



WB/KDI International Conference

“Efficiency Enhancement in Public Investment Management”

PLANNING-PROGRAMMING AND PUBLIC INVESTMENT PROGRAM EXPERIENCE IN TURKEY

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TURKEY AT A GLANCE



Turkey is located at the intersection of three continents and stands as a crossroad between Asia and Europe.



TURKEY AT A GLANCE

- Turkey is the thirty-fourth largest country in the World with an area of 783,562 km².
- With 71.5 million population in 2008, Turkey holds a population density of 91 people/km² and an annual population growth rate of 1.2% since 1990.

Historic Peninsula, Istanbul



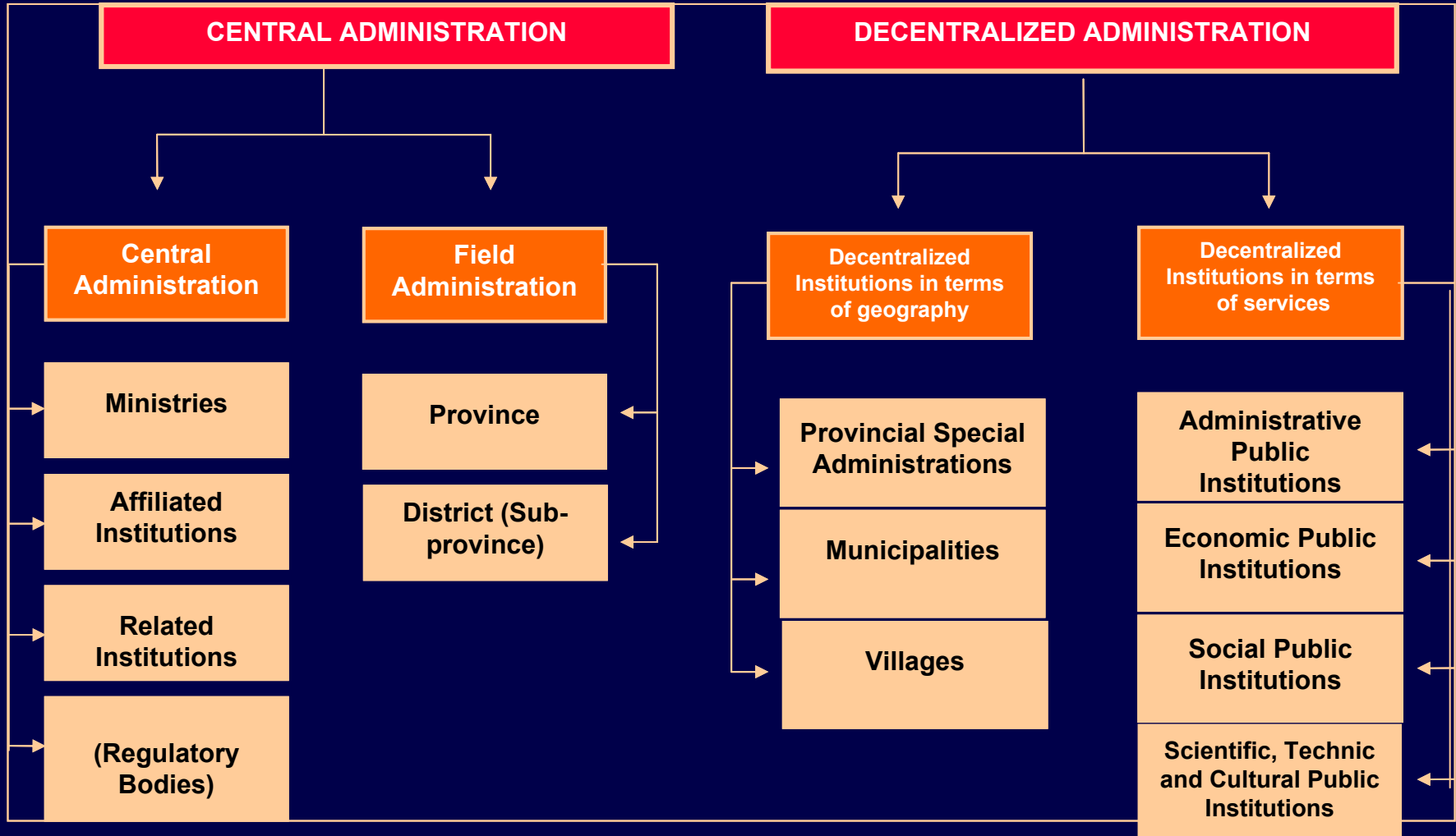


TURKEY AT A GLANCE

INDICATORS	2006	2007	2008 (Est.)	2009(**) (Prog.)
GDP (At current Prices, Billion Dollars)	531	656	802	788
GDP per Capita				
-At current Prices, Dollars	7,609	9,305	11,228	10,913
- At Purchasing Power Parity, Dollars	11,588	13,023	13,998	14,761
GDP Growth (Real percentage change)	6.9	4.6	4.0	4.0
Inflation Rate (%)	9.7	8.4	10.0	7.5
Unemployment Rate (%)	9.9	9.9	9.4	9.9



ADMINISTRATIVE STRUCTURE OF TURKEY





DEVELOPMENT PLANNING IN TURKEY

- The **Under-Secretariat of the State Planning Organization (SPO)** attached to the Prime Ministry prepares national development plans, medium term programs, annual programs and annual investment plans.
- The development planning in Turkey starts with the establishment of SPO in 1960, and with the 1st Five-Year National Plan in 1963.
- Between 1963 and 2007, 8 five-year development plans have been produced and implemented.



9th DEVELOPMENT PLAN (2007-2013)

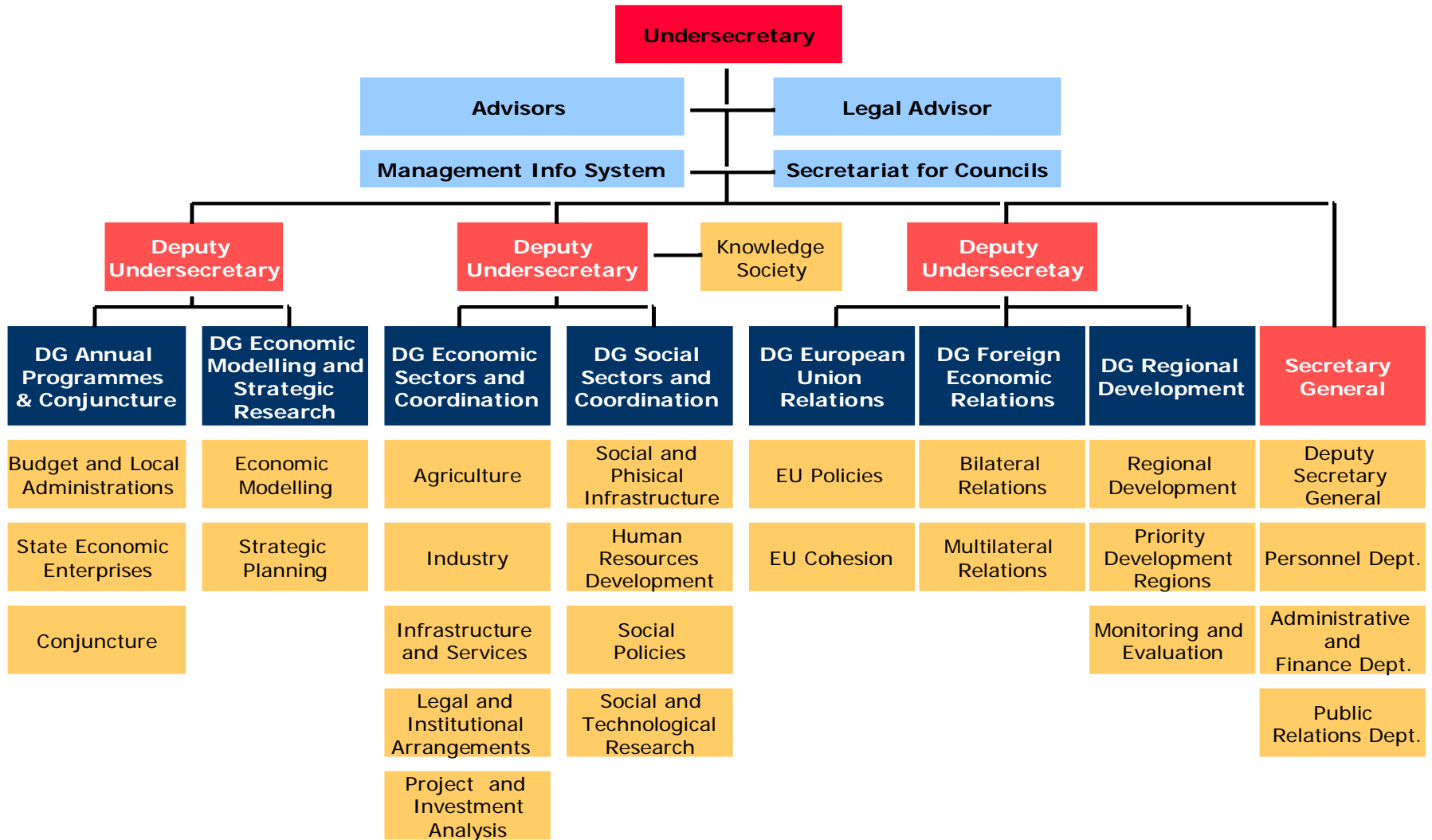
- 9th Development Plan covers the period 2007-2013

“Turkey, a country of information society, growing in stability, sharing more equitably, globally competitive and fully completed her coherence with the European Union”

Vision

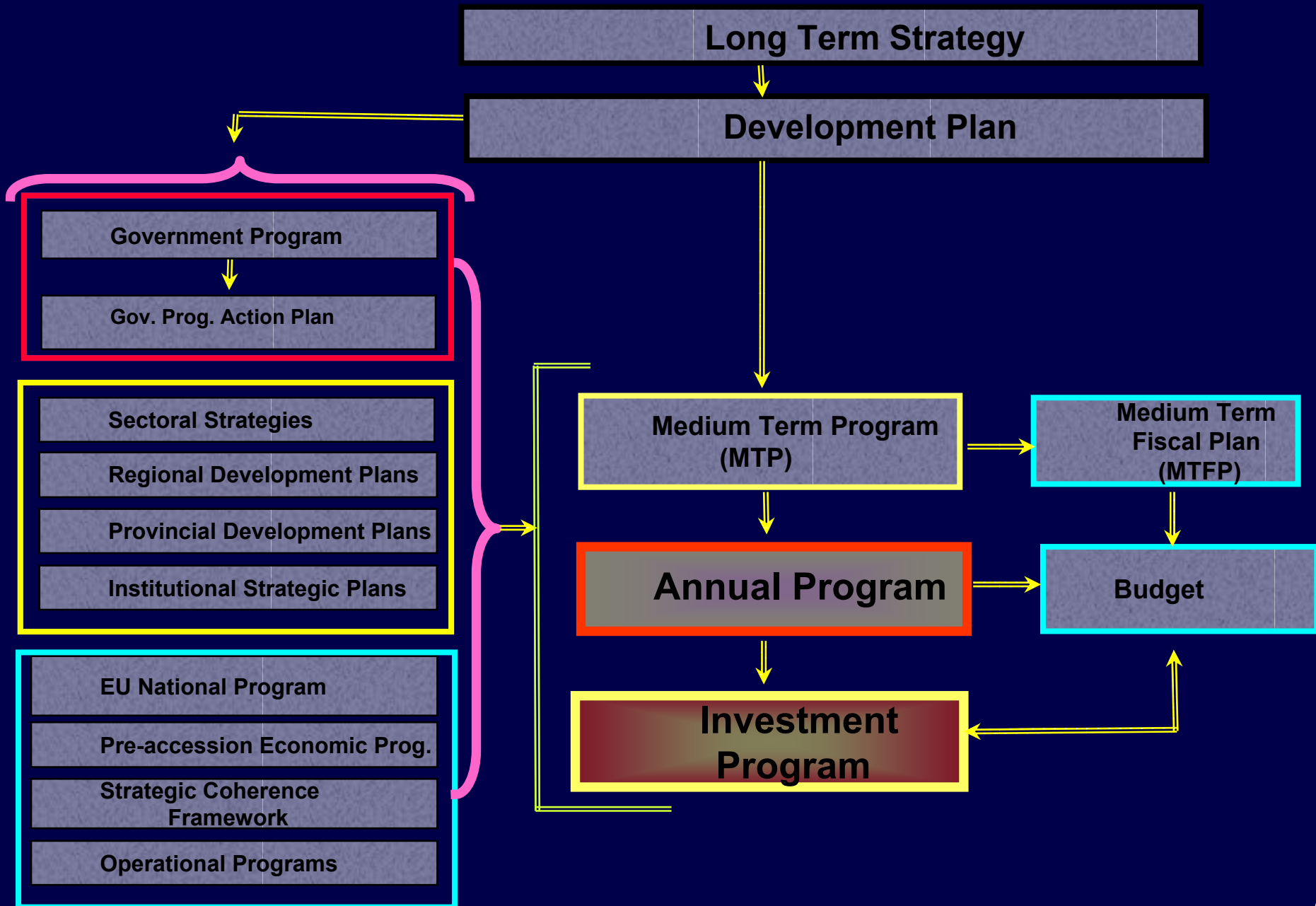


ORGANIZATION CHART FOR UNDERSECRETARIAT OF SPO





PLAN-PROGRAM-BUDGET SYSTEM IN TURKEY





Annual Program and Investment Program

9. Development Plan (2007-2013)

- Medium Term Program
- Medium Term Fiscal Plan
- Sectoral Strategy Documents
- Regional Strategy Documents

National Program for EU Accession Process

Government Program Action Plan

Annual Program

Annual Public Investment Program

M&E Reports



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
- ❑ 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
- Revenue estimations
- Approved by a law adopted by Turkish Grand National Assembly.



Public Investment Program

- ❑ Project-based distribution of investment allocations
- ❑ Covers whole public sector (including SEEs, social security institutions and foreign- financed investments of local administrations)
- ❑ Indicates the total cost of all projects, as well as individual projects
- ❑ 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)



Legal Framework of PFMC System

1. Related Provisions of the Constitution

Constitution includes some provisions relating to preparation, implementation, control and final account of the Central Government Budget.

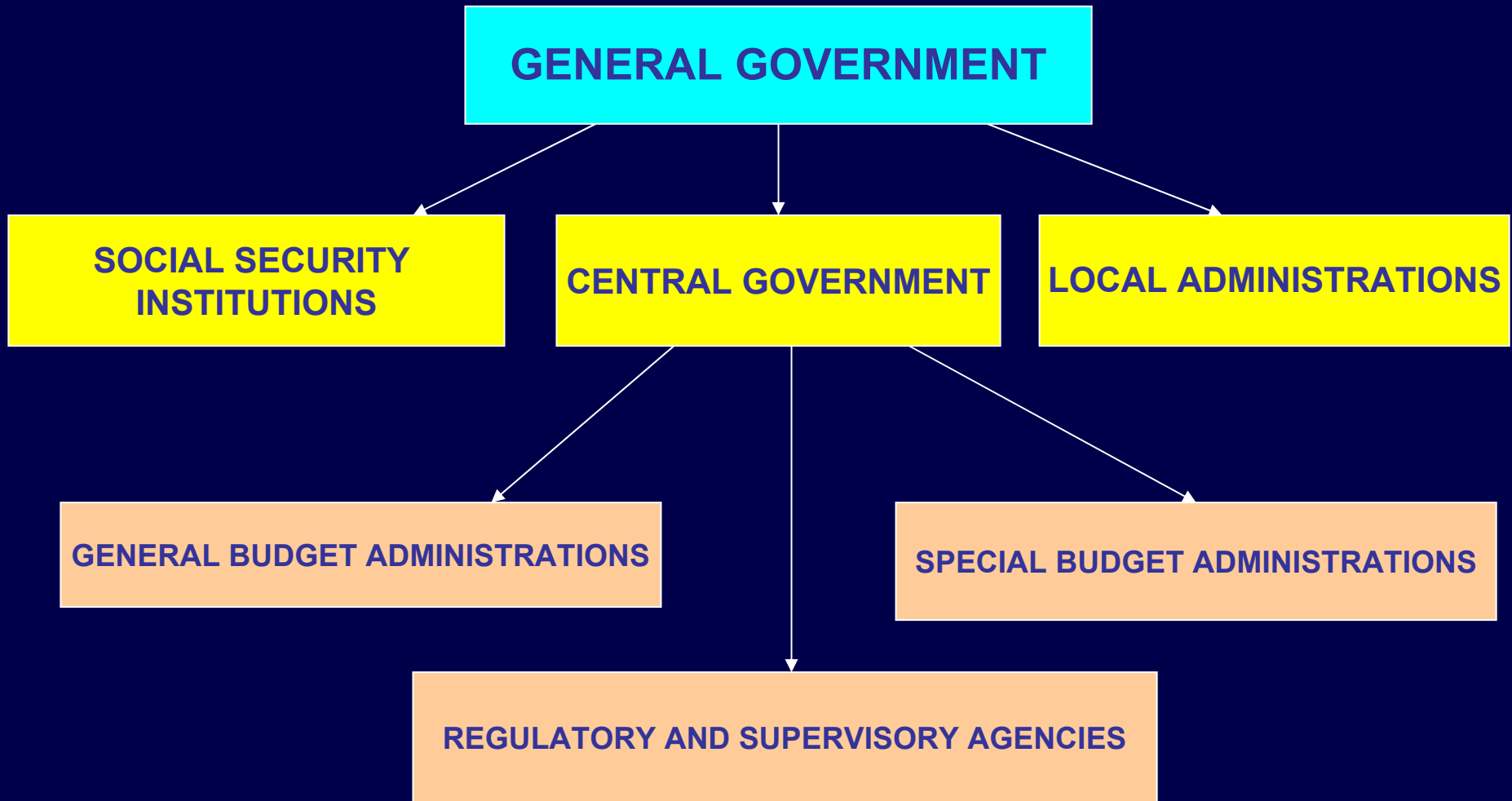
2. Public Financial Management and Control Law

Turkey's PIFC system is arranged basically by PFMC Law which was adopted in December 2003 and all provisions of this law put into practice as of January 1, 2006.

3. Other Related Laws

Court of Accounts Law, Municipality, Greater City Municipality Law, Special Provincial Administration Law, Law Relevant to Public Financing and Debt Management

Scope of the Public Financial Management and Control (PFMC) Law





Principles

- Transparency, accountability, efficiency, effectiveness

New systems

- Multi-year budgeting, performance based budgeting, strategic planning, internal control, etc.



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 Prog. Prep. 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
(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)



Public Investment Program

Consists of “Fixed Capital Investment Projects”
in the form of ;

- New projects
- Extension projects
- Maintenance & Operation Projects
- Completion Projects
- Bottleneck Elimination Projects
- Modernization and Rehabilitation Projects

in the following sectors.



Sectors for public investments

1. Agriculture

- Irrigation
- Agricultural Production
- Live stock
- Fisheries
- Forestry

2. Mining

3. Manufacturing

4. Energy

5. Transportation & Communications

- Highways
- Airways
- Maritime
- Railways
- Pipelines

6. Tourism

7. Housing

8. Education

- Primary and Secondary Education
- Vocational and Technical Education
- Higher Education,
- Culture, Sports

9. Health

10. Other Public Services

- General Administration
- Security Services
- Cadastre & Mapping
- Potable Water
- Sewerage
- Rural Area Planning
- Municipal Services
- Resettlement and Urbanization
- Environment
- Artisans and SMEs
- Technological Research
- Social Services and Aid
- Disaster Management



Basic Investments for Fixed Capital Formation

Agriculture	Dams, Irrigation Channels, Flood Control Structures, Fishery Ports, Forest Structures etc.
Energy	Power Plants, Transmission & Distribution Grids
Transportation	<u>Highways</u> : Dual Carriage Ways, Motorways, Bridges, Viaducts etc. <u>Railways</u> : Infra & Super Structure, Train Sets etc. <u>Maritime</u> : Ports, Water breaks, Shipyards etc. <u>Airways</u> : Airports, Terminal Buildings, Aircraft Fleets etc. <u>Urban Transport</u> : Metro & Light Rail Systems etc. <u>Pipelines</u> : Transmission and Distribution Lines, Natural gas Storage Facilities, Compressor Stations etc.
Tourism	Infrastructure for Touristic Regions
Education	Schools , University Campuses, Faculties, Cultural Centers, Libraries, Sports Facilities, Machinery-Equipment etc.
Health	Hospitals and other Health Facilities etc.
Urban Infrastructure	Potable Water, Sewerage, Waste Water Collection Systems and Solid Waste Storage Facilities etc.
Other Public Services	Security & Justice Buildings, Prisons, Public Service Buildings etc.



Public Investing Institutions

- **General & Special Budget Institutions** (Ministries, Universities, etc.)
- **State Economic Enterprises (SEEs)** (State Railways, etc.)
- **State Economic Enterprises under Privatization**
- **Revolving Funds & Social Security Institutions** (Social Security Inst. etc.)
- **Bank of Provinces**
- **Local Administrations** (only foreign credit financed projects)
- **Independent Regulatory Bodies** (for monitoring purpose)

Investments not included in the Investment Program

- Defense Projects of Ministry of National Defense & Armed Forces
- Projects implemented by own resources of Local Administrations
- Projects of Public Banks



Basic Characteristics of Public Investment Program

- Top-Down & Bottom-Up Approach is used for decision of aggregate level of investments
- Focus on basic economic and social infrastructure
- Investment decisions are often taken on project basis consistent with sector policies and regional development concerns
- Limited budget resources and always need for additional financing
- Number of projects are high compared to budgetary financial resources available
- Limited number of new projects initiated each year especially after rationalization of the stock in 2001
- Average completion time of the existing project pipeline (stock) is around 6 years
- Around 20 percent of annual investment allocation is from foreign credit financing
- Unused allocations **may be** transferred between the projects



Public Fixed Capital Investment Stock (2001-2008)

(At Current Prices, Billion USD)

	2001	2002	2003	2004	2005	2006	2007	2008
Number of projects	5.047	4.414	3.581	3.555	2.627	2.525	2.710	2.759
Total project cost	147,3	92,6	105,7	122,3	128,2	141,3	135,9	158,9
Cum. expend. as of previous year	100,0	56,0	60,3	68,1	76,1	80,3	75,2	84,6
Remaining Stock	47,3	36,6	45,4	54,1	52,1	61,0	60,7	74,3
Program allocation	9,7	5,9	7,1	7,5	10,0	12,5	11,1	12,4
Average completion time (years) (2)	9,4	8,5	7,6	8,1	6,6	5,5	5,8	5,8

(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.



Monitoring & Evaluation

- Ex-ante evaluation (appraisal) of projects by the SPO
- Mid-term periodic (quarterly) financial monitoring for all projects
- 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-Private-Partnership

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 co-financing for investments.
- Airports, ports, dams, hydro-electric power plants, natural gas plants with current the PPP laws
- A draft a general legislative framework for PPP is submitted to the Prime Ministry



Lessons from Turkish Experience

- Long term and medium term perspective (strategy) is necessary (Long Term Development Plans, Medium Term Programs, Multi-year Budgeting).
- Ownership of the plan and programs by stakeholders is important. So participatory approach must be adopted during the all phases of program and project cycle management.
- 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.
- Results oriented systematic 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.
- Legal framework for program, budget and project cycle management helps for better results.

THANK YOU FOR YOUR ATTENTION !