

## THE IMPACT OF THE EU INSTRUMENT FOR PRE-ACCESSION FOR RURAL DEVELOPMENT (IPARD) TO TURKEY

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### Abstract

*Turkey has acquired a valuable experience on rural development with five-year-development plans that were launched in 1960's. A number of rural development projects, which have been financed by the United Nations and the World Bank, have been carried out in the underdeveloped regions of Turkey. With the EU Helsinki Council that recognizes Turkey as an EU candidate country in 1999, Though Turkey did not utilize pre-accession assistance programs like PHARE, SAPARD, CARDS, ISPA that Central Eastern European Countries (CEEC's) took advantage, but she benefited tremendously from the EU pre-accession assistance program under the instrument of IPA rural Development. Following the National Rural Development Strategy, which was prepared by the Ministry of Development in collaboration with the Ministry of Food, Agriculture and Livestock (MoFAL) of Turkey in 2005, Turkish side, provided technical assistance by the EU, worked out IPARD program with the hard negotiations held with the EU Commission concerning the priorities, the number of cities and the number of sub-measures and sectors to be funded under Rural development program. MoFAL decided to implement the IPARD Program in two phases between the periods 2007-2010 and 2011-2013. In the first phase, 20 provinces out of 42 have been funded. The EU allocated 873,89 million Euro for seven-year-period. The setting up an IPARD Paying Agency in Headquarter and its divisions in provincial level took a lot of hard works to get accreditation by the EU. So, the completion of all 20 provinces' accreditation was concluded as late as in the last quarter of 2011. Nowadays, the IPARD Paying Agency has announced six-call for proposals nowadays. As a result of the first two call for proposals made in 2011, only 15.974.636,95 € of the allocated funds by the EU has been used. This study discusses the process that is made by the EU on rural development program in Turkey and analyse the challenges which is made for benefiting from the EU funds. From the first implementation year of IPARD Program, it seems that Turkey won't be able to use all funds allocated by the EU.*

**Key words:** Agriculture, EU Funds, IPARD Program, Rural Development, Turkish Agriculture

### INTRODUCTION

Atsan (1998) states that rural development as endeavours made for eliminating inequality in income distribution, providing a better life style for those who practice in Agriculture and live in rural areas. Rural development projects have aimed to improve infrastructure in rural areas and increase welfare level of the rural population. Furthermore, five-year-development plans have played a complementary role with rural development projects implemented in the underdeveloped regions since 1960's in Turkey. These programs consisted land and agricultural reforms, community development programs and strengthening of cooperatives. The Ministry of Food, Agriculture and Livestock (MoFAL) released some documents

such as II. Agricultural Council, National Rural Development Strategy, National Rural Development Plan in the last decade. The harmonization with the EU CAP policies took into account in all these documents.

The EU has implemented the EU pre-accession assistance program to Turkey. The aim of the rural development component is to prepare the candidate countries to implement the EU Common Agricultural Policy upon accession by helping them to align their agricultural sectors to the Community standards that will be applicable to them after accession and assisting them to develop a policy for the agricultural sector and rural areas (EC, 2012).

The assistance is provided by an IPARD Rural Development Program for the period 2007-2013 which has been drafted by the Turkish authorities after hard negotiations done with the

EC experts in 2007 and approved by the European Commission on 25<sup>th</sup> of February 2008 (Şerefoğlu, 2008). One of the most strenuous decisions during the negotiations was the selection of the eligible provinces for IPARD Program.

The EU was not keen on funding whole Turkey on the contrary to Balkan countries. They just wanted to fund the regions of which GDP per capita was below 75% of the national average. But MoFAL insisted on including some provinces of which GDP per capita is above national average because the capacity of the sector was set up in these provinces. In consequence of the negotiations made with the EC, It was agreed that the IPARD program will be implemented in 42 provinces in Turkey within the period 2007-2013. These provinces were selected with regard to their existing potential, problems, GDP per capita and net internal migration (MoFAL, 2008). 22 out of 42 provinces will be carried out in the second phase which is foreseen to launch in 2011.

Yet, the accreditation procedures for setting up twenty provincial agencies in the first phase took much time. Therefore, the first call for proposal was made in 1st July of 2011 in seventeen provinces that achieved the EC accreditation. In total around 873,89 million Euros is allocated by the EU for Turkish Rural development program (Ministry of EU Affairs, 2012).

Turkey has continued to adapt her policies to the EU CAP policy since negotiations started. The EU-financed IPARD program in Turkey introduces new measures for the Turkish agriculture and rural areas such as Leader, rural tourism and agri-environment.

The main difference from Turkish rural development projects implemented so far is to focus economic viability and diversification of economic activities as well as it harmonizes the EU acqui rather than social policies in agriculture through the national assistance.

It is not unexpected that Turkey will not be able to use the EU funds allocated for Turkey as the program started late and the EU procedures is quite hard for the beneficiaries who are willing to benefit from the EU funds.

## **MATERIAL AND METHOD**

In this study, the rural development endeavours were analysed under the EU membership process. The rural development concept of the EU with the IPARD program was reflected in comparison with the Turkish policies on the basis of rural development programs funded by international organizations and implemented in the last four decades. While analysing the past and current situation of rural development in Turkey, some theoretical and practical knowledge on site was given.

## **RESULTS AND DISCUSSIONS**

The rate of the rural population of Turkey in 1970 was 71,3 %. This decreased 25% in 2010's in forty years. As clearly seen from this figure, there was a fasting migration from rural areas to urban areas in Turkey. Rural development has been an important instrument for Turkey. Turkey, in order to prevent the migration from rural areas, has implemented many regional and rural development projects since 1970's. Most of which have been carried out in underdeveloped regions in east and south east part of Turkey. Efficient use of resources in rural areas, improving of rural infrastructure, creating of new job opportunities, raising awareness about the agricultural practices and cooperation among the people were the main targets of these projects.

Although some progress has been monitored in developing the rural areas and raising the living standards of rural population using the implementation of policies to reduce development disparities in Turkey, the objectives have not been fully achieved and the development disparities have continued (Ministry of Development, 2006). It is also clearly seen that lack of participatory approach, lack of women participation, lack of capacity of Non-Governmental Organizations and top-down approach instead of bottom-up approach made unfavourable effect sustainability of the projects.

It is stated in the National Program of Turkey released in 2001 that "per capita income in rural areas is low in comparison with other regions. Moreover, a general high rate of

unemployment in rural areas impels immigration into urban areas, which in turn, creates a social problem and aggravates the unemployment situation in urban centres. In rural areas the education level is by and large low and social life is limited.

Educated young people in particular, prefer not to live in rural areas. As a result, the number of people in rural areas working in agriculture is decreasing. Moreover, problems associated with the progressively declining contribution of agriculture to the national income despite its high share in the total employment, and small-scaled production units scattered throughout the country providing an inefficient but substantial portion of total agricultural production in Turkey, need to be dealt within formulating a comprehensive policy with regard to rural development. Such policies should be directed towards benefiting agriculture and the agricultural population in the rural areas and should contribute to the elimination of the basic problems of Turkish agriculture” (Ministry for EU Affairs, 2001).

According to the accession partnership document issued by the EU, The priorities in the Accession Partnership are divided into two groups- short and medium term. Those under the short term were selected on the basis that it is realistic to expect that Turkey can fulfil them in 2003/2004 while those under medium term priorities are expected to take more than one year (EC, 2003).

In this framework, preparing a strategy for the introduction of the Community rural development policy and the forestry strategy in short term because there was no specific legislation related to the rural development policy in Turkey though many rural development projects were on-going in the field. As for the medium term target, setting up the administrative structures required for the implementation of EC rural development policy and the forestry strategy would be needed.

The Ministry of Food, Agriculture and Livestock (MoFAL) organized the second Agricultural council in 2004 in Ankara. All the parties which were related with Agriculture gathered together. The existing situation of the sector was discussed in detail. Also in the process to EU membership, the strategies,

policies and implementations that could facilitate the development of the agricultural sector were identified (MoFAL, 2004).

Before benefiting from the EU pre-accession funds for rural development, the requested strategy document by the EU for rural development with the accession partnership document was prepared. According to the National rural development strategy, reducing rural unemployment, improving income situation, improving Agriculture efficiency and services, devoting greater resources to training and preparation for employment are targeted for rural development in Turkey (Ministry of Development, 2006).

On the basis of the National rural development strategy, the IPARD Program, with the technical assistance given by the EU, was prepared in 2007 and sent to the EC for approval. The EC approved Turkish IPARD Program with the other two programs of Macedonia and Croatia in February 2008. Turkish IPARD Programme was modified twice in October 2008 and 2009. Under pre-accession funds for Turkey, IPA rural development instrument would be implemented according to the Extended Decentralised Implementation System (EDIS) which was different from the other four instruments of IPA which constituted of DIS system when it was negotiated.

The EU implemented 16 measures for CEEC's. But these measures were reduced to 9 measures under three priority axis for Turkey and other candidate countries with the Council regulation 817/2007 by the EU after they saw the implementation of the regulation 1698/2005 in the CEEC's. For instance, rural infrastructure which covered almost ¼ of funds in SAPARD Program (Gülçubuk, 2006) and the first purchasing livestock and tractors were not eligible under the regulation of 718/2007/EC which was amended with the regulation 80/2010/EC (EC, 2007) in spite of the fact that they were eligible investment types for the CEEC's. The negotiation that was made with Turkey was notably different from other two candidate countries and Central Eastern European countries as the population of Turkey overreaching 70 million with larger rural areas. The EU asked from Turkish authorities to fund

the areas which less than 75 % of GDP while the MoFAL would fund the other areas of which GDP is more than 75 %. Finally it was decided to fund 42 out of 81 provinces in total. The 20 provinces out of 42 provinces are under support in the first phase 2007-2010 and 22 will be in the second phase 2011-2013.

The EU allocated 873,89 million Euro for those years to Turkey. For the 2007-2011, 70,7 % of the funds shall be used for Axis 1 (improving market efficiency and implementing Community standards), 4,3 % for preparatory actions for the implementation for the agri-environmental measures and Leader, 23 % for development of rural economy and 2 % for technical assistance (MoFAL, 2008).

Under investment for Agricultural holdings, meat and milk sectors, for processing and marketing of Agricultural products, milk, meat, fruit and vegetable and fishery sectors are under support. In addition to these sectors, diversification of rural economic activities, Leader measure and Agro-environment will be supported in the program. After the IPARD program was approved by the EC, a 19-month-project, funded by the EU, on the setting up of the IPARD agency was started in 2007 with the establishment law of IPARD Agency entered into force on 18<sup>th</sup> May 2007. The twinning project was implemented by the consortium which was consisted of experts from Austria, Hungary and Germany. The accreditation of 20 provinces was not so easy for Turkey if considered the difficult EC procedures. The EC would ask from the MoFAL to launch the IPARD program with fewer provinces and fewer sub-measures due to the procedures. Yet the MoFAL had the wish to start the IPARD Program in 20 provinces with all sub-measures as was negotiated with the EC. Because of that, Turkey, In August 2011, eventually achieved conferral of management of EU funds for three measures across 17 provinces. Compliance with the EU accreditation criteria is being verified for three remaining provinces included in the first phase of the IPARD implementation. In parallel, the Managing Authority has developed its capacity to operate agri-environmental measures and those relating to bottom-up local rural strategies and to the setting up of producer groups, included in the second stage of IPARD

implementation (EC, 2011). Therefore, the IPARD program finally started in last quarter of 2011 due to the expected delay.

Fortunately, Turkey gained favour from n+ 3 rules that is eligible for candidate countries (Adriatic IPA, 2011). According to this rule, the year that the rural development program of a country is approved by the EC is accepted as a base year and the allocated money for the candidate countries can be used in the following three years. Because of that rule, 20 million € allocated for Turkey in 2007 would be able to be used in 2011. The IPARD Agency employed around 1000 experts for 20 provinces and completed all the procedures requested by the EU.

On receiving national accreditation, MoFAL called for conditional proposal without wasting time by waiting conferral of management by the EU in 20 provinces. The budget of the conditional call for proposal was around 96,3 million € out of which 73,7 million € allocated by the EU (Agriculture and Rural Development Support Institute, 2010).

The first call for proposal was only made on 1st July of 2011 in seventeen provinces. The Agency right after made three more calls for proposals before entering 2012. The IPARD Agency nowadays called for 6<sup>th</sup> proposal in 20 provinces while the preparations for the 22 provinces that would be supported in the second phase of the program are not completed yet. The program as a general rule grants 50% of the total eligible costs of the projects but a few exceptions. If the farmer under 40 years of age the grant would be up to 55% and if the project is implemented in mountainous areas this would be up to 60% and if agricultural holding located in mountainous areas and made by young farmers under 40 years of age the amount of support would be up to 65 % (EC, 2007). The EU has allocated 363 million € for years 2007-2011. 15.974.636,95 € allocated by the EU has been used for 62 approved projects at 1<sup>st</sup> and 2<sup>nd</sup> call for proposals in the first two quarters of 2011 while the spent budget of third and fourth call for proposals in the last two quarters of 2011 have not been announced yet. As seen, Turkey has not been able to use all the allocated funds by the EU so far. Though Turkey is not threatened by losing the funds

thanks to n+ 3 rules, she is not supposed to use all the funds and the money allocated for Turkish rural development instrument would likely be de-committed and extend until 2016. It seems that Turkey will lag behind the EU rural development program for 2014-2020.

Unlike Turkish rural development policy, one of the main gains of the IPARD to Turkish agricultural sector is that the EU would want to assist to the farms that have economic viability not the ones which are subsidy and semi-subsidy farms. This significant difference will do away with the micro-sized farms while it increases the competitiveness of the small and medium farms. Also, other significant issues under IPARD Program are the definitions of mountainous and rural areas.

Turkey developed definition of the mountainous areas in order to benefit from the EU funds. In this framework, in the IPARD Program the definition of the mountainous areas to be used is defined as the areas having altitude higher than 1000 meters or areas having altitudes between 500-1000 meters and slope more than 17% (MoFAL, 2008). According to the definition, the selected eligible provinces in the IPARD Program mostly benefit from this definition due to the geographic condition of the Anatolia. Another important issue is the definition of the rural areas. The MoFAL with the support from Holland and Letonia implemented a seven-month project for rural areas' definition as well as Natura 2000, less favoured areas and agri-environment zones. The rural area definition in Turkey is defined by Village Law no. 442, which identifies that those settlements with a population below 2.000 and 20.000 are towns and those above 20.000 are called cities. The rural area definitions in the National Rural Development Strategy determinate that rural areas are areas outside urban settlement with a population of 20.000 or more (Official Journal, 1924; Ministry of Development, 2006). However, the definitions of Natura 2000, Less favoured areas and Agri-environment zones remain missing.

The most important problem that farmers encounter in rural area is to reach credit. Credit provision to micro and small agro-business is not sufficiently developed in Turkey

(Anonymous, 2009). There was only one State bank called The Turkish Agricultural Bank and the Agricultural Credit Cooperation giving loans for agricultural sector for many years until more commercial banks are focusing on agri-finance.

The MoFAL with technical assistance from Radobank in Netherlands in collaboration with Letonia carried out a project funded by the Ministry of Economic Affairs in Netherlands for establishment credit schemes for Rural investment (Anonymous, 2009). Lately, the MoFAL signed memorandum of understanding with 13 national banks and Central Union of the Agricultural Credit Cooperation in order to facilitate credit mechanism for beneficiaries. According to this agreement, those who want to get loan from banks for their projects under IPARD program can receive easily a letter of intent from the banks which already have an agreement with the MoFAL. This would be too beneficial in particular for small farmers.

The IPARD Program has brought mobility for Turkish food sector as well. For instance, all the food companies and slaughterhouses have been registered and checked if they were able to reach the EU standards in short run and long run. If the veterinaries or control engineers decide that the companies cannot be modernized, they cannot benefit from the EU funds. So, they are seen not eligible for IPARD program.

Rural tourism, which had not been actively implemented country-wide in the past, is one of the measures IPARD program introduces. It is obviously seen from rural development program in CEEC's that rural tourism played a crucial role to develop diversification of economic activities in rural areas. It is not out of the question to continue the same argument for the rural areas of a country like Turkey having rich nature and noticeably rural population with large rural areas. If considered the micro-sized enterprises who are not able to reach competitiveness in the markets can easily directed to economic diversification through rural tourism and recreation areas offering rural areas new opportunities to realize the value of their assets.

Lastly, Agri-environment measure and Leader approach is new approaches which will be

implemented in the second phase of the Program as well as rural tourism for rural development in Turkey. The MoFAL carried out a twinning project with consortium that consists of Holland, Estonia and Spain on Agri-environment measure and a twinning project with France for Leader approach. Corum and Urfa provinces of Turkey were selected for pilot projects. Local action groups were created in these provinces. The setting up of the local action groups will be extended to other eligible provinces.

## CONCLUSIONS

In this study, we have provided an overview of the IPARD Program in Turkey. The IPARD Program made a lot of contribution to reshaping of Turkish rural development policy. enterprises has become so important in order to benefit from the IPARD funds regarding as economic viability of the farms. Rural areas, as in the EU, are treated as viable entities incorporating social, economic, and cultural and natural resources, rather than simply areas solely focusing on agriculture where the agricultural population live. In fact, it is clear that a policy encompassing just agriculture and the agricultural infrastructure alone will not be sufficient for rural development and cannot solve the problems currently experienced in the rural areas. Therefore, the rural development policy of the EU today focuses on eliminating income disparities between developed and under developed regions so that social and political cohesion can be preserved.

The rural development policies of Turkey, aiming at the political integration with the EU, should be integrated with social and regional policies establishing social and economic balances and preserving cultural diversity. Such policies should be directed towards benefiting agriculture and the agricultural population in the rural areas and should contribute to the elimination of the basic problems of Turkish agriculture. Reaching credit for farmers is still difficult in particular for those who are not able to be competitive in the markets. Therefore, a rural credit and guarantee system should be developed in Turkey. As analysed the countries that benefited from SAPARD Program, in the

beginning of the implementation of the program, the number of the submitted projects for co-financing was small and the contribution of the rural society was limited. As long as the Turkish authorities develop credit mechanisms for agro-finance, the transmission of the knowledge to beneficiaries has a vital role on the way to success if considered the fact that most countries benefited from SAPARD Program set up training and advisory services for farmers.

The IPARD Program has brought new approaches such as Leader, rural tourism and agri-environment to the agenda. Though rural tourism is under support for the first phase, Agri-environment and Leader measures shall be launched in the second phase. Rural tourism was one of the most successful measures in CEEC's. The same result would be expected for Turkey which is a great potential for the valorisation of untapped natural and cultural resources in rural areas, for which there is a growing demand in the last decade for national and international tourists who are fed up with mass tourism.

The IPARD Program also took into account environmental friendly production in farms. For instance, the manure storage is a compulsory investment type for medium-sized farms in IPARD Programme. Şerefoğlu (2008) stated that around 75 % of the fattening farms in eligible provinces have no manure storage in their farms.

As for the EU acqui, all food companies that wish to benefit from IPARD funds have to be registered and checked whether or not they could meet EU acqui in short and medium term. This helped a lot for registering and knowing the real conditions of food companies and their needs.

Consequently, the IPARD Program will alter the existing structure of Turkish agricultural policy. The professional farms will replace the ones who are subsistence or semi-subsistence farms in Turkey. Agro-industry will be modernized with the harmonization to the EU. The institutional capacity of the producer groups is set up on the basis of product focused. The rural areas will be transformed into more liveable areas. Behind all these positive impacts, the implementation of the program

shall not be easy, in particular, in the east and southeast part of Turkey because of the lack of capacity of the sectors to be backed up. Also, what the micro-sized farms that have to give up farming in rural areas do at the end of the program which is consciously implemented through this program is not clear yet.

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