PLANNING-PROGRAMMING-BUDGETING AND PUBLIC INVESTMENT PROGRAM MANAGEMENT EXPERIENCE IN TURKEY

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Head of Department
State Planning Organization of Turkey

Minsk, Belarus,
June 14-17, 2011
Outline

• Turkey Country Context
• Capital Budgeting Procedures in Turkey
  – Strategic Planning
  – Project Appraisal
  – Budget Process
  – Implementation
  – Monitoring and Evaluation, Audits
• Conclusion and Lessons from Turkish Experience
Turkey Country Context
Turkey is located at the intersection of three continents and stands as a crossroad between Asia and Europe.
- Turkey is the thirty-fourth largest country in the World with an area of 783,562 km².

- With 72.7 million population in 2010, Turkey holds a population density of 93 people/km² and an annual population growth rate of 1.2%.
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<th>INDICATORS</th>
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<th>2008</th>
<th>2009</th>
<th>2010 (Est.)</th>
<th>2011 (Prog.)</th>
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<td>GDP (At current Prices, Billion $)</td>
<td>649</td>
<td>742</td>
<td>619</td>
<td>734</td>
<td>781</td>
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<td>GDP per Capita</td>
<td></td>
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<td>- At current Prices, $</td>
<td>9,234</td>
<td>10,440</td>
<td>8,578</td>
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<td>- At Purchasing Power Parity, $</td>
<td>13,685</td>
<td>14,631</td>
<td>14,449</td>
<td>15,392</td>
<td>16,126</td>
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<td>Current Account Deficit / GDP (%)</td>
<td>-5.9</td>
<td>-5.7</td>
<td>-2.3</td>
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<td>Public Spending / GDP (%) (General Government)</td>
<td>33.8</td>
<td>34.6</td>
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<td>39.1</td>
<td>37.9</td>
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<td>Public Sector Barrowing Require. (%)</td>
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<td>- General Government</td>
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<td>- Total Public (Includes SEE’s)</td>
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<td>5.1</td>
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Global Crisis Affected Turkish Economy in Three Channels:

– Foreign Trade

– Foreign Financing

– Expectations
GDP Growth Rates (Annually % Change)

In period of 2003-2007, GDP growth rate on average is recorded 6.9 percent annually.
Inflation (CPI, 12 Monthly % Change)
Unemployment Rates (%)
Central Government Budget Deficit / GDP (%)
Public Sector Primary Surplus / GDP (%)

- 1.9 (2000)
- 4.3 (2001)
- 3.4 (2002)
- 5.2 (2003)
- 5.4 (2004)
- 4.5 (2005)
- 4.8 (2006)
- 3.0 (2007)
- 1.6 (2008)
- 0.3 (2009)
- -1.1 (2010)
- -0.2 (2011)
Public Nominal Debt Stock (*) / GDP

(⁎) EU Definition
Share of Fixed Capital Investments in GDP (1998-2013) (*)

(*) Investments by Local administrations are included
Note: Investments include capital expenditures and investment kind capital transfers.
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<td>Manufacture</td>
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<td>32.9</td>
<td>0.8</td>
<td>44.7</td>
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<td>Transport</td>
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<td>43.3</td>
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Public Investment Stock in Turkey (2001-2011) (1)

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<th>2005</th>
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<th>2008</th>
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<td>3851</td>
<td>3555</td>
<td>2627</td>
<td>2525</td>
<td>2710</td>
<td>2759</td>
<td>2332</td>
<td>2425</td>
<td>2534</td>
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<td>(Number)</td>
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<tr>
<td>Total Project Cost</td>
<td>92.6</td>
<td>105.7</td>
<td>122.3</td>
<td>128.2</td>
<td>141.3</td>
<td>135.9</td>
<td>158.9</td>
<td>174.3</td>
<td>182.3</td>
<td>195.2</td>
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<tr>
<td>(Current Prices, Billion $)</td>
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<td>Cumulative Expenditure</td>
<td>56.0</td>
<td>60.3</td>
<td>68.1</td>
<td>76.1</td>
<td>80.3</td>
<td>75.2</td>
<td>84.6</td>
<td>78.7</td>
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<td>(Current Prices, Billion $)</td>
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<td>Total Annual Allocation</td>
<td>5.9</td>
<td>7.1</td>
<td>7.5</td>
<td>10.0</td>
<td>12.5</td>
<td>11.1</td>
<td>12.4</td>
<td>15.3</td>
<td>18.3</td>
<td>20.1</td>
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<td>(Current Prices, Billion $)</td>
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<tr>
<td>New Multi-year Projects</td>
<td>128</td>
<td>134</td>
<td>149</td>
<td>137</td>
<td>155</td>
<td>161</td>
<td>180</td>
<td>279</td>
<td>241</td>
<td>196</td>
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<tr>
<td>Total Allocation / Total Project Cost (%)</td>
<td>6.3</td>
<td>6.7</td>
<td>6.1</td>
<td>7.8</td>
<td>8.7</td>
<td>8.2</td>
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<td>Average Completion Time of the Stock (Year) (2)</td>
<td>8.5</td>
<td>7.6</td>
<td>8.1</td>
<td>6.6</td>
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</table>

(1) Excludes investments of local administrations, expenditures for expropriations and investment workers payments.
(2) Average time of completion is calculated as the amount of time required to finish up the remaining stock completely, assuming that no other projects are taken into the investment program in the following years and an appropriation and expenditure is made of the magnitude of the current year level.
Main Challenges in Public Investment Management

- Lack of efficient, systematic, results based monitoring and evaluation system
- No systematic impact assessment yet
- Poor quality of feasibility studies
- Lack of qualified personnel in line agencies and weak institutional capacity
- Poor relationship among the planning, programming, budgeting documents and resource allocation
Administrative Structure of Turkey

CENTRAL ADMINISTRATION

- Central Administration
  - Ministries
  - Affiliated Institutions
  - Related Institutions
  - (Regulatory Bodies)

FIELD ADMINISTRATION

- Province
  - District (Sub-province)

DECENTRALIZED ADMINISTRATION

- Decentralized Institutions in terms of geography
  - Provincial Special Administrations
  - Municipalities
  - Villages

- Decentralized Institutions in terms of services
  - Administrative Public Institutions
  - Economic Public Institutions
  - Social Public Institutions
  - Scientific, Technical and Cultural Public Institutions
Capital Budgeting Procedures in Turkey

– Strategic Planning
– Project Appraisal
– Budget Process
– Implementation
– Monitoring and Evaluation, Audits
Basic Principles:

- Transparency
- Accountability
- Efficiency
- Effectiveness
New management tools
(The new framework law no.5018 for public financial management and control)

- Multi-year analytical budgeting
- Institutional strategic planning
- Performance based budgeting
- Internal control and audit
Scope of the Public Financial Management and Control (PFMC) Law
Scope of the Public Investment Program (PIP)

- **GENERAL GOVERNMENT**
  - SOCIAL SECURITY INSTITUTIONS and REVOLVING FUNDS
  - CENTRAL GOVERNMENT
    - LOCAL ADMINISTRATIONS (Foreign financed projects and Province Bank)
  - GENERAL BUDGET ADMINISTRATIONS
  - SPECIAL BUDGET ADMINISTRATIONS
    - REGULATORY AND SUPERVISORY AGENCIES

- SEE’s
Main Actors in Budgeting, Planning and Implementation

- **Ministry of Finance** (Preparation of Medium Term Fiscal Plan, Central Budget, General Activity Report, monitoring of budget implementation)

- **State Planning Organization** (Preparation of Draft Long Term Plans, Medium Term Programs, Annual Programs, Public Investment Programs, monitoring of Public Investment Program)

- **Treasury** (Debt and cash management)

- **Line Agencies** (Preparation of strategic plans and performance programs, budget and investment program proposals, feasibility studies, activity (accountability) reports, monitoring reports etc.)

- **Court of Accounts** (External audit)
State Planning Organization (SPO)

SPO

HIGH PLANNING COUNCIL (HPC)

UNDERSECRETARIAT OF THE SPO

MONEY, CREDIT AND COORDINATION COUNCIL
Head: Prime Minister

Members:
- State Minister (Responsible for Treasury)
- State Minister (Responsible for SPO)
- Minister of Finance
- Minister of Public Works and Resettlement
- Minister of Transport
- Minister of Industry and Trade
- Minister of Energy and Natural Resources
- Undersecretary of the SPO
Long Term Strategy (2001-2023)

- Long term basic objectives and policies regarding macroeconomic and social sectors

- Prepared by SPO; approved by Turkish Grand National Assembly
National Development Plan

- Five-year documents-seven year for Ninth National Development Plan covering 2007-2013, in line with the EU Planning horizon (non rolling)

- Long-term strategic objectives and priorities organized under thematic development axes

- Guides all macroeconomic, sectoral and regional policies and implementations

- Sets the general framework of economic, social and regional indicative targets

- Based on findings of the ad-hoc committees formed by representatives of academia, public institutions, private sector and NGO’s

- Prepared by SPO; approved by the Turkish Grand National Assembly
Medium Term Program (MTP)

- Medium-term strategic objectives and priorities organized under thematic development axes
- Sets priorities, macroeconomic policies, targets and projections
- 3-year documents (rolling on annual basis)
- Consistent with the Development Plan and current internal and foreign developments
- Prepared by SPO in collaboration with Ministry of Finance (MoF), Treasury and Central Bank in the light of views of public institutions and NGO’s
- Approved by the Council of Ministers
Medium Term Fiscal Plan (MTFP)

- 3-year documents (rolling on annual basis)
- Sets institutional budget ceilings
- Based on MTP
- Covers central government institutions
- Prepared by MoF in collaboration with SPO and Treasury
- Approved by the High Planning Council
Annual Program

- Sets measures to implement the policies of the Development Plan and MTP
- Institutional responsibilities and timetable
- Prepared by SPO, Approved by the Council of Ministers
Budget

- Rules regarding the implementation in line with the budget
- Institutional appropriations (3 year appropriations, 2nd and 3rd year indicative)
- Revenue estimations
- Approved by a law adopted by Turkish Grand National Assembly.
Programming and Budgeting Process in Turkey

Medium Term Program (SPO) (End May), Medium Term Fiscal Plan (MoF) (June 15)

Budget Call (Ministry of Finance) (End June)

Budget Preparation Guidelines (MoF) (End June)

Investment Program Preparation Guidelines (SPO) (End June)

Budget and Investment Program Proposals from Public Institutions (End July)

Program, Budget and Investment Negotiations (SPO, MoF, Institutions) (September)

Finalization of Draft Macro and budget aggregates (MoF, SPO) (End September)

Discussions in High Planning Council and Approval of Macro & Budget Aggregates (First Week of October)

Submission of Budget Draft to TGNA (October 17)

Issuing Decree on Implementation, Coordination and Monitoring of Annual Program and Annual Program (October)

Budget Approval by TGNA (Before new fiscal year starts)

Publication of Public Investment Program (In two weeks after New Fiscal Year starts)
# Budget Codification

*(Analytical Classification)*

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General Approach of the System

- STRATEGIC PLAN
- PERFORMANCE PROGRAM
- BUDGET
- PERFORMANCE BASED BUDGET
- STRATEGIC MANAGEMENT
Strategic Planning

- SWOT ANALYSIS
- MISSION AND PRINCIPLES
- VISION
- GOALS and TARGETS
- STRATEGIES
- ACTIVITIES and PROJECTS
- MONITORING
- PERFORMANCE MEASUREMENT and EVALUATION
SPO coordinates strategic planning activities, prepares guidelines, provides trainings, improves the system and mechanisms.

Before approval by top management or minister, draft strategic plan are sent to the SPO for assessment.

SPO assesses the plans with the criteria:

- consistency with the national planning documents
- compliance to the methods, principles and rules in the circular
- Consistency with the other strategic plans of other related institutions
Performance Based Budgeting Model

- **Strategic Goals**
- **Strategic Objectives**
- **Performance Objective**
- **Activity / Project**
  - **Economic Code**
  - **Financing Type Code**
  - **Functional Code**
  - **Institutional Code**

**Performance Based Budgeting Model**
Weaknesses in Strategic Planning

• Public institutions have prepared their first strategic plans. Some weaknesses;
  ✓ not efficient reference documents for resource allocation
  ✓ lack of quality, sufficient data at the preparation and implementation stages
  ✓ weak institutional capacity and strategic management approach
  ✓ weak link with the territorial plan and programs
  ✓ stakeholder analysis, goal, target, strategy, performance indicators are problematic areas
  ✓ SWOT analysis and their usage in the strategy determining stage are not sufficient
  ✓ confusion in the goal-target-strategy concepts
  ✓ costing is one of the most problematic area
Evaluation of Program Results

- Institutional Activity (Accountability) Reports
- General Activity Reports
- Monthly Public Accounts Bulletin (Realizations)
- Court of Account Audit
- Project-based distribution of investment allocations

- Covers whole public sector (including SEE’s, social security institutions and foreign-financed investments of local administrations)

- Indicates; the number, the name, the scope, starting and completion time, project cost, cumulative expenditure up to the current year and annual allocation (from local and foreign finance) of all projects
Public Investment Strategy

- Focusing on social and economic infrastructure areas that private sector can not realize

- Realization of local investments by local administrations

- Utilization from PPP in investment financing
For public Investments;

- sectoral
- regional
- Institutional
- project base

Priorities are determined in macro level policy documents from more general view to more detailed view, starting from Long Term Strategy, in Development Plans, Medium Term Programs, Annual Programs and Investment Preparation Guidelines.
Total capital expenditure (investment) level for central budget is decided by both SPO and MoF taking into account:
- GDP growth rate, fiscal targets (revenues, deficit, surplus, debt level), current project stock etc.

Distribution of total investment level among sectors and institutions are decided by SPO taking into account:
- development goals in the development plans and programs
- sectoral, regional strategy and plan documents
- institutional strategic plans and performance programs
- needs for ongoing and new project stock of institutions
- previous year implementations and realizations
Prioritization of projects are made by implementing agencies (project owners) taking into account:

- sectoral, regional, institution, project base priorities in the long term national plan, medium term program, annual program, investment circular and its annex investment program preparation guidelines
- budget ceilings in the medium term fiscal plan
- goals, targets and indicators in the strategic plans and performance programs
- budget allocations for investment projects multi-annual but published investment program shows only annual allocation
- institutions have flexibility for transferring funds among the projects in same sector and budget items
- intersectoral transfers may be done by the approval of SPO
Investment Circular and Its annex ‘Investment Program Preparation Guide’ includes:

- investment proposal ceilings,
- sectoral, sub-sectoral, regional and project based priorities,
- principles, methodologies
- feasibility study formats
- and the parameters (exchange rate, deflators)
Projects Proposals

- Investing institutions being acquainted with their own indicative budget ceilings gather project proposals from:
  - regional and local administrations,
  - public authorities,
  - NGOs and
  - citizens etc.

- Proposals should comply with the Development Plan, Medium Term Program, Medium Term Fiscal Plan, Annual Program and Institutional Strategic Plan

- For the new projects that cost is above 3.5 million $, a detailed feasibility study, covering cost/benefit and/or cost effectiveness and environmental impact analysis, is necessary to be submitted to the SPO. For smaller projects simple project proposal form (like prefeasibility study) is necessary.
Projects submitted by the investing institutions to SPO for the following analyses:

- Financial
- Economic
- Social
- Institutional
- Environmental
- Regional

No central guidelines for appraisal

Feasibility report formats in annual Investment Program Preparation Guidelines

No formal costing guidelines/standards
## Structure of Public Investment Program

### Project Samples

#### Sector: Agriculture

**Project Owner:** General Directorate of State Hydraulic Works

<table>
<thead>
<tr>
<th>Project No</th>
<th>Project Name</th>
<th>Location ((Province))</th>
<th>Charasterictic</th>
<th>Start / End Date</th>
<th>Project Cost</th>
<th>Cumulative Expenditure by the End of Previous Year</th>
<th>2011 Allocation</th>
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Innovative Approaches In Public Investments

• Provide more flexibility for institutions in grouped and other projects to increase ownership
• Authorization of institutions in revisions during year substantially
• Resource transfer to local administrations through Development Agencies, Village Infrastructure Support Project etc.
• Result oriented Social Support Program Implementations for social needs
• Realization of education and health facilities by means of Housing Development Administration
Both at central and local level;

- Several models such as Build-Operate-Transfer (BOT), Build-Operate (BO), Build-Lease-Transfer (BLT) and Transfer of Operating Rights (TOR) used to attract private financing for investments.

- Airports, ports, motorways, dams, hydro-electric power plants, natural gas plants with current the PPP laws

- A draft general legislative framework for PPP is under legislation process
Public Procurement Authority (PPA)

- Independent regulatory and monitoring body
- Administrative and financial autonomy while maintaining a linkage to the Ministry of Finance
- Independent in fulfillment of its duties
- Consists of the Public Procurement Board acting as management organ with ten members, chairmanship and ten service units
- The Board members are nominated by different ministries, high courts and private sector’s unions, and appointed by Council of Ministers

Duties and powers of PPA are:
- to prepare, develop and guide the implementation
- to review the complaints
- to prepare secondary legislation
- to provide training on procurement legislation
- to collect, analyze and publish the data
- to keep the records of prohibited tenderers
- to regulate the principles and procedures
- to establish and operate the Electronic Public Procurement Platform
Current Electronic Monitoring Systems in Turkey

- Public Investment Program Quarterly Monitoring System (SPO)
- Annual Program Activity Monitoring System (SPO)
- Budget Monitoring System (Say 2000) (MoF)
- Province Coordination Monitoring System (İKİS) (SPO)
- EU Programs Monitoring System (SPO)
Monitoring & Evaluation of PIP

- Ex-ante evaluation (appraisal) of projects by the SPO
- Mid-term periodic (quarterly) financial monitoring for all projects
- Detailed investment implementation report at the end of year to be sent to MoF, SPO and Court of accounts
- Both electronic and printed reporting by the institutions and recording in electronic database in the SPO
- Physical, financial and progress information for all projects requested by the Investment Circular
- Site visits for randomly selected projects by the SPO experts
- Separate monitoring system for EU funded projects
- No impact assessment yet
Public Investment Program Monitoring System in SPO
Public Investment Program Monitoring System in SPO
Conclusion and Lessons from Turkish Experience
Conclusion and Lessons from Turkish Experience

✓ Long term and medium term perspective (strategy) is necessary (Long Term Development Plans, Medium Term Programs, Multi-year Budgeting).

✓ Monitorable planning and programming structure is necessary.

✓ Ownership of the plan and programs by stakeholders is important. So participatory approach must be adopted during the all phases of program, budget and project cycle management.

✓ Project Cycle Management Approach and Logical Framework Matrix may be very useful tools.

✓ More flexibility must be given to the line agencies.

✓ Horizontal and vertical coordination and cooperation among central agencies and local authorities are important. The roles of the institutions must be well defined.
✓ Principles like transparency, accountability, participation, efficiency, effectiveness, results based management must be adopted

✓ The project stock must be consistent with the resources available

✓ Institutional capacity of the public institutions is crucial for sound projects. Quality of relevant personnel must be improved.

✓ Efficient monitoring & evaluation system is necessary for corrective and preventive actions and for better planning for future projects.
Conclusion and Lessons from Turkish Experience

- Timely, credible, accurate, objective reports and dissemination are important.

- Use of findings and information of M&E Reports in practice and create demand for M&E are necessary.

- Results oriented systematic, integrated approach must be adopted.

- PPP models may help to reduce the burden of the public sector and to transfer financial and management capacity of the private sector to the public services.

- Well defined legal, institutional framework and institutional roles for program, budget and project cycle management helps for better results.
Conclusion and Lessons from Turkish Experience

- Sound feasibility studies need time and resource. Relevancy, feasibility and sustainability of the projects are very important.

- Other country experiences may be helpful for system design but local systems must be suitable to local conditions (economic, technologic, cultural etc.).

- Experts from international organizations may help to design efficient management system.
Thanks for your attention!