

# Costing of Structural Reforms Case Study

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## TWO Cases Identified from ERP 2019-2021

### **1- Project proposal call and implementation within the scope of KOBIGEL-SME Support Program (5th measure of the ERP)**

*Nearly half of the measures related with providing support to SMEs*

### **2- Redirection of workable social assistance beneficiaries into active labor programs (18th measure of the ERP)**

*Reflections on various dimensions of the Costing Methodology*



## 1.1. Case 1: Project proposal call and implementation within the scope of KOBIGEL-SME Support Program (5th measure of the ERP)

**Description of Measure:** The relation of the measure with policy documents and national strategic documents is as follows:

- Measure 97 in the New Economic Program (2019-2021): Training and consultancy services will be organized in order to enable SMEs to become branded, institutionalized, increase productivity and access to international markets, and projects will be implemented to develop innovative business models.
- Action number 6.15 in the National Employment Strategy (2014-2023): Services for the provision of guidance services to SMEs will be increased.

**Activities planned in 2019-2021:** Supporting SMEs within the scope of KOBIGEL-SME Development Support Program.

**Expected Impact on Competitiveness:** Within the scope of the reform measure; SMEs will be supported by regional, sectoral, scale and business-specific support models, especially in the areas of value-added and high-tech areas. This measure will contribute to the increase of the competitive power of SMEs.

### Key Performance Indicators

Indicator Name	Current Situation	2019	2020	2021
Number of enterprises supported within the scope of KOBIGEL Support Program	1,400	1,500	1,500	1,500
The share of the support payment provided to the enterprises operating in the medium-high / high technology areas within the scope of the KOBIGEL Support Program in total SME support program payments (%)	40	40	45	45
Number of calls for proposals by region, scale or sector	1	1	1	1

\*The annual targets of the indicators are not cumulative; for each year is set separately.

The total cost is 97,731,110 Euro, which is allocated as 31,382,487 Euro, 32,972,062 Euro and 33,376,561 Euro for the years 2019, 2020, 2021 respectively.



### Costing of KOBIGEL-SME Development Support Program

Year	Salaries	Goods and services	Subsidies and transfers	Capital expenditure	TOTAL
2019			31,382,4871		31,382,4871
2020			32,972,0622		32,972,0622
2021			33,376,5613		33,376,5613

1) In 2019 budget, 11,530,205 Euro as reimbursable and 19,852,281 Euro non-reimbursable is planned.

2) In 2019 budget, 12,145,641 Euro as reimbursable and 20,826,421 Euro non-reimbursable is planned.

3) In 2019 budget, 12,299,797 Euro as reimbursable and 21,076,764 Euro non-reimbursable is planned

### Financing of KOBIGEL-SME Development Support Program

Year	Central budget	Local budgets	Other national public	IPA funds	Other grants	Project loans	To be determined	TOTAL
2019	31,382,487							31,382,487
2020	32,972,062							32,972,062
2021	33,376,561							33,376,561



## Assessment of Case 1

- There is a lack of clear articulation of planned activities.
- Because of this, it is not clear on what kind of support the planned budget will be spent.
- Based on the related information provided on the webpage of Small and Medium Sized Enterprises Development Organization (SMEDO), KOBIGEL is a project introduced in 2010. Since then SMEs have been supported with the aim of increasing their productivity and share in the economy. In this context, provided support has also covered value added and high-tech areas prior to current ERP period. As also understood from 2018 accountability report of the above mentioned institution (number of firms supported 2270, much more than indicated number 1400) and the KPIs table, this is not a newly introduced measure, and it was not covered by the previous ERP(s). Therefore, what is additional cost is not clear, besides vague coverage of the budget.
- Link with upper level documents well established, increasing production in value added and high-tech areas is among top priorities of national policy documents
- Sources of finance is clear, but
- is not explained whether this is additional budget to what was annual budget for KOBIGEL before introduction of the measure into ERP



## Horizontal Issues in Need of Clarification / Improvement

- Clear articulation of measures and activities - clarity on costings
- State clearly when the measure is not planned for all 3 years
- Link with upper level documents should also include performance programs and budget programs (in the text on financing of the measure)
- Customization of tables (headings) to the Guidance
- Base year and new measure concepts
- Additional cost
- Costing can be done in TL, but the tables in the ERP must be in (thousands of) EUR
- KPIs: formulation of result indicators as much as possible
- KPIs: use year instead of 'current situation' for clarity; for rolled-over measures, report KPIs for all years since introduction of measure
- Consistency and coherence with other related measures/projects



## 1.1. Case 2: Redirection of workable social assistance beneficiaries into active labor programs (18th measure of the ERP)

**Description of the Measure:** It will be ensured that the social benefit holders who are available to work are benefit effectively from the active labor force programs that will allow them to gain productivity and achieve a sustainable income. Thus, the enhancement of the link between social assistance and the employment is intended. This measure is contained in the Tenth Development Plan, Priority Transformation Programs and National Employment Strategy.

**Activities Planned for 2019:** 130,000 social assistance beneficiaries are planned to be redirected to İŞKUR in order to direct them to employment. The employer's insurance contribution will be compensated by the MFLSS.

**Activities Planned for 2020:** 140,000 social assistance beneficiaries are planned to be redirected to İŞKUR in order to direct them to employment. The employer's insurance contribution will be compensated by the MFLSS.

**Activities Planned for 2021:** 155,000 social assistance beneficiaries are planned to be redirected to İŞKUR in order to direct them to employment. The employer's insurance contribution will be compensated by the MFLSS.

### Key performance indicators

Measure	Current Status	2019	2020	2021
The Number of Beneficiaries That Are Redirected to TEA to be Employed		130,000	140,000	155,000

Assuming an approximate amount of 400 TL premium support per employee and 20,000 would be beneficiaries to be placed into employment by İŞKUR, the prospective premium supports of 12,700,000, 12,000,000 and 11,500,000 Euro for the years of 2019, 2020 and 2021 will be assumed by MFLSS.

### Costing of Redirection of workable social assistance beneficiaries into active labor programs

Year	Salaries	Products Services and	Subsidies and Transfers	Capital Expenditures	Total
2019		12,700,000	→		12,700,000
2020		12,000,000	→		12,000,000
2021		11,500,000	→		11,500,000

### Financing of Redirection of workable social assistance beneficiaries into active labor programs

Year	Central budget	Local budgets	Other national public finance sources	IPA funds	Other grants	Project loans	To be determined	Total
2019	12,700,000							12,700,000
2020	12,000,000							12,000,000
2021	11,500,000							11,500,000



## Assessment of Case 2

- There is a lack of clear articulation. How long the premiums will be subsidized is not explained. From the text it is understood as if it is a new measure since there is not any information in text and any figure on the KPI table about the current year.
- On the basis of meetings with Presidency of Strategy and Budget officials, this measure was introduced in 2016 by law no 6704. After legislative and IT preparations in the first 2 years, in 2018, 183.000 people were directed to ISKUR, and out of them only 1358 people could be employed. Premium subsidy covers one year and social assistance provided is cut down gradually in one year as well. In the light of this information to the contrary of additionality principle, it is thought that there is a cut down in the coverage of the measure in comparison to the current year 2018.
- KPIs should also include results - number of people that will be employed from those redirected to ISKUR. Besides, it is not understandable whether the KPI figures are cumulative or additional.
- Costing table: the costs foreseen are contributions to social security payments of potential employers, therefore they should have been under budget item subsidies and transfers.
- Linkage with upper level policy documents is well established and stated in the text.
- Potential savings with the interruption of social assistance should have been indicated (as footnotes to the costing table and subtracted from the cost in the table). However, there are numerous types of social assistance, it is quite difficult to state an average assistance figure as explained by the PSB officials.





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