Amendment to the Administration Agreement for European Union Contributions for the Programmatic Trust Fund for World Bank Knowledge and Advisory Services in Pursuit of the Objectives of the EUROPE2020 Agenda (TF071818) for the EU-Turkey Customs Union Study (EC contract No. 2012/308543)

The Following provisions of the Administration Agreement for European Union Contributions for the Programmatic Trust Fund for World Bank Knowledge and Advisory Services in Pursuit of the Objectives of the EUROPE2020 Agenda (TF071818) for the EU-Turkey Customs Union Study (EC contract No. 2012/308543) are hereby replaced as follows:

1. “Section 3.03 Indirect Costs under this Administration Agreement shall not exceed 7% of the final amount of eligible Direct Costs of the Contribution.

The IBRD may, following deposit of the Contribution by the Commission, deduct from each Contribution of the Commission and retain for the IBRD's own account an amount equal 6% of the Contribution.

The final amount that the IBRD is entitled for Indirect Costs shall be adjusted to the actual disbursed amounts of the Contribution in accordance with Articles 14 and 17 of the General Conditions.”

2. “ANNEX III OF THE ADMINISTRATION AGREEMENT

PROPOSED INDICATIVE BUDGET FOR THE PROGRAM AND PROJECT ACTIVITIES

Proposed Program Indicative Budget

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff &amp; Consultant Cost</td>
<td>2,285,205</td>
</tr>
<tr>
<td>Travel Expenses</td>
<td>668,035</td>
</tr>
<tr>
<td>Translation</td>
<td>95,960</td>
</tr>
<tr>
<td>Training costs</td>
<td>81,600</td>
</tr>
<tr>
<td>Workshop Costs</td>
<td>109,700</td>
</tr>
<tr>
<td>Workshop participant travel</td>
<td>39,000</td>
</tr>
<tr>
<td>Incremental Operating Costs**</td>
<td>10,500</td>
</tr>
<tr>
<td>Total Amount</td>
<td>3,290,000</td>
</tr>
<tr>
<td>Bank Administration fee (6%)</td>
<td>210,000</td>
</tr>
<tr>
<td>Total</td>
<td>3,500,000</td>
</tr>
</tbody>
</table>
### Proposed Project Activities Indicative budget (Euros)

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff &amp; Consultant Cost</td>
<td>213,000</td>
</tr>
<tr>
<td>Travel Expenses</td>
<td>61,500</td>
</tr>
<tr>
<td>Translation</td>
<td>0</td>
</tr>
<tr>
<td>Training costs</td>
<td>0</td>
</tr>
<tr>
<td>Workshop Costs</td>
<td>7,500</td>
</tr>
<tr>
<td>Workshop Participant travel</td>
<td>0</td>
</tr>
<tr>
<td><strong>Incremental Operating Costs</strong></td>
<td><strong>0</strong></td>
</tr>
<tr>
<td><strong>Total Amount</strong></td>
<td><strong>282,000</strong></td>
</tr>
<tr>
<td><strong>Bank Administration fee (6%)</strong></td>
<td><strong>18,000</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>300,000</strong></td>
</tr>
</tbody>
</table>

*The total amount of the budget for the Program will be updated from time to time upon IBRD receiving Additional Contributions from the Commission under the framework of the Programmatic Trust Fund (TF071818). In such cases, the revised and updated total budget for the Program will be deemed to have been agreed by both parties upon signature of any Administrative Agreement(s) for an Additional Contribution without the need to further amend this Agreement or any other Administration Agreement under the Programmatic Trust Fund.*

3. **"ANNEX I.A OF THE ADMINISTRATION AGREEMENT**

**Description of the Project Activities to the carried out under the Program and the Additional Contribution**

In the framework and in line with the Program and Europe Agenda 2020, the objective of the project Activities is to conduct the external evaluation of the EU-Turkey Customs Union\(^1\) (Customs Union) including its overall economic and commercial impact and the implementation and to make recommendations for its improvement in the context of the EU positive agenda for Turkey and perspective developments of the economic integration process.

\(^1\) The EU has an Association Agreement with Turkey since 1963. An Additional Protocol was signed in November 1970, setting out a timetable for the abolition of tariffs and quotas on goods circulating between Turkey and the EEC. The EU-Turkey Customs Union (CU) was established in 1995 by the EU-Turkey Association Council Decision 1/95\(^1\). The EU-Turkey Customs Union does not cover agricultural products, steel and coal products, services and public procurement. The Customs Union was developed at a time when FTAs were not as frequent and comprehensive as they are today. Turkey was officially recognised as a candidate country in December 1999 while EU accession negotiations started in 2005.
(c) **The evaluation should inter alia take into account:**

(i) The current circumstances in the EU-Turkey commercial relations including Turkey's EU accession process.

(ii) The untapped potential in the EU-Turkey economic and trade relations including in areas which are not covered by the Customs Union.

(iii) The existing weaknesses of the Customs Union.

(iv) The commercial and economic aspirations and constraints of Turkey and those of the EU Member States.

(v) The importance of increased EU-Turkey trade and economic relations for the economic stability in the region.

(vi) Differences in legal interpretation of the Customs Union provisions and obligations in a wider context.

It is expected that the evaluation will provide well justified answers and arguments to the following questions:

- What has been the impact of the Customs Union so far (see above)?

- What measures need to be taken in order to smoothen and improve the effectiveness of the current functioning of the Customs Union?

- Is there scope for modernization of the Customs Union beneficial to both parties?

- What are the arguments – economic and commercial – in favor of or against the modernization of the Customs Union within the framework of the EU positive agenda for Turkey?

(d) **Required outputs:**

The IBRD shall provide the following outputs:

(i) Inception Report, to be issued 4 weeks after the kick-off meeting in Brussels. This report will further elaborate on the proposed methodology, timing, documents and interlocutors to be involved as well as the draft outline of the final report.

(ii) Interim report, to be issued at the latest 5 months after the date of this Administration Agreement and which will present preliminary findings and will invite for the discussion of outstanding issues.

(iii) Final report, to be issued 9 months after the date of this Administration Agreement, containing an Executive Summary, the report and the relevant annexes.

(iv) A presentation by the IBRD of the results of the Project Activities and recommendations in Brussels and Ankara to be made 10 months after the date of this Administration Agreement.
Except as the Commission and the IBRD may otherwise agree, the IBRD shall perform the following activities, subject to such modifications and refinements thereof as the Commission and the IBRD may agree upon from time to time to achieve the objective thereof:

1. **Component**

The IBRD shall carry out an analytical and objective evaluation on, among others, the implementation and impact of the Customs Union, with special emphasis on the broad economic impact and make recommendations for its improvement in the context of the EU positive agenda for Turkey and perspective developments in the economic integration process.

The evaluation shall be based on quantitative data and analyses provided by Turkey and the EU and will be carried out through field study and desk research.

(a) **with regard to implementation of the Customs Union, the evaluation will:**

   (i) Review the degree of implementation of the Customs Union by the EU and Turkey, also looking at compliance with the Decision 1/95; this includes the degree of transposition into the Turkish legal order of the EU Customs Union related regulatory acquis including alignment with the EU commercial policy.

   (ii) Identify what worked and what did not work well and will analyze the underlying reasons for such results/outcomes.

(b) **with regard to the commercial and economic dimension of the Customs Union on both parties, the evaluation, which will namely, but not exclusively:**

   (i) Analyze the commercial and economic impact of the Customs Union on both sides, including on competitiveness, the creation of employment, as a whole and per economic sector to the extent possible, as well as the trade creation and diversion effect.

   (ii) Examine the effects from the implementation of the Customs Union.

   (iii) Examine Turkey's concerns in particular with regard to the EU FTAs (e.g. on the volume and diversion of trade), visa requirements for business people and road quotas for trucks registered in Turkey.

   (iv) Review the impact of the Customs Union in the regulatory area brought about by the transposition of the Customs Union relevant acquis in the Turkish legal order and the extension of the EU single market to Turkey (e.g. creation of a level playing field in the Turkish and EU markets, free movement of goods, quality of products in particular for consumers).

   (v) Analyze the impact of the Customs Union on the transfer of technology and the facilitation and attraction of foreign direct investments to the EU and Turkish economies.

   (vi) Analyze the impact of the Customs Union on the integration of the Turkish and the EU economies and the impact on their competitiveness in the global economy, also looking at the changing entrepreneurial practices and standards in relation to the implementation of this process.

   (vii) Consider the role of the Customs Union as a stepping stone for the Turkish and EU economies to reach other markets.

   (viii) Consider the impact on Turkey and the EU from a probable extension of the Customs Union to also cover for example public procurement, services and investments and agriculture.
The indicative planning can be considered as follows:

<table>
<thead>
<tr>
<th>Phase/Activity</th>
<th>Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inception Report, comments provision and revision</td>
<td>January-February 2013</td>
</tr>
<tr>
<td>Interim report</td>
<td>April-May 2013</td>
</tr>
<tr>
<td>Final report</td>
<td>September 2013</td>
</tr>
<tr>
<td>Presentation in Brussels and Ankara</td>
<td>October 2013</td>
</tr>
</tbody>
</table>

2. Governance

2.1 Steering Committee

A Steering Committee to be established by not later than one month from the signing of this Administration Agreement, under terms and conditions satisfactory to the Commission and the IBRD, will oversee, monitor and guide the technical aspects of the Project Activities, any other follow up activities under the same and approve the Project Activities reports, work plans and deliverables. The Steering Committee will include the EC (DG ELARG, TRADE, TAXUD, AGRI) and the World Bank. The Steering Committee will be chaired by the European Commission (DG ELARG).

2.2 Reference group

A reference group is also established to provide technical advice and inputs on the implementation of the study. It will be made up of the same representatives of the Steering Committee complemented by senior representatives of the Turkish Government representatives of the academia, think tanks and private sector representative associations. The Reference Group will be chaired by the European Commission (DG ELARG).

3. Institutional Arrangements

The Commission has proposed that Mr Miltiades Economides (e-mail address: Miltiades.Economides@ec.europa.eu) in the Turkey Unit of DG Enlargement and Mr. Odoardo Como (Odoardo.Como@ec.europa.eu), in the Evaluation Unit of DG Enlargement will be the contact people in the Commission, while Mr Alfio Anzalone in DG Trade (Alfio.Anzalone@ec.europa.eu) and Mr. Michele Villani and Mr Denis Atasoy in the EU Delegation in Ankara (Michele.VILLANI@eeas.europa.eu and Deniz.ATASOY@eeas.europa.eu) will be closely involved. The EU Delegation in Ankara will facilitate contacts of the IBRD with the Turkish authorities but will not arrange logistics for meetings and interviews.

The World Bank team will be co-managed by the World Bank Washington and Turkey Office. Core team members are Mr. Francis Rowe (senior economist, Europe and Central Asia Vice Presidency, Poverty Reduction and Economic Management; frowe@worldbank.org), and Mr. Ian John Douglas Gillson (senior economist, Trade Department, Poverty Reduction and Economic Management Vice Presidency, igillson@worldbank.org), as leading this task from the World Bank. They will be supported by Kamer Karakorum Ozdemir (senior economist, Turkey Office, Poverty Reduction and Economic Management; kozdemir@worldbank.org), Martin Raiser (country director Turkey, Europe and Central Asia Vice Presidency; mraiser@worldbank.org), and
Except as specifically amended herein, all other provisions of the Agreement remain in full force and effect.

This Amendment will become effective upon signature by the parties.

AGREED:

EUROPEAN COMMISSION

By: 
Name: Claus Giering
Title: Head of Unit A.3 Inter-Institutional Relations and Planning, DG Enlargement
Date: 24/5/2013

AGREED:

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: 
Name: Martin Raiser
Title: Country Director Turkey
Europe and Central Asia
Date: 26/4/2013