

A hand holding a pen is writing on a checklist in a notebook. The checklist has several items with checkboxes, some of which are marked. The background is a blurred image of a notebook page with text.

Budgeting Practices Integration of Policies/SRs into Budget TURKEY

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Fiscal Implications of Structural Reforms

CONTENT

- 1) Budget Preparation
- 2) Finding Fiscal Space for New Policy Initiatives
- 3) Integration of Budget Preparation with Policy Planning-Structural Reforms
- 4) Covid-19 Economic Stability Shield Measures
- 5) Conclusion and Recommendations



BUDGET PREPARATION - Legislation

Public Financial Management and Control Law 5018 (G. Framework)

- Provides basis for Medium Term Program (MTP), Medium Term Fiscal Plan (MTFP)
- Indicates principles of budget preparation process
- Provisions concerning the implementation of the budget
- Internal control and audit
- Strategic planning, performance programming, accountancy reporting



BUDGET PREPARATION- Coordinating Institutions

1- Presidency of Strategy and Budget

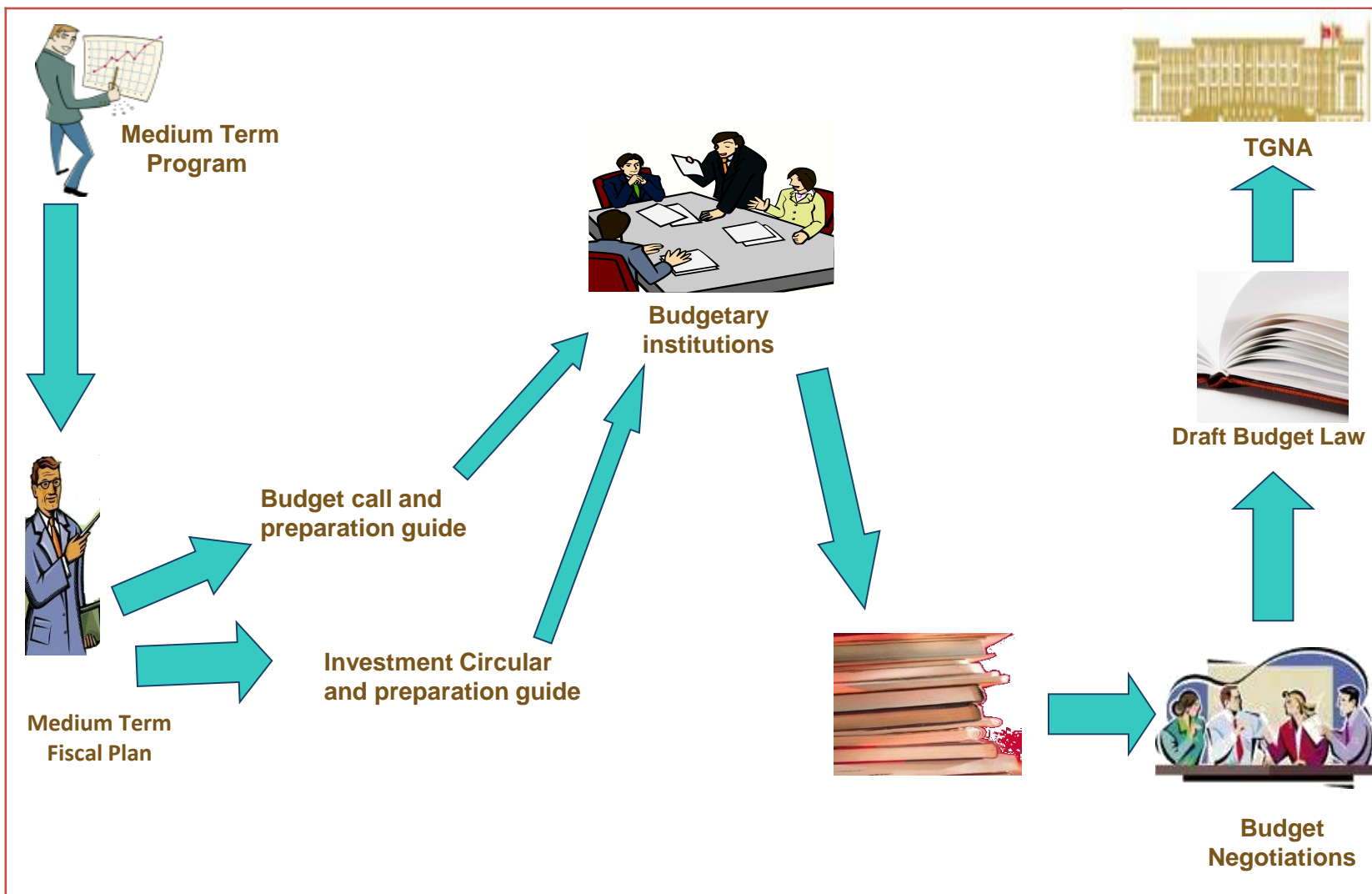
- Former Ministry of Development- State Planning Organization
- Used to be responsible for planning and budgeting for capital expenditures
- PSB is responsible for both capital and current expenditure budgeting since 2018 after transition to the presidential system
- Responsible for preparation of all national level policy documents in coordination and cooperation with related parties
- Prepares Medium Term Program in cooperation with MTF

2- Ministry of Treasury and Finance

- Former Ministry of Finance and Undersecretariat of Treasury in 2018
- Used to be responsible current expenditure budgeting
- Prepares Medium Term Fiscal Plan and sets institutional expenditure ceilings in cooperation with PSB
- Revenue side of the budget and public financing
- Expenditure reviews



BUDGET PREPARATION- Process



BUDGET PREPARATION- Process

FIRST WEEK OF SEPTEMBER Publication of Medium Term Program in the Official Gazette.

- Sets priorities, macroeconomic policies, targets and projections
- 3-years document (yearly rolling)
- At national level
- Consistent with the Development Plan
- Prepared by PSB & MTF
- Approved by the President



BUDGET PREPARATION-Process

SEPTEMBER 15

- Publication of Medium Term Fiscal Plan in the Official Gazette
- Publication of Budget and Investment Program Preparation Guides

MTFP

- -Defines institutional budget appropriation ceilings based on the macro-economic figures of MTP and LMs' ongoing activities and future activities foreseen by the related policy documents.
- 3-year documents (yearly rolling)
- Prepared by PSB & MTF
- Approved by the President

Budget and Investment Preparation Guides

- Currently based on analytical budget classification, 2021 onwards program based budgeting
- Prepared by PSB
- Includes templates to be used and methods of the calculations
- Investment proposals are on project basis
- In practice budget preparation starts earlier, finalized during the official process



BUDGET PREPARATION-Process

END OF SEPTEMBER

- Budget proposals by line ministries
- Negotiations with the line ministries. In the framework of these negotiations there can be changes in the defined ceilings in a limited margins and/or transfers in between sectors/institutions

OCTOBER 17- DECEMBER 31

- Submission of the draft budget law to the Parliament (policy documents and institutional documents are made available to the Parliament together with the draft budget law)
- Review of the draft Law by the Plan and Budget Committee (55 days)
- Review of the draft Law by the TGNA (20 days)
- Approval of the Budget Law

JANUARY 15

Publication of investment program in the Official Gazette

* There is a top-down approach, however it also includes a bottom up approach for a limited margin

FINDING FISCAL SPACE

- Increasing efficiency in public spending (reducing non-compulsory spending)
- Increased income generated by taxation (growth and efficiency in collection)
- Non-budgetary funds
- Reallocation of resources in between sectors
- Completed/abandoned/given up initiatives (projects, activities etc.)
- Credits, loans and grants
- Adjusting budget deficit,
- PPPs
- Privatizations



BUDGET PREPARATION- Process

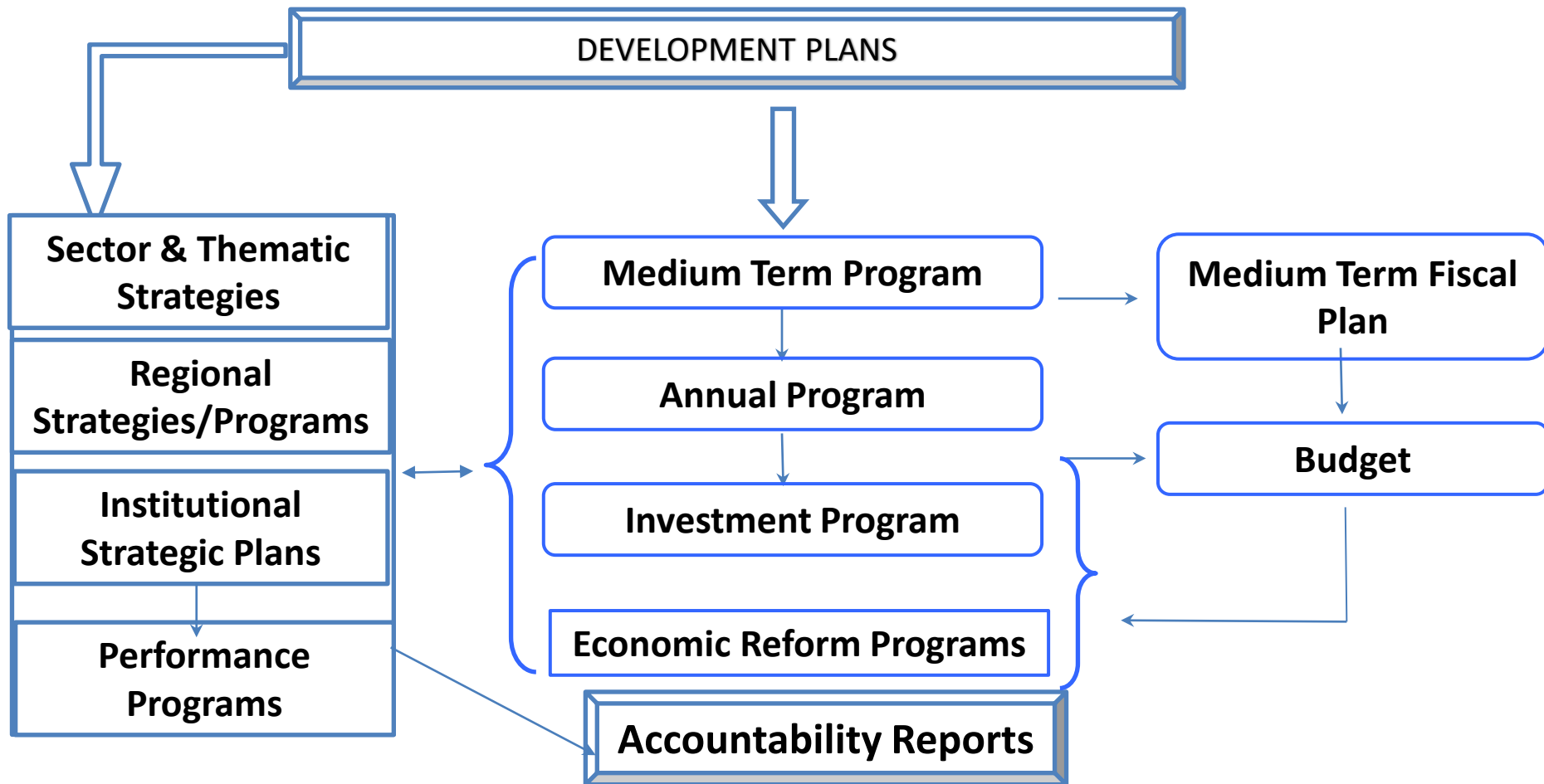
NEGOTIATIONS WITH THE INSTITUTIONS

- Carried out between PSB and Institutions
- Current expenditures are assessed by the budget department of PSB, based on info uploaded on e-budget by the institutions
- Capital expenditures and transfers are negotiated between representatives of financial and related departments of the institutions, and sector specialists of PSB
- After all negotiations carried out with the institutions, PSB officials make an internal assessment by considering overall picture
- High level/top managers involved in the process at certain points, reconsiderations done as needed



INTEGRATION OF BUDGET WITH POLICY DOCUMENTS-SRs

Plans – Programs – Budget Links



INTEGRATION OF BUDGET PREPARATION WITH POLICY DOCUMENTS-SRs

Economic Reform Programs

- Prepared in the context of meeting economic criteria needed for EU Membership
- Prepared in parallel to the budget preparation process
- Based on upper level national policy documents with consideration of EU related documents such as Joint Conclusion of Economic and Financial Dialogue, EC Guidance for ERPs, Related EC Assessment Reports
- Coordinated by PSB
- Finalized after budget law adopted by TGNA
- With the transition to program budgeting, SRs can be developed as an activity of a budget program or can be developed and attached to an proposed budget program during the budget preparation process



INTEGRATION OF BUDGET WITH POLICY DOCUMENTS-SRs

Identified problems

- Analytical budget classification (Institutional, functional, financial and economic) is not compatible with performance budgeting/design of SRs
- Weak link between the strategic plans, performance programs and accountability reports
- Strategic plans and performance programs are not fully taken as reference in budgeting process
- Weak ownership concerning strategic plans and performance programs
- Poor assessment of performance programs, poor guidance by coordinating institutions
- Lack of guidance for accountability reports by coordinating institutions
- Tight/limited time frame for preparation of the budget



INTEGRATION OF BUDGET WITH POLICY DOCUMENTS-SRs

Preparations for Program Budgeting

- Preparation of Programs, sub-programs, and related institutions and performance indicators (69 programs and 266 sub-programs)
- Preparation of program budget guideline (program classification and performance indicators)
- Program classifications and performance indicators defined on e-budget system
- Procedures and principles for preparing performance programs in accordance with program budgeting are defined
- Institutions reviewed their strategic plans and established links with the upper level policy documents, with 11th Development Plan-issued in July 2019.
- Performance programs have been prepared in line with the budget programs
- 2020 budget is also prepared on program basis as a background study
- Studies are going on for improvement of IT systems, especially M&E, and their integration with each other
- PB postponed to 2021 due to lack full operability of IT accountancy system of MTF



CERTAIN COVID-19 ECONOMIC STABILITY SHIELD MEASURES

Postponement of and/or decrease in taxes and other payments

- Postponement of VAT and Social Security Premium payments for 6 months
- Postponement of income tax declarations
- Postponement of accommodation tax till January 2021
- Decrease in VAT from 18% to 1% in domestic flights
- Support to the municipalities by postponing deductions made for their debts

Access to finance

- Postponement of credit payments for 3 months
- Twofold increase in treasury guaranteed credit limits(from 25 to 50 billions TL)
- Increase in real estate credits from 80% to 90%
- Credits to firms on a condition that they continue working by retaining existing employment
- Credits to craft and other related trade workers
- Stock financing support to exporters for sustaining their capacity utilization levels
- Long term and low interest rate credits to those with income below 5000 TL
- Rediscounting credits to exporters and foreign currency earning services

Support to employees and retirees

- Minimum wage support for 12 months (75 tl)
- Salary support for 3 months for those working for firms which interrupted their activities
- Increase in lowest retiree salary from 1000 tl to 1500 tl
- Support to more than 2.1 million households (1000 tl per household)
- Increase in payments for those working in health sector for 3 months
- Recruitment of 32000 health personnel

** No attempts for revising and/or introducing new SR measures in the framework of current ERP yet



CONCLUSION AND RECOMMENDATIONS

- Strong Planning Institution and Long Standing Planning Experience
- Qualified Personnel in Planning
- Initiatives taken by PFMCL 5018 created considerable capacity in
 - Participatory strategic planning
 - Performance programming
 - Medium term budgeting
 - Performance indicators
 - Objective oriented thinking

Which are very important gains for performance/program budgeting and for improving integration of Structural Reforms into the budget

- Comprehensive preparations for introducing program budgeting from 2021 onwards

Further steps to be taken

- Full application of performance/program budgeting as foreseen
- Capacity improvement in design and costings of SRs
- Improvement of inter-institutional and internal coordination
- Reassessment of existing SR measures; revising and/or introducing new measures countering covid-19 effects



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Thank you for your attention...

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Fiscal Implications of Structural Reforms

Questions for Further Discussions

- **Any additional issues to what is explained?**
- **Are the existing SR measures attached to the identified budget programs? If yes, how and what were the difficulties in doing this?**
- **What are the main challenges in the process?**
- **Are there studies started for revising current SRs or introducing new SRs because of covid-19?**