



MEDIUM TERM EXPENDITURE FRAMEWORK REFORM IN TURKEY

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PEMPAL Treasury Community of Practice Workshop
Chisinau , Moldova, May 17-20th, 2010

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WHAT IS MEDIUM TERM EXPENDITURE FRAMEWORK?

- Is a transparent planning and budget formulation process which ensures allocation of public resources in line with the policy priorities.

IS BASED ON 3 MAIN PRINCIPLES:

1. Top-down estimation of the resources to be allocated for public expenditures in compliance with macroeconomic structure and targets,
2. Bottom-up estimation of the costs of existing and future policies,
3. Establishment of a mechanism that associates and compares the total public resources with these costs

Top-down resource allocation; is a framework where fiscal targets as well as revenue and expenditure estimates are determined on the basis of the government priorities and structural reforms.

REASONS OF MEDIUM TERM EXPENDITURE FRAMEWORK

- Budgets are prepared for one year. However, a well-prepared budget should envisage budget-related economic activities which go beyond the budget year and their results.
- Thus, it is almost impossible for a budget prepared as completely isolated from other periods to provide desired results, especially in terms of policy-making.
- Therefore, budget must be considered together with the planning process and budgeting must be related to planning so as to ensure a budget process during which effective, efficient and strategic decisions are made.

TARGETS OF MEDIUM TERM EXPENDITURE FRAMEWORK -1

- ❑ Reliable macroeconomic modelling and estimates,
- ❑ Better macroeconomic and fiscal balance through reliable and coherent resource structure,
- ❑ A stronger connection between budgeting and government policies as well as expenditure priorities of the institutions,
- ❑ Foreseeability of the policies pursued and the resources allocated to these policies, and ensuring continuity of the programs implemented in line with these policies,

TARGETS OF MEDIUM TERM EXPENDITURE FRAMEWORK -2

- ❑ Prioritization of the expenditures considering socio-economic program of the government and providing a sound ground for inter-functions and intra-function resource allocation through allocating resource for only significant functions,
- ❑ Increasing foreseeability of the budget through determining budget caps based on more sound grounds,
- ❑ More efficient utilization of public resources through providing line ministries with more flexibility in managing their own budgets within the framework of their budget constraints and approved policies and programs.

PHASES OF MEDIUM TERM BUDGETING

- ❑ Economic and financial evaluations,
- ❑ Setting of macroeconomic framework,
- ❑ Setting of fiscal framework,
- ❑ Deciding on expenditure priorities,
- ❑ Development of the framework for expenditure priorities,
- ❑ Budgeting of the costs of expenditure priorities,
- ❑ Finalization and submission to the Parliament of the budget.

MEDIUM TERM BUDGETING IN TURKEY

- ❑ Macro framework decisions before enforcement of Law No 5018
 - ❑ MTEF was included in the legislation following the adoption of Law No 5018 (Art.15,16,17,18) in 2003,
 - ❑ Multi-annual budgets began to be prepared as of 2006.
 - ❑ 2009 -2011 period is the fourth implementation term of the medium-term budgeting.
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WORKS DONE TO INTRODUCE MEDIUM TERM BUDGETING SYSTEM IN TURKEY - I

- ❑ MATRA Project jointly executed by Turkish and Dutch Ministries of Finance
- ❑ Dutch model was discussed in the training programs organized in Turkey with the participation of state budget experts of BUMKO and the personnel of other ministries taking part in budget preparation process
- ❑ Study visit was paid to The Netherlands in January 2005 so as to see the multi-annual budgeting practices.
- ❑ The models of The Netherlands, Sweden, Australia, New Zealand, UK, South Africa, Germany and some developing countries were examined.
- ❑ The conditions to be provided in order to introduce multi-annual budgeting system were discussed in the meeting held with the participation of World Bank experts.

WORKS DONE TO INTRODUCE MEDIUM TERM BUDGETING SYSTEM IN TURKEY - II

- ❑ An international conference was jointly organized with Dutch Ministry of Finance on May 4, 2005.
- ❑ A conference was organized with the participation of the officials from the public administrations within the scope of central government.
- ❑ Multi-annual budgeting training guide was prepared.
- ❑ Budget preparation guide was reviewed.
- ❑ Budget management information system was harmonized with multi-annual budgeting approach.
- ❑ Public administrations were provided with training assistance.
- ❑ Budget law, annexed charts and the budget memorandum were harmonized with the multi-annual budgeting approach.

FUNCTIONING OF MEDIUM TERM BUDGETING SYSTEM IN TURKEY -I

1. Adoption of Medium Term Program by Council of Ministers (End of May),

- I. Main objective
- II. Macroeconomic policy and targets
 - A. Macroeconomic policies
 - B. Targets and indicators pertaining to program term
- III. Program term development axes
- IV. Sectoral policies

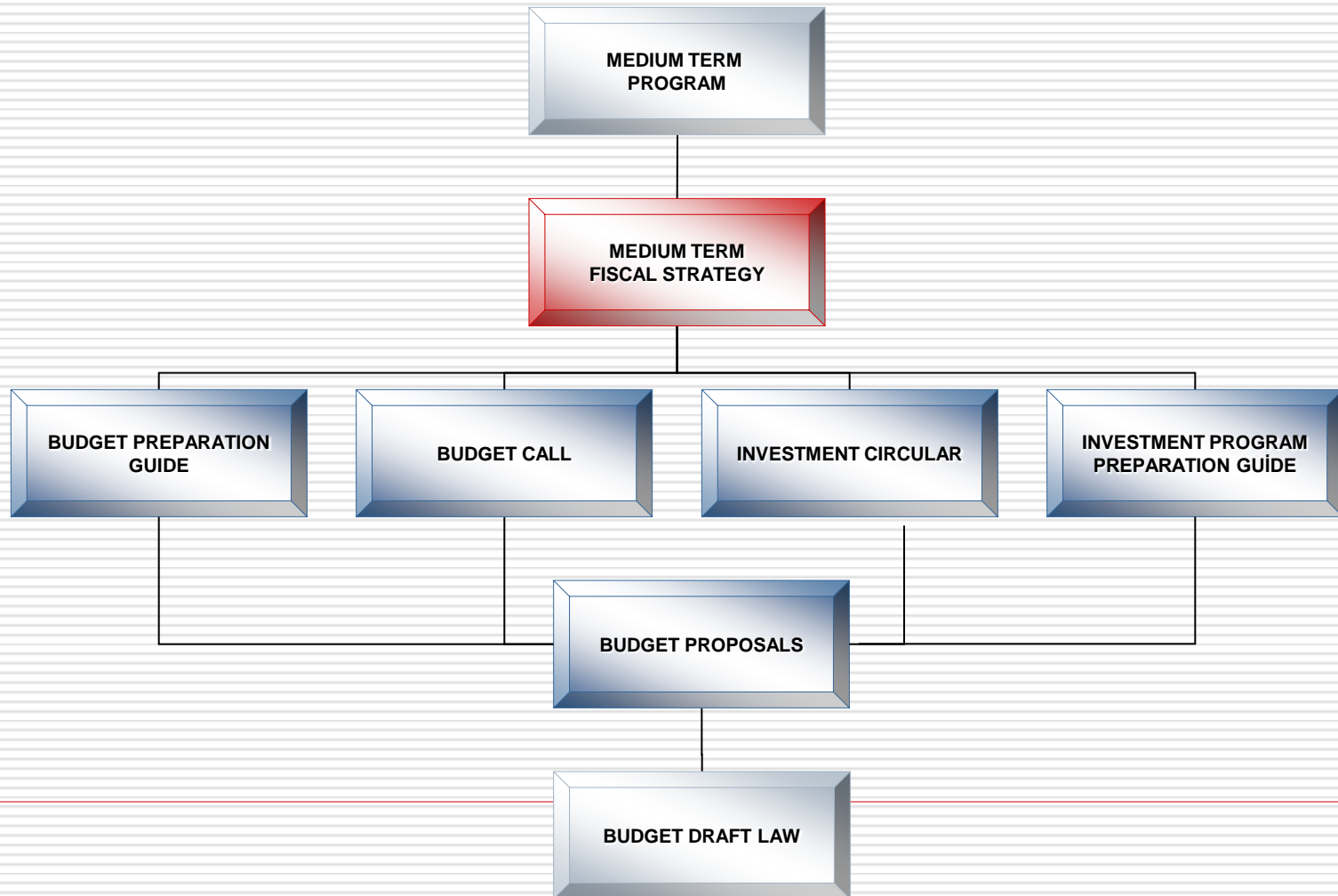
2. Adoption of Medium Term Program by High Planning Council (15 June),

- I. Basic Macroeconomic Indicators and Policies Central Government Budget is Based on
- II. Central Government Budget Figures
- III. Financing of Central Government Budget Deficit
- IV. Issues regarding Institutional Appropriation Proposal Ceilings and Budget Preparation Process

FUNCTIONING OF MEDIUM TERM BUDGETING SYSTEM IN TURKEY -II

3. Publication of Budget Call and Budget Preparation Guide as Its Supplement as well as Investment Circular and Investment Program Preparation Guide as Its Supplement (End of June),
4. Debate on Appropriation Proposals and Delivery of The Proposal (End of July),
5. Finalization of Macro Estimates by High Planning Council (First week of October)
6. Submission of Central Government Budget Draft Law to the Parliament (17 October),
7. Debate on Central Government Budget Draft Law in the Parliament.

MEDIUM TERM BUDGETING DOCUMENTS



SOME CHALLANGES ENCOUNTERED IN IMPLEMENTATION

- ❑ Macroeconomic indicators of Turkey, a developing country, change rapidly,
- ❑ More than one medium term document exist
- ❑ Insufficiency of infrastructure in public administrations in terms of medium term planning
- ❑ Very short time allocated to line ministries for budget preparation
- ❑ Non-binding appropriation ceilings

REQUIREMENTS FOR SUCCESSFUL IMPLEMENTATION OF MTEF

- ❑ Political Support and decisiveness
- ❑ Realistic macroeconomic estimates,
- ❑ Calculating of the cost of deviations from policies,
- ❑ Efficient control of expenditures,
- ❑ Reporting and publicizing of the results,
- ❑ Efficient use of information system.

**THANKS FOR YOUR
PATIENCE...**