Budgeting Practices
Integration of Policies/SRs into Budget
TURKEY

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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

1. Medium Term Program
2. Medium Term Fiscal Plan
3. Budget call and preparation guide
4. Investment Circular and preparation guide
5. Budgetary institutions
6. Draft Budget Law
7. TGNA
8. Budget Negotiations

Funded by the European Union.
Fiscal Implications of Structural Reforms
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

- DEVELOPMENT PLANS
  - Sector & Thematic Strategies
  - Regional Strategies/Programs
  - Institutional Strategic Plans
  - Performance Programs
  - Medium Term Program
    - Annual Program
    - Investment Program
      - Economic Reform Programs
        - Accountability Reports
  - Medium Term Fiscal Plan
    - Budget

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Fiscal Implications of Structural Reforms
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 a 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**

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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
Thank you for your attention…

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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?