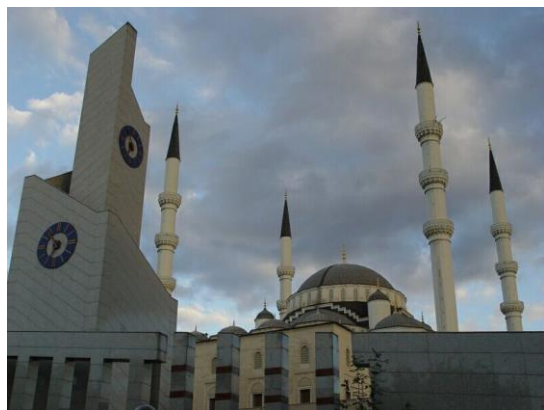


Study visit

PEMPAL Treasury Community of Practice (TCOP) “Public Finance Management System of Turkey”

Ankara, Turkey



On November 19-21st, 2013, thirty one TCOP members from seven countries participated in a study visit to the Ministry of Finance of Turkey. The main objective of the visit to Ankara was to introduce to TCOP representatives the fundamentals of PFM system of Turkey, and to offer them an opportunity to get familiar with the information system used by the Government agencies of Turkey for public finance management (GBS.NET). The visit was

facilitated by the World Bank Team and administrative support for its implementation was provided by the PEMAPL Secretariat based in Ljubljana, Slovenia.

The study visit was conducted on the initiative of the Ministry of Finance of Tajikistan, interested to get familiar with Turkey’s experience in reforming various dimensions of public finance management, with the main focus on this country’s experience in using information technologies in PFM area. Besides the Tajik delegation, representatives from 6 other TCOP member countries (Albania, Azerbaijan, Belarus, Georgia, Kazakhstan and Moldova) have joined the event.

The TCOP delegation combined PFM specialists (predominantly from Tajikistan) and IT specialists working with PFM systems (from all the participating countries). To respond to professional interests of the specialists involved, participants were split in two groups: one group has focused its activities predominantly on familiarization with functional aspects of PFM system, while the second one has studied in depth the hosts’ experience in using information technologies for PFM.

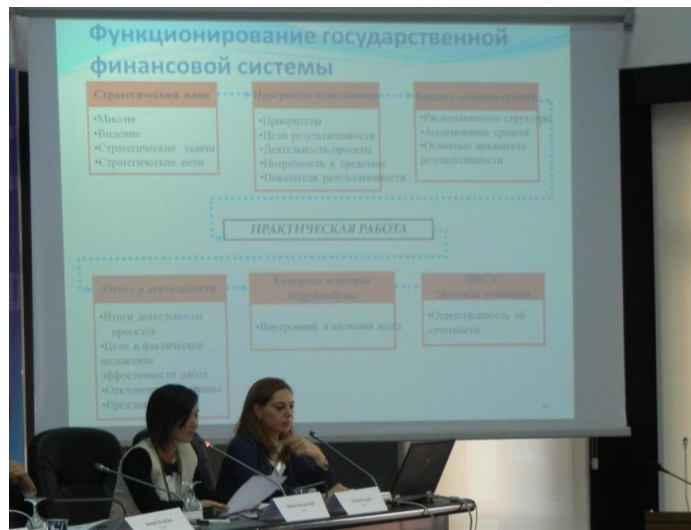
The agenda of the study visit envisaged plenary sessions attended by both groups, as well as parallel sessions, on the topics of priority interest for each of the groups. The visit commenced with a joint welcome session on Tuesday, November 19th. **Mr. Ertan Eruz**, Head of Strategic Development Unit of the Ministry of Finance of Turkey, welcomed the study visit participants and gave a brief introduction on the



Turkey public financial management system. Visitors were informed about the recent PFM reforms implemented in Turkey, main functions of the SGB.NET – information system used in PFM processes, as well as about the strategic management process applied in the public finance system of the hosting country. On behalf of the Ministry of Finance of Turkey Mr. Ertan Eruz expressed his colleagues’ readiness to share with PEMPAL members their country’s experience in PFM reforms, and to continue the already established fruitful bilateral cooperation with their colleagues from the Ministry of Finance of Tajikistan. He also expressed his confidence that the event will be useful not only for the visitors, but also for the hosting country’s PFM specialists.

The welcome session continued with **Mr. Ismail Eraslan’s**, Head of the Management Information Systems Department (MISD) of the Ministry of Finance of Turkey, introduction to the agenda of the event, pointing the hosts’ approaches for the study visit preparation. He briefly described the role of the MISD and its objectives, and informed participants about the ministry’s plans for developing IT systems in the future.

The first plenary session continued with presentation “General administrative structure. Public Financial Management process cycle at a glance”, delivered by **Ms. Ferhan Ergun and Ms. Melek Dede**, finance experts within the Ministry of Finance of Turkey. Participants were informed about the political system and administrative structure of the Turkey Republic, division of power and relationship between central and local governments. The Central



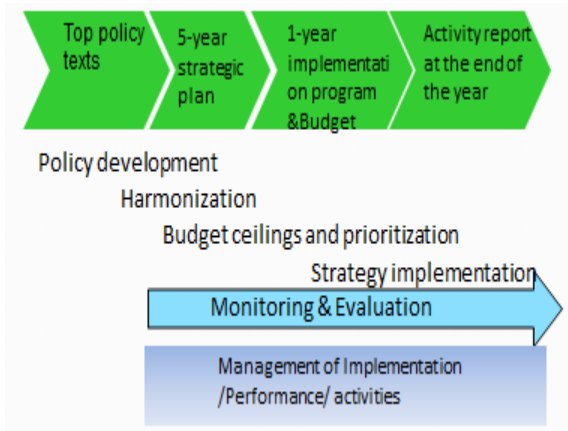
administration through its central (capital) and local (89 provinces) structures is authorized with competences in such areas as justice, defence, security, social insurance, national education, treasury, etc. Local authorities are responsible for health care, social assistance, transport, environment protection, local infrastructure development, etc. Budget revenues are collected by central authority and resources are shared between central and local authorities according to their needs. Local public authorities have their own decision-making and executive bodies and own revenue sources. At the same time, they receive a share of the general budget.



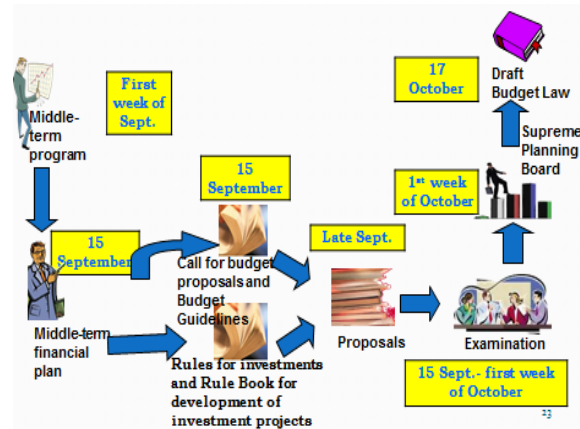
The speakers informed participants about the organizational structure of the Ministry of Finance of Turkey, as well as about its role and main functions. Also, they brought comprehensive information related to the PFM legal framework, especially with regard to the Law no.5018 on Public Financial Management and Control in Turkey, regulating all public budget processes. They described the key concepts of the law, its goals and the scope.

Participants received detailed information on the cycle and calendar of budget process in Turkey. The schemes below highlight the main phases of the PFM process in Turkey:

Finance Management Process

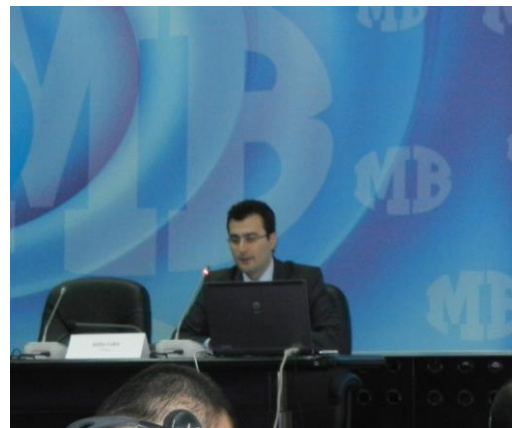


Budget Process



Both Ms. Ergun and Ms. Dede received extensive questions from the group. Some questions were related to the relationship between central and local authorities, particularly in relation to how budget resources are distributed. (*Answer: The Law no.5018 stipulates all relevant provisions with regard to the financial relationship between these levels*). Also, questions about the linkage and correlation between 5-years strategic plans and 3-years budgets were asked by participants. (*Answer: Strategic plans envisage general development objectives and do not provide any financial parameters, while the 3-years and annual budgets establish financial framework and resources in order to achieve those objectives*). The speakers responded also to many questions related to the financial control and audit system of Turkey, issues related to cash management, quarterly and monthly distribution of budgets, various aspects related to the public sector accounting and reporting processes.

The first day of the event continued with parallel sessions of two groups. The group focused on **PFM general issues** discussed further the issue related to the strategic planning. **Mr. Atilla Cakyr**, finance expert within the Ministry of Finance of Turkey delivered the presentation devoted to this topic. The group members were familiarized with: (i) main aspects of strategic planning in the public sector of Turkey; (ii) hosting country’s experience in reforming public finance planning; (iii) role and functions of the Strategic Development Unit; (iv) structure and framework of the strategic plans; (v) legal framework regulating strategic planning in the Turkey public sector.

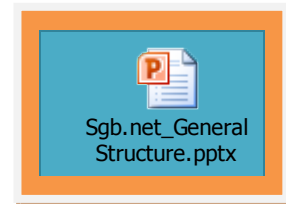


Participants asked various questions related to strategic planning, particularly in relation to the strategic plans of the Ministry of Finance itself. Among the goals of the 2013-2017 MoF's Strategic Plan, Mr. Cakyr emphasized the following: extension of the taxable base in a just and predictable manner, simplification of tax system for enhancing Turkey economy competitiveness, enhancing the efficiency of public money allocation, spending and accountability, increasing the efficiency of public assets, etc.

The group focused on **IT issues** held a session devoted to the general review of SGB.NET information system used for PFM purposes in Turkey. **Ms. Gulistan Sevgi**, the Head of Management Information Systems Center, made a relevant presentation, describing the system's platforms and modules. Currently more than 11.000 users from 154 institutions from central and local governments use the SGB.NET system.

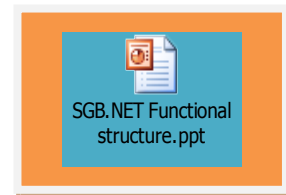


This is a web based IT system, compatible with all databases. The software is developed in C#language on Asp.net framework. SGB.NET is one of the information systems used for public finance management in Turkey. It was initially developed for the purposes of strategic planning by the line ministries and its functionality was broadened with time.



Despite the broad application the SGB.NET is not mandatory for using in the public sector of Turkey. The system comprises at present the following main modules: Strategic Planning, Expenditure management, Management of movable property, Debt recovery, Budget execution, Budget performance, Documents management, Library, Human resources.

After the lunch the IT group continued its familiarization with the SGB.NET system. **Ms. Gulistan Sevgi** and **Mr. Hasan Turan**, software developer, made a presentation "Functional structure of SGB.NET system. Modules interaction, general technical features". Participants received comprehensive technical information on the SGB.NET structure, its modules structure and the way they interact, technical features of data bases, etc. Also, several interfaces have been demonstrated to participants. The group members addressed many questions related to the SGB.NET technical infrastructure, including database characteristics, etc.



The group on **PFM general issues** devoted the afternoon to the visit to the Ministry of Development of Turkey. The group members were provided with comprehensive information related to the five year Development Plans process in Turkey. These plans establish strategic midterm objectives of the Turkey society development and serve as foundation for planning activity in the whole public sector of the country. **Ms. Tolga Tufekci**, representative of the Ministry of Development, has familiarized the participants with the 10-th five year development plan, with emphasis on its program nature. This plan

targets 8 main objectives, related to economic growth stimulating, improving access to public services in various areas, increasing efficiency of public money spending, etc. The main goal of this ambitious Plan is to place Turkey among the world ten most developed economies. The achievement of the following macro indicators is targeted in this regard.

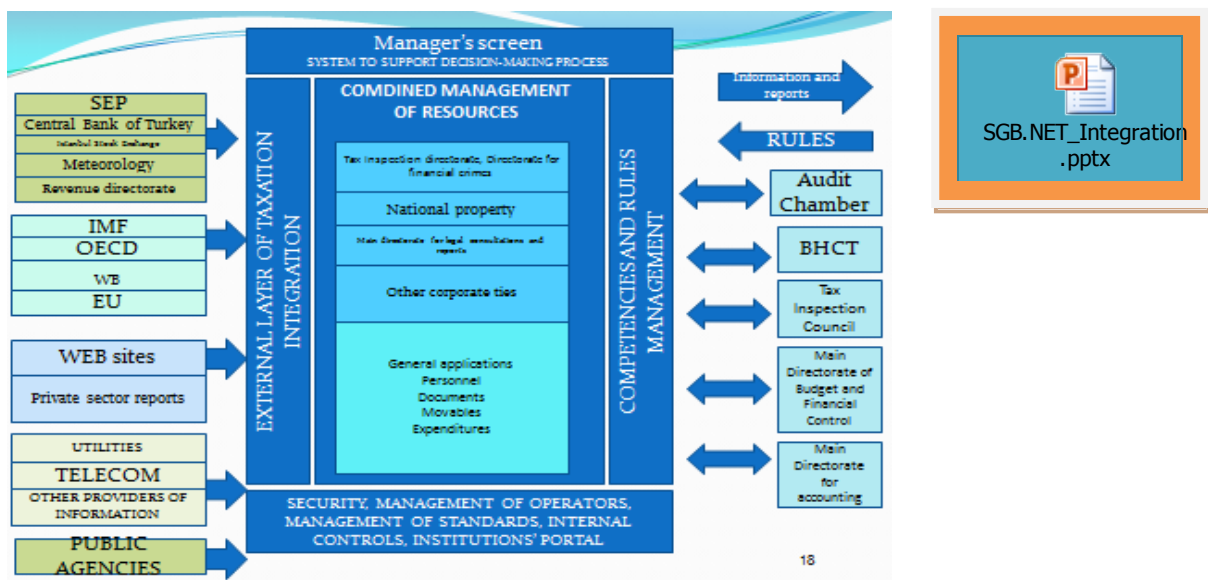
Macro indicator	2013 (\$)	2018 (\$)	2023 (\$)
GDP	786 billions	1,3 trillions	2,0 trillions
GDP per capita	10,5 thousands	16,5 thousands	25 thousands
Export	152 billions	227 billions	500 billions
Unemployment	9,2%	7,2%	5%
Inflation	10,2%	7%	10%

The following key conditions should be met in order to ensure an efficient midterm development plan process (from planning to execution):

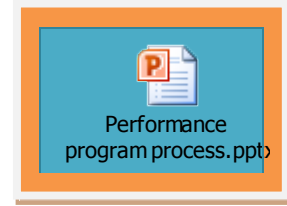
1. To involve all interested actors in the process of Plan’s development;
2. To ensure the flexibility of investment programs;
3. To ensure an efficient coordination and interaction between the public entities;
4. To ensure relevant transparency at all stages of Plan’s development and implementation;
5. Development of realistic plans;
6. To stimulate cooperation and involvement of private sector.

The first half of day two of the event was devoted to the in depth familiarization with the SGB.NET system of all the study visit participants. A series of presentations provided detailed information on the SGB.NET system, covering the whole PFM process – strategic planning, budget preparation, budget execution, performance management, human resources management, assets management, coding structure, unified chart of accounts structure, integration with other systems, etc.

Mr. Attila Cakyr made a presentation describing data management, SGB.NET work, business and management models, as well as interaction with other information systems. The scheme below describes the SGB.NET integration model.



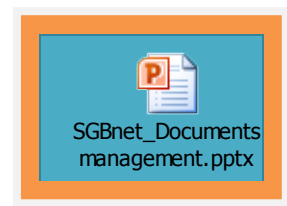
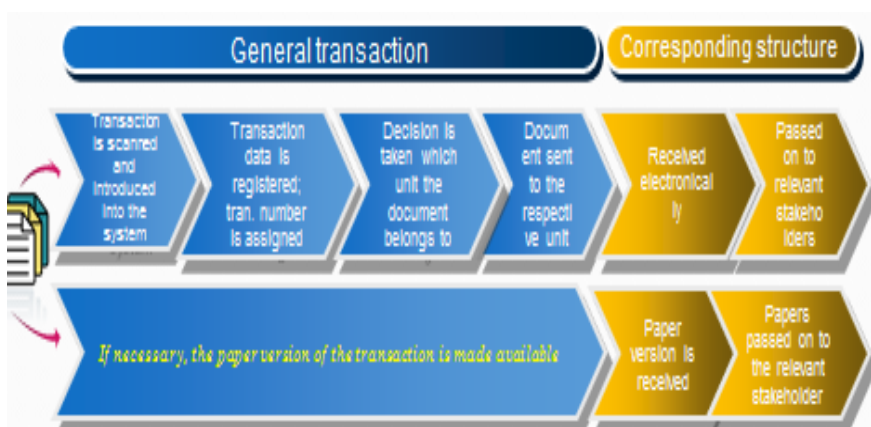
Mr. Ahmet Kurnaz, finance expert within the Ministry of Finance of Turkey, made a presentation devoted to performance program process and practical application of SGB.NET system. He described in detail the objectives of performance program process, all stages of the process, as well as the relevant time framework. He informed participants about the Performance program 2013 main parameters and demonstrated the relevant module in the SGB.NET system.



Mr. Ahmet Ilhan, public accountant within the Ministry of Finance of Turkey, delivered the presentation “Expenditure management in SGB.NET system”. The “Expenditure Management Module” has been in use since 2008 in central and provincial structures of the ministry of finance. The module is used to introduce data on public expenditures into the system, e-space is used to check compliance with the legislation, the documents are prepared in conformity with the standards, and there is an e-archive that is convenient for control purposes. The speaker described the processes relevant to the expenditure management, aspects related to audit activities, monitoring phase, as well as data archiving and control. At the end of his presentation Mr. Ahmet Ilhan made a live demonstration of the SGB.NET “Expenditure Management Module”.



Mr. Fecir Sengoz, finance expert within the Ministry of Finance of Turkey, made a presentation on Electronic Document Management Module of SGB.NET system. This module was added to the system in 2010 and is currently used by 16 public sector institutions, including the Parliament. The scheme below shows the document management process within the SGB.NET



The live demonstration of the “Electronic Document Module” concluded Mr. Fecir Sengoz’s presentation.

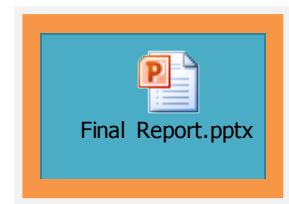
After the lunch, representatives of the Ministry of Finance of Turkey continued to share information related to the SGB.NET modules during the plenary session. Various aspects related to activity reports, human resources management, operators' management, as well as to further plans for the SGB.NET development were communicated to the study visit participants.

Tajikistan Ministry of Finance is gradually implementing the SGB.NET system modules and the Tajik representatives had multiple questions related to the system technical characteristics, functional structure, etc. These questions were answered by the hosts, providing a valuable support for the process of this IT system implementation in Tajikistan.

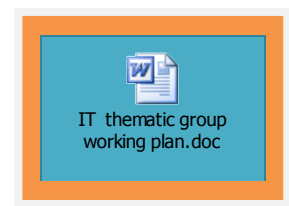
Day two ended by parallel sessions of two groups. The group on **PFM general issues** has visited the Parliament of Turkey. The group's members were informed about the structure of the Parliament, the budget examination and approval calendar, the process of Parliament's own budget planning and execution, the procedure of budget's approval in the supreme legislative body. Various questions from participants followed, particularly in relation to Parliament's role in the budget process, public debt parameters control by the Parliament, preliminary examination of the budget, etc.

The group on **IT issues** held a questions&answers session in order to clarify all remaining questions related to SGB.NET system. Various questions related to technical and functional structure of the system, its modules functioning and interaction, user administration and security were asked by participants and responded by the hosting country representatives.

The third day of the event started with parallel sessions of the groups. The group on **PFM general issues** held a session devoted to issues of reporting. **Mr. Ali Aydin**, finance expert within the Ministry of Finance of Turkey delivered the presentations "Final accounts and accountability reporting". He described the scope of budget reporting in the public sector of Turkey, as well as legislative framework regulating this process.



The group on IT issues devoted its session to the development of the 2014 Activity Plan of the thematic group on Use of Information Technologies in treasury operations, recently created within the PEMPAL TCOP. The group members were invited to make their proposals for the Activity Plan, which were summarized in the embedded file. Upon their approval by the TCOP Executive Committee, the actions envisaged in the thematic group Activity Plan will be included in the community's general Plan for 2014-2015.



The three days study visit was closed by a joint wrap-up session. The event participants expressed their satisfaction with the quality of the event and thanked the hosts and the event organizers. **Mr. Ertan Eruz** thanked the study visit participants for their interest and numerous questions related to the Turkey PFM system. **Mr. Shavkat Sohibov**, deputy minister of finance of Tajikistan, participant to the study visit, has expressed his gratitude to

the hosts for the excellent organization of the event and for the openness of Turkish PFM specialists involved in the study visit conducting. He also thanked the representatives of the Ministry of Finance of Turkey for the very productive bilateral cooperation between two ministries and for the support provided in implementing PFM reforms in Tajikistan. **Mr. Ion Chicu**, the PEMPAL Operational Advisor, has also thanked the hosts, on behalf of the World Bank team, for their valuable contribution to the study visit success. He also thanked the participants for their active participation in the event.



Main conclusions from the study visit of TCOP PEM PAL members to Ankara:

1. The study visit to the Ministry of Finance of Turkey continued the series of TCOP successful events of this format, launched in Tallinn in February 2013 and followed in September 2013 by the study visit to the United Kingdom Treasury;
2. The Turkey Republic enjoyed one of the most robust economic and social developments during the last two decades, due to its democratic political system, implementation of reforms in various areas, including the Public Finance Management System. Public finance policies in Turkey implemented across this time stimulated the economic growth, investment attraction and social development;
3. The 5-years Development Plans establish the main midterm objectives of the Turkey society development and serve as foundation for planning activity in the whole public SGB.NET was developed initially for the purposes of strategic planning by the line ministries. The SGB.NET modules support at present all phases of the budget cycle, including sector of the country;
4. Based on the Development Plans strategic provisions, the 3-years financial plans and annual budgets are developed and implemented in Turkey;
5. The success of Development Plans implementation depends on several key factors, and one of the most important is the society's active involvement at all stages, from planning to implementation and performance evaluation;
6. The Law 5018 on Public Financial Management and Control in Turkey, provides all regulations related to the PFM system in Turkey, including the budget process calendar;
7. SGB.NET is one of the information systems used for public finance management in Turkey. It is a web-based system, used by more than 11.000 users located in 154 institutions. The system is not compulsory for using in the public sector;

8. budget preparation, budget execution and reporting. Besides these modules the system comprises such modules as electronic documents management, Strategic Planning, Management of movable property, Debt recovery, Library, Human resources;
9. The Ministry of Finance of Tajikistan started to implement gradually the SGB.NET modules, and the experience gained by Tajik specialists (16 people) participants to the study visit to Ankara will be useful in the process of further implementation of the system;
10. The TCOP thematic group on Use of information technologies in treasury operations has developed in Ankara its Activity Plan for 2014, and the information received during the study visit will be helpful for further discussions within the group.

