

Please cite this paper as:

OECD (2014-05-31), "Turkey priorities report 2014", *SIGMA Country Assessment Reports*, 2014/01, OECD Publishing, Paris.
<http://dx.doi.org/10.1787/5jm0xw06q77k-en>



**SIGMA Country Assessment Reports
2014/01**

Turkey priorities report 2014

OECD



SIGMA

A joint initiative of the OECD and the EU, principally financed by the EU



Creating Change Together

PRIORITIES

TURKEY

MAY 2014

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2014-2020 SIGMA COUNTRY PRIORITIES FOR PUBLIC ADMINISTRATION REFORM – EXPLANATORY NOTE

Aim and structure of proposals

SIGMA has identified the following country priorities for public administration reform (PAR), which are a continuation of the 2013 and 2014 SIGMA assessments and part of a longer-term programme of work. Priorities cover the overall PAR needs of the country, including areas which were not covered by the assessments. Priorities in areas outside the scope of SIGMA assessments are based on other analytical sources and SIGMA's practical experience of working with the country. SIGMA proposes priority 2020 targets for the countries, sub-targets when needed, and sequenced priority activities in 1-2, 3-5 and 5+ year time perspectives.

TURKEY

2014-2020 SIGMA COUNTRY PRIORITIES

The following priority targets are proposed for Turkey for 2020:

1. In the area of Public Expenditure Management (PEM) the requirements of the EU 2011 Directive on the budgetary framework of Member States are in place, as well as internationally agreed and EU-compliant principles, standards and methods for public financial management (PFM).
2. The framework of public internal financial control (PIFC) meets EU principles and standards, and uses PIFC internal control systems methods applied across the entire public sector.
3. The Turkish Court of Accounts has the necessary operational and functional independence required to fulfil its tasks according to international standards of supreme audit institutions (ISSAIs).
4. A public procurement system is managed with a view to improving efficiency and optimising value for money while ensuring transparency and avoiding conflicts of interest. Steps are being taken to align with the *acquis*, including with regard to utilities, concessions and public-private partnerships (PPPs).

PUBLIC FINANCE MANAGEMENT

STATE OF PLAY

Chapter 32 is part of the Positive EU-Turkey Agenda and negotiations in this chapter have started.

The current legislative framework for public financial management provides a basic structure for public expenditure management (PEM) and public internal financial control (PIFC) procedures. The Ministry of Finance (MoF) has prime responsibility for its development, although other administrations are closely involved due to their role in the context of the PIFC system. Furthermore, expenditure from the own revenues of public institutions, the “revolving funds”, has been increasing steadily in recent years. The funds present a risk to the Government’s planned fiscal targets since they are outside the budget process and the direct control of the MoF.

Although the Public Financial Management and Control (PFMC) Law 5018 establishes functionally independent internal audit units throughout the administration, the application of this law is inconsistent. A draft PIFC policy paper was developed in 2012 by a governmental working group led by the MoF, alongside draft law amendments with a view to further clarifying the responsibilities of public administrations with regard to *ex ante* financial control and managerial accountability in particular, as well as further define the tasks of the Central Harmonisation Units (CHU) financial management and control (FMC), and to strengthen the provisions of internal audit and clarify the role and responsibilities of the Internal Audit Co-ordination Board. No specific actions have been undertaken yet for the drafts’ adoption by the Council of Ministers.

The Constitution¹ establishes the Turkish Court of Accounts (TCA) to audit public administrations on behalf of the Turkish Grand National Assembly (TGNA), to submit the “Statement of General Conformity” on the implementation of the state budget, and to “Report on the Audit of State Economic Enterprises” annually to the TGNA. Law regulates all matters related to the functioning of the TCA². A new Strategic Plan was endorsed on 2 July 2013. The actions for 2014 are incorporated into TCA’s Performance Programme 2014, which was submitted to TGNA together with TCA’s draft budget for 2014. The performance programme is an obligatory document for all public institutions. It links the objectives, activities and performance indicators to the budget for the institution. The accountability report on 2014, to be submitted in April 2015, will report on the outcome.

¹ The Constitution: Articles 160, 164, 165 and 69.

² State Economic Enterprises Law No. 3346; PFMC Law No. 5018 (2003); TCA Law No. 6085 (Dec 2010).

PUBLIC FINANCE MANAGEMENT

Target 2020	<p>The requirements of the EU 2011 Directive on the budgetary framework of Member States are in place, as well as internationally agreed and EU-compliant principles, standards and methods for public financial management (PFM).</p> <p>The framework of public internal financial control (PIFC) meets EU principles and standards and uses PIFC internal control systems methods applied across the entire public sector.</p> <p>An operationally and financially independent Supreme Audit Institution is in place with a relevant effective reporting mechanism to Parliament. In particular, functionally independent internal audit arrangements are established with relevant functions, remit and scope are operational and functioning. The Turkish Court of Accounts has the necessary operational and functional independence required to fulfil its tasks.</p>
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PUBLIC FINANCE MANAGEMENT

<p>The transparency of General Government finances and scope of the budgetary frameworks are improved, in accordance with the requirements of the 2011 EU Directive on Budgetary Frameworks of the Member States.</p>	
1-2 Years	<ol style="list-style-type: none"> 1. MoF to redraft the by-law of revolving funds in order to improve the budgeting and financial control arrangements for revolving funds: <ul style="list-style-type: none"> • Government adopts the draft by-law amendments particularly with regard to strengthening the legal basis for greater control by Parliament where receipts exceed target; • MoF to develop its capacities to monitor and analyse actual receipts of revolving funds compared to forecasts so deviations from target can be identified quickly. 2. MoF, Ministry of Development (MoD) and Ministry of EU Affairs (MoEA) to clarify co-ordination in planning donor funds and establish regular procedures for discussion of IPA programming in the context of medium-term budget planning. 3. Government to direct MoF in monitoring annual performance plans to report on the reasons for deviations from performance targets.
3-5 Years	<ol style="list-style-type: none"> 4. MoF to analyse the extent to which fiscal data in Turkey enables the fulfilment of requirements established for EU Member States (including the 2011 EU Directive on Requirements for Budgetary Frameworks). 5. Government to approve legislation that ensures all borrowing by public institutions requires approval of MoF and Undersecretariat of Treasury. 6. MoF to publish in the Monthly Budget Review comparisons of realised expenditures and revenues against monthly profiles so performance versus target can be analysed.
5 + Years	<ol style="list-style-type: none"> 7. The Government to approve a budget calendar that adheres more closely to international norms, including more time for budget users to estimate initial demands and more time for Parliament to consider draft Budget.

PUBLIC FINANCE MANAGEMENT

<p>Enhanced application of the PIFC requirements to ensure the establishment of functionally independent internal operating audit arrangements with relevant functions, remit and scope.</p>	
1-2 Years	<ol style="list-style-type: none"> 1. MoF to submit the draft PIFC policy paper 2014-19 with its related draft action plan for the adoption by the Council of Ministers. 2. Government adopts the draft law amendments to the PFMC Law in particular with regard to: <ul style="list-style-type: none"> • Strengthening the legal base for further enhancement of <i>ex ante</i> financial control; • Implementation of internal audit in public administrations; • Strengthening the role of the Internal Audit Co-ordination Board to develop and harmonise internal audit standards, provide guidance and monitor implementation.
3-5 Years	<ol style="list-style-type: none"> 3. CHU and the Internal Audit Co-ordination Board to provide guidance to public administration bodies regarding the implementation of the actions defined in the PIFC policy paper. 4. Public administrations to implement internal audit arrangements. 5. MoF CHU and the Internal Audit Co-ordination Board to monitor and review implementation.
5 + Years	<ol style="list-style-type: none"> 6. MoF/Internal Audit Co-ordination Board to start development of a new PIFC policy paper.

PUBLIC FINANCE MANAGEMENT

The Turkish Court of Accounts has the necessary operational and functional independence required to fulfil its tasks according to international standards of supreme audit institutions (ISSAIs).	
1-2 Years	<ol style="list-style-type: none"> 1. TCA to continue the implementation of its Strategic Plan 2014-18, including the action plan and associated audit strategy. 2. TCA to ensure financial audits are carried out according to relevant ISSAIs through development and approval of internal methodology. 3. TCA to undertake a comprehensive training needs assessment for all staff ensuring that the training programme is properly targeted and delivered. 4. TCA, in line with its Strategic plan, to develop and launch a communication strategy to: <ul style="list-style-type: none"> • Ensure internal and external stakeholders are better informed about the impact of the reforms on governmental processes and the impact this has on how the TCA presents its audits; • Further enhance TCA’s liaison arrangements with the TGNA.
3-5 Years	<ol style="list-style-type: none"> 5. TCA to continue the implementation of its Strategic Plan as well as its audit strategy, monitoring and adjusting actions where necessary to ensure objectives are met. 6. TCA to review the training strategy and assess the training delivered.
5 + Years	<ol style="list-style-type: none"> 7. TCA to audit public administration accounts according to the multi-annual programming audit strategy. 8. TCA to develop a new Strategic Plan.

PUBLIC PROCUREMENT

STATE OF PLAY

Public procurement in Turkey is essentially based on the Public Procurement Law (PPL, Law 4734) and the Public Procurement Contract Law (Law 4735), both of which were originally adopted in 2002, and on a wide range of corresponding, secondary legislation. In preparation for Chapter 5 negotiations, a National Strategy and an Action Plan for Public Procurement have been prepared but not adopted. The situation is the same for drafts of an amended or new PPL and of a new law on concessions and public-private partnerships. These drafts and the strategy documents mentioned need updating in order to bring them in line with the new EU Directives (2014/23/EU, 2014/24/EU, 2014/25/EU) and also cover the one on defence procurement (2009/81/EC). In particular, the updates would need to address issues related to exemptions and domestic preference, clarify the situation of utilities, and prevent the misuse of offsets, now falling outside the scope of the PPL. The public procurement system is managed by a full set of central institutions, all engaged in the successive development of policies and practices.

Apart from regulatory development, opportunities for further improvement of the public procurement system can be found primarily in the fields of policy making and remedies, and in procurement in the education, health care and public infrastructure sectors. Also, the size of the country in terms of area, population and GDP, and the large number and variety of contracting authorities, call for even stronger attention to capacity building and monitoring as well as the regional organisation of public procurement. The e-procurement system still has ample room for expansion and the use of framework agreements and centralised procurement is not yet developed to its full potential.

Target 2020	A public procurement system is managed with a view to improving efficiency and optimising value for money while ensuring transparency and avoiding conflicts of interest. Steps are being taken to align with the <i>acquis</i>, including with regard to utilities, concessions and PPPs.
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PUBLIC PROCUREMENT

1-2 Years	<ol style="list-style-type: none"> 1. Ministry of Economy (MoE), MoEA, and the Public Procurement Authority (PPA) to continue preparations for Chapter 5 negotiations by updating and adopting the National Strategy and the Action Plan for Public Procurement and amending the public procurement law in line with the applicable ‘benchmarks’ as well as with the new EU Directives. 2. PPA to extend the e-procurement system. 3. PPA to promote the use of modern tools and approaches like the use of framework agreements through expanding the current training programme to cover more contracting authorities and economic operators. 4. MoF to continue enhancing the capacity of the public procurement policy and co-ordination department. 5. MoF, PPA and the State Supply Office (SSO) to review the system for centralised procurement, identify the scope for reform and prepare an action plan for future development. 6. MoF and PPA to review the remedies system and determine the regulatory and institutional reforms required and prepare a corresponding action plan. 7. Ministry of Development (MoD) to prepare a strategy for the development of a concessions and PPP system aligned with the <i>acquis</i> and start implementing it.
3-5 Years	<ol style="list-style-type: none"> 8. MoF, MoEA, PPA, MoD and Ministry of Defence (MoDef) to make further enhancements to institutions and practices as required for implementing the latest changes to the regulatory framework in line with the EU Directives, including defence and security, utilities, concessions and PPPs. 9. MoF and SSO to co-ordinate the implementation of the action plan for the development of centralised procurement by drafting and adopting legislation required. 10. MoF to co-ordinate the implementation of the action plan for establishing an independent review body, drafting and adopting the necessary regulations, setting up the institutional framework and training staff.
5 + Years	<ol style="list-style-type: none"> 11. MoF and PPA to continue monitoring the public procurement system, evaluate any measures taken, amend policies, procedures and practices accordingly, and address the ensuing capacity building needs.