9.2

Life expectancy at birth: male (years)		:	75.4	75.4	75.4	75.4	75.7
Life expectancy at birth: female (years)		:	81.1	80.9	81.0	81.0	81.3

Labour market	Note	2006	2013	2014	2015	2016	2017
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)		52.6	58.4	58.9	59.9	60.9	61.9
*Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)		48.2	53.4	53.2	53.9	54.3	55.3
Male employment rate for persons aged 20–64 (%)		73.2	75.3	75.0	75.3	75.5	76.1
Female employment rate for persons aged 20–64 (%)		24.0	31.8	31.6	32.6	33.2	34.4
Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)		27.6	31.5	31.4	31.9	33.4	34.4
Employment by main sectors							
Agriculture, forestry and fisheries (%)	5)	:	23.6	21.1b	20.6	19.5	19.4
Industry (%)		:	19.4	20.5b	20.0	19.5	19.1
Construction (%)		:	7.0	7.4b	7.2	7.3	7.4
Services (%)		:	50.0	51.0b	52.2	53.7	54.1
People employed in the public sector as a share of total employment, persons aged 20–64 (%)		15.1	13.5	13.1b	13.5	13.8	13.3
People employed in the private sector as a share of total employment, persons aged 20–64 (%)		84.9	86.5	86.9b	86.5	86.2	86.7
Unemployment rate: proportion of the labour force that is unemployed (%)	6)	8.8	8.8	9.9	10.3	10.9	10.9
Male unemployment rate (%)	6)	8.6	8.0	9.1	9.3	9.6	9.4
Female unemployment rate (%)	6)	9.1	10.6	11.9	12.6	13.6	13.9

Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)	6)	16.5	16.9	17.8	18.4	19.5	20.5
Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)	6)	3.0	2.1	2.0	2.2	2.2	2.4
Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%)	6)	7.2	7.3	8.4b	8.9	9.1	8.9
Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)	6)	5.9	6.9	8.1	8.4	9.3	9.4

Social cohesion	Note	2006	2013	2014	2015	2016	2017
Average nominal monthly wages and salaries (national currency)		756	1 509	1 648	1 828	2 031	2 287
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2010 = 100)		:	:	:	:	:	:
GINI coefficient		45	42	41	42	43	43
Poverty gap		36.5	27.9	28.4	27.8	26.6	26.4
*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 (%)		48.8	37.6p	38.3	36.7	34.3	32.5

Standard of living	Note	2006	2013	2014	2015	2016	2017
Number of passenger cars relative to population size (number per thousand population)		89.2	122.8	128.6	136.3	143.7	150.8
Number of mobile phone subscriptions relative to population size (number per thousand population)		763.4e	909.0b	925.3	935.2	940.4	962.7
Mobile broadband penetration (per 100 inhabitants)		0	32	42	50	65	71
Fixed broadband penetration (per 100 inhabitants)		4	11	12	12	13	15

Infrastructure	Note	2006	2013	2014	2015	2016	2017
Density of railway network (lines in operation per thousand km ²)	7)	11.3	12.6	13.1	13.2	13.2	13.3
Length of motorways (kilometres)		1 908	2 244	2 278	2 282	2 542	2 657

Innovation and research	Note	2006	2013	2014	2015	2016	2017
Public expenditure on education relative to GDP (%)		:	4.4	4.4	4.4	4.7	4.2
*Gross domestic expenditure on R&D relative to GDP (%)		0.56	0.82	0.86	0.88	0.94	0.96
Government budget appropriations or outlays on R&D (GBAORD), as a percentage of GDP (%)		:	0.37	0.32	0.32	0.29	0.34
Percentage of households who have internet access at home (%)		:	49.1	60.2	69.5	76.3	80.7

Environment	Note	2006	2013	2014	2015	2016	2017
*Index of greenhouse gas emissions, CO ₂ equivalent (1990 = 100)		169.3	208.3	214.4	223	235.4	:
Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2010 constant prices)		176.9	155.2	158.3	161.6	165.2	165.7
Electricity generated from renewable sources relative to gross electricity consumption (%)		25.5	28.1	20.5	31.5	32.3	29.4
Road share of inland freight transport (based on tonne-km) (%)		94.8	95.2	95.1	95.9	95.6	95.4

Energy	Note	2006	2013	2014	2015	2016	2017
Primary production of all energy products (thousand TOE)		26 198	29 100	28 803	31 463	35 707	36 471
Primary production of crude oil (thousand TOE)		2 142	2 379	2 606	2 661	2 722	2 700

Primary production of solid fuels (thousand TOE)		12 948	13 542	13 814	12 798	15 498	15 682
Primary production of gas (thousand TOE)		745	443	395	314	302	292
Net imports of all energy products (thousand TOE)		69 013	86 533	94 014	103 702	106 056	116 709
Gross inland energy consumption (thousand TOE)		93 847	113 909	122 213	132 326	139 620	150 404
Gross electricity generation (GWh)		176 299	240 154	251 963	261 783	274 408	297 278

Agriculture	Note	2006	2013	2014	2015	2016	2017
Agricultural production volume index of goods and services (at producer prices) (2010 = 100)		:	:	:	:	:	:
Utilised agricultural area (thousand hectares)		40 493	38 423	38 558	38 551	38 328p	38 002p
Livestock numbers: live bovine animals (thousand heads, end of period)	8)	10 871	14 415	14 223	13 994	14 080	15 944
Livestock numbers: live swine (thousand heads, end of period)		1	3	3	2	1	1
Livestock numbers: live sheep and live goats (thousand heads, end of period)		32 260	38 510	41 485	41 924	41 329	44 302
Raw milk available on farms (thousand tonnes)		11 952	18 224	18 631	18 655	18 489	20 700
Harvested crop production: cereals (including rice) (thousand tonnes)		34 643	37 489	32 714	38 637	35 281	36 133
Harvested crop production: sugar beet (thousand tonnes)		14 452	16 489	16 743	16 023	19 593	21 149
Harvested crop production: vegetables (thousand tonnes)		25 852	28 448	28 487	29 552	30 267	30 826

: = not available

b = break in series

e = estimate

p = provisional

* = 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) Data cover loans granted by MFIs to residents. Participation Banks and Investment and Development Banks are included.
- 2) Data cover debt securities and loans.
- 3) Average of monthly data. Overnight deposit facility.
- 4) Underlying indices are calculated with Fisher index formula.
- 5) 2013: includes NACE Rev. 2 Group 98.1 (undifferentiated goods-producing activities of private households for own use).
- 6) Unemployment based on four weeks criterion and using only active jobs search methods.
- 7) Main lines only.
- 8) Excluding buffaloes.