



PERFORMANCE BASED BUDGETING IN TURKEY

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Agenda

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The Process of Transition to the Performance Based Budgeting in Turkey (1)

- ❑ The first budget of the Republic of Turkey is the budget of 1924.
- ❑ The Turkish public financial management system was regulated with the Law on Public Accounting No:1050 (Muhasebe-i Umumiye) put into force in 1927 and any other law was not introduced until the enactment of the Law on Public Financial Management and Control.

The Process of Transition to the Performance Based Budgeting in Turkey (2)

- ❑ During the period when the Law no:1050 was in force, two budget systems were tried to be implemented in Turkey which were the classical budget and the program budget.
- ❑ Although the Law no:1050 was designed in compliance with the classical budget system, the basic requirements of the public management system could not be met due to some major deficiencies.
- ❑ Hence, the public financial management shaped in accordance with the Law no:1050 was subject to many criticisms.

The Process of Transition to the Performance Based Budgeting in Turkey (3)

- ❑ Because of these critics, new methods were sought and intensive studies on renewing and improving the budgeting system were started in 1968.
- ❑ In 1973, the classical budget system was left and the Planning, Programming and Budgeting System (PPBS) was started to be implemented.

Public Financial Management and Control (PFMC) Law (No: 5018)

- ❑ Adopted in December 2003
- ❑ Entered into force as a whole at the beginning of 2006
- ❑ Covers all public administrations within the scope of general government.
- ❑ Changed the whole public financial management and control system
- ❑ Stipulates transition to medium term expenditure system.
- ❑ Basis for the strategic planning and performance based budgeting.

The Main Characteristics of the PFMC Law

- ❑ The Law brings new classification system into public administration.
- ❑ The scope of the budget is re-defined and enlarged.
- ❑ Multiyear budgeting is integrated into Turkey's financial management system.
- ❑ The unity of public accounting is ensured.
- ❑ The initiative of public administrations in the process of budget preparation and execution is increased.
- ❑ The roles and responsibilities of all actors within the PIFC system are clearly defined.
- ❑ An ex-ante control system and a functionally independent internal audit system are established.
- ❑ External audit authority of the Turkish Court of Accounts is extended.

Budgeting categories in the PFMC Law

Institutions within the scope of general government:

- public administrations within the scope of central government,
- social security institutions,
- and local administrations.

Accordingly, there are three broad categories of budgets:

- central government budget,
- social security institution budget,
- and local administration budget.

The central government budget also includes three sub-budget categories that are general budget, special budget, and regulatory and supervisory agency budget.

Performance budgeting tools

- ❑ Strategic plans,
- ❑ Performance programmes,
- ❑ Budgets,
- ❑ Accountability reports

Moreover, there is a complementary tool called analytical budget classification

Strategic plans

Strategic plans:

- ❑ include medium and long-term objectives, core values and policies, goals and priorities, and performance indicators of public administrations as well as the methods followed to achieve those and resource allocation,
- ❑ define the current and desired position of organizations as well as the way to close the gap between the two,
- ❑ cover five-year periods in Turkey.

Performance programmes

Performance programmes include the following elements:

- ❑ performance targets and performance indicators of a public administration related to the programme period,
- ❑ activities to be executed, and the resource requirement so as to achieve the targets,
- ❑ information on the related administration.

The public administrations are required to prepare performance programmes each year and the programs cover one year.

Budgets

- ❑ According to the PFMCL article 9, public administrations shall prepare their budgets on performance basis and in accordance with the mission, vision, strategic goals and objectives included in the strategic plans.
- ❑ A multi-year budget framework is utilised on the basis of the annual budget process.
- ❑ The time horizon for budgets is three years.
- ❑ The administrations within the general budget prepare expenditure budgets, and the general revenue budget is prepared by the Ministry of Finance. The other administrations prepare both revenue and expenditure budgets.

Accountability reports

Accountability reports present the activity results. Reports include the following elements:

- ❑ the resources used, and the reasons for any deviation regarding the budget targets and realisations,
- ❑ financial information comprising information regarding the activities of associations, institutions and organisations aided through assets and liabilities,
- ❑ information on activities and performance information performed as per strategic plans and performance programmes,
- ❑ general information on the related administration.

Public administrations and spending units are required to issue accountability reports each year.

Analytical budget classification

Budgets are prepared according to an analytical budget classification. The classification of expenditure budgets is based on four classification categories:

- ❑ institutional
- ❑ functional
- ❑ financing
- ❑ economical

Actors in the performance budgeting system

The main actors in the performance budgeting system are regulatory administrations and implementing administrations.

- ❑ The regulatory administrations are Ministry of Development (MoD) and the Ministry of Finance (MoF).
- ❑ The implementing administrations are all public administrations covered in the PFMC Law including the MoD and the MoF.

The performance budgeting process (1) (from the perspective of the regulatory aspects)

The budgeting process begins with the publication of the medium-term program (MTP) by the Ministry of Development (formerly State Planning Organization, SPO) and ends with the publication of the law on the central government budget (CGB) in the Official Gazette. The CGB Law “indicates the revenue and expenditure estimations of the public administrations included in the central government and that grants authority and permission for their realization and implementation” (PFMC Law).

The performance budgeting process (2) (from the perspective of the regulatory aspects)

MTP includes basic macro policies, principles, and economic figures as targets and indicators in line with the development plans and strategic plans of the institutions and the requirements of general economic conditions.

In accordance with the MTP the Medium Term Financial Plan (MTFP) is prepared each year by the Ministry of Finance.

It includes;

- ❑ the targeted deficit and borrowing positions,
- ❑ total revenue and expenditure projections for the following three years,
- ❑ and the ceilings of appropriation proposals of administrations excepting regulatory and supervisory agencies.

The performance budgeting process (3) (from the perspective of the regulatory aspects)

Annual Programmes (AP):

In compliance with the MTP financial policies, budget figures and the appropriation ceilings of the institutions are determined in this Annual Program document published by the Ministry of Development.

MTP, MTFP and AP are central government level documents.

The performance budgeting process (3) (from the perspective of the implementing aspects)

The performance budgeting process can be summarized in four steps:

- Preparation of strategic plans,
- Performance programs,
- Budgets,
- Accountability reports.

Align with national-level plans and programmes , each ministry and agency has to draft their five-year strategic plans and annual performance programmes.

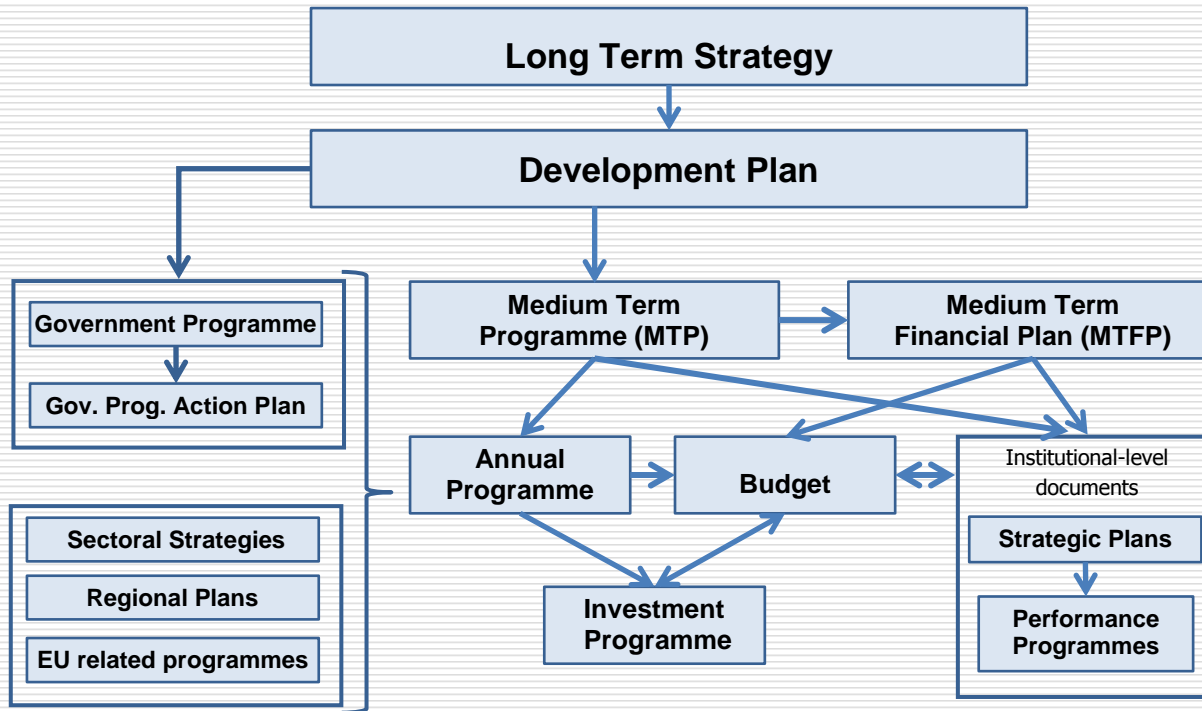
The performance budgeting process (4) (from the perspective of the implementing aspects)

The strategic plans describe mission and vision of each institution and set the strategic objectives.

The performance programs again describes the strategic goals and objectives but also performance objectives with indicators and also activities related to them.

In this content, strengthening the plan, program and budget link is very important for an efficient budget process.

The whole planning system of PBB



Internal control and external audit

- ❑ Internal control is a complementary tool for performance budgeting. Internal audit is an important part of internal control and is performed by a separate internal audit unit in administrations.
- ❑ External audit, which is also a complementary tool, is an *ex post* audit performed by the Turkish Court of Accounts within the framework of the accountability of administrations under general government.



**THANK YOU
FOR YOUR
ATTENTION**