

Standard Summary Project Fiche – IPA decentralised National programmes
(maximum 12/15 pages without the annexes)

1. Basic information

- 1.1 CRIS Number:** TR080206
- 1.2 Title:** DECISION MAKING AND PERFORMANCE MANAGEMENT IN PUBLIC FINANCE
- 1.3 Sector:** 32-Financial Control
- 1.4 Location:** Turkey, Ankara

Implementing arrangements:

1.5 Implementing Agency: The Central Finance and Contracting Unit (CFCU) will be Implementing Agency and will be responsible for all procedural aspects of the tendering process, contracting matters and financial management, including payment of project activities.

The director of the CFCU will act as Programme Authorizing Officer (PAO) of the project.

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1.6 Beneficiary (including details of SPO):

Main Beneficiary: Ministry of Finance, Strategy Development Unit

Co-Beneficiaries: Strategy Development Unit of Prime Ministry, Strategy Development Unit and Strategic Planning Unit of Undersecretariat of the State Planning Organisation * and Strategy Development Unit of Undersecretariat of Treasury

*Strategy Development Unit of Undersecretariat of the State Planning Organisation stands for Strategic Planning Unit and Strategy Development Unit of Undersecretariat of the State Planning Organisation.

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1.7 Overall cost: €2,390,000

1.8 EU contribution: €2,176,000

1.9 Final date for contracting: 2 years after the signature of the Financing Agreement

1.10 Final date for execution of contracts: 2 years following the end date for contracting

1.11 Final date for disbursements: 3 years following the end date for contracting.

2. Overall Objective and Project Purpose

2.1 Overall Objective:

Strengthening the administrative capacity of the public agencies on financial decision making and performance management in Turkey.

2.2 Project purpose:

The project purpose is strengthening financial decision making, strategic planning and performance management capacity of the strategy development units of the Ministry of Finance, Prime Ministry, Undersecretariat of the State Planning Organization, and Undersecretariat of Treasury. The

successful implementation of multi-year budgeting system in line with strategic planning and performance based budgeting depends on the healthy execution of the necessary cooperation and coordination between these public administrations in budget implementations.

2.3 Link with AP/NPAA / EP/ SAA:

AP

The objectives to be reached by this project reflect some of the priorities set out in the Council Decision of 18 February 2008 on the principles, priorities, intermediate objectives, and conditions contained in the Accession partnership with Turkey. The document recognizes the importance of strengthening the financial control functions of Turkish management. Priorities under the heading of “Ability to Assume the Obligations of Membership” of the AP clearly indicated that “Turkey should adopt an updated Public Internal Financial Control (PIFC) Policy Paper and derived PIFC legislation” Also under the same heading, it is indicated that “Reinforce the establishment of institutional structures and strengthen administrative capacity in the areas of programming, project preparation, monitoring, evaluation and financial management and control, particularly at the level of line ministries, to implement EU pre-accession programmes as a preparation for the implementation of the Community’s cohesion policy.”

NPAA

Turkey is in the process of revising the existing NPAA in response to the Revised Accession Partnership. The most recent NPAA confirms under Chapter 4.28 that in order to improve the financial control system:

Priorities listed related with this Project in NPAA Chapter 4.28 are;

- **Priority28.1.** In accordance with European Commission applications and International control and audit standards, accepting public internal financial control legislations,
- **Priority28.2.** Strengthening the administrative capacity for prevention of unlawfulness and corruptions, which could affect the pre-accession assistance in a negative way.

The project contributes to the realisation of the above mentioned priorities stated in AP and NPAA.

2.4 Link with MIPD:

In the draft Multi-annual Indicative Planning Document for the period 2007 - 2009 foresees a financial envelope for EU assistance to Turkey of 1.6 billion euro. As a candidate country, Turkey is eligible for all five IPA components: I) Institution Building, II) Cross-border Cooperation, III) Regional Development, IV) Human Resource Development and V) Rural Development.

The MIPD 2007-2009 is pointing the importance of administrative capacity, financial control and development of an IT system. It is mentioned that strengthening the administrative capacity to implement and enforce the acquis is one of the main challenges for Turkey in the pre-accession period (Section 1)

Under Section 1.Assessment of strategic priorities and objectives, it is stated that

“In relation to the economic criteria, the Progress Report recommends that Turkey take further decisive steps towards structural reforms. Turkey still has a relatively high rate of inflation, and a high debt-to-GNP ratio, resulting in a high level of real interest rate on public borrowing.”

According to the first component of the MIPD, public administration is important for especially implementation of recently adopted legislation on decentralisation... It is stated that;

“Public administration reforms, notably related to decentralisation, will be well advanced, reducing significantly the risks to the sustainability of further assistance in relevant acquis”

The proposed activities stated in MIPD to strengthen the administrative capacity is to provide advice and consultancy services, particularly in the areas of:, financial control and external audit,.....”

In this connection this project directly serves for main priorities and objectives set by the MIPD.

2.5 Link with National Development Plan (where applicable)

In the Ninth Development Program 2007-2013, 7.1.8. Disseminating Information and Communication Technologies subtitles, it is stated that “Information and communication technologies infrastructure, which has become one of the determining factors in global competition due to the productivity increases and the arising network effect stemming from its widespread usage, will be improved.”

Also, under the subtitles of “7.5.2. Increasing Policy Making and Implementation Capacity”, it is stated that

“695. In order to rationalize the policy formation process and to ensure that the policies are based on data and information, a qualitative and quantitative data management system will be developed. Numerical, fictional and analytical methods will be utilized in both policy formation and costing processes.”

“696. The structure of the budget will be transformed to display the costs of the policies to be implemented and the performance of public administrations, by considering the cost of the policies to be implemented by public administrations, the groups affected by these policies and their opportunity costs. Public resources will be allocated according to performance programs. In the framework of creating a performance culture in public administrations, measuring, monitoring and evaluation processes will be improved.”

2.6 Link with national/ sectoral investment plans(where applicable)

Not applicable

1. Description of project

3.1 Background and justification:

EU Council Decision at 18 February 2008 on the principles, priorities, intermediate objectives, and conditions contained in the Accession Partnership with Turkey **highlights the importance of strengthening the financial control functions** of Turkish management. Priorities under the heading of “Ability to Assume the Obligations of Membership” of the AP clearly indicated that “Reinforce the establishment of **institutional structures and strengthen administrative capacity** in the areas of programming, project preparation, monitoring, evaluation and financial management and control, particularly at the level of line ministries, to implement EU pre-accession programmes as a preparation for the implementation of the Community’s cohesion policy.”

Additionally, as stated in 2007 Progress Report (Chapter 32: Financial Control) “implementing legislation of the PFMCL was issued however; **further efforts are needed to ensure the full implementation of the public financial management and control law.**” It is also mentioned in the Report that “public institutions representing a part of the general government have issued their accountability reports. The establishment of strategy development units and the process of recruiting staff for them have continued, but are not completed.”

The overall objective of the Law numbered 5018 on Public Financial Management and Control is to increase the transparency and accountability in public finance, transition to multi-year budgeting approach, put strategic planning and performance based budgeting into practice, extend the scope of the budget and redefine the budgetary system, establish a new internal control system, extend the scope of external audit so that it shall include all public administrations that are within the scope of general government, transfer the main authorities and responsibilities related to public financial management and control to line institutions.

In the article 9 of the above mentioned Law, it is mentioned that the public administrations will prepare their strategic plans in a cooperative manner and within the framework of development plans, programs, relevant legislation and basic principles adopted to perform their missions and visions for future; to determine strategic goals and measurable objectives; to measure their performances according to predetermined indicators and to monitor and evaluate this overall process.

Execution of the Law numbered 5018 and successful implementation of multi-year budgeting system in line with strategic planning and performance based budgeting depends on the healthy execution of the necessary cooperation and coordination between public administrations in budget implementations. And the central planning, central administration and control, legislation-based rules, input oriented applications, concept of supervision of mistakes, irregularities and corrupt practices in the traditional public administration should be replaced with modern administration concepts such as financial discipline, transparency and accountability; strategic planning and management of performance; result and target orientation; and adaptation of the horizontal organization structure.

Since 2004, most of the implementing regulations for financial management and control (FMC) have been adopted and strategy development units have been established within each public administration. However, there is still a need for some tertiary regulations to strengthen the policy making-planning-budgeting relationship. The following problems are still exist in the public financial management system;

- The poor link between the development plan and budgets;
- The lack of effective use of the public sources;
- Insufficient initiative provided to the administrations during budget preparation, application and control;
- The lack of strategic planning, multi-year budgeting, performance-based budgeting, accountability and financial transparency principles which are dominant in the modern public financial management.

The aim of this project is to develop a decision support system in order to strengthen the financial decision making and performance management capacity at key institutions in Turkey. The system will be provide correct information and data to public financial decision making processes by predicting the behaviours of the parameters that effect the multi year budgeting and performance, since many parameters affecting the public financial decision-making process exist in each step of these processes and these parameters fluctuate continuously due to the macro and micro effects that are not always stable. As a matter of fact, the intelligence systems like decision support systems have already shown their efficiency on the complex real world tasks.

In this respect, this project will help to achieve a better capacity for;

- Supporting the budgeting, financial decision making and monitoring processes in line with the Strategic plans in a scientific and technological basis in order to contribute for effective, efficient, economic use of public resources in line with international best practices and EU requirements.
- Establishing a strong relationship between multi-year budgeting, strategic planning and performance based budgeting for
 - (a) providing financial discipline
 - (b) allocating the resources in accordance with political priorities
 - (c) increasing operational efficiency in resource use
 - (d) Creating an effective public expenditure system

The proposed project will make contributions to the points stated in the 2007 Progress Report by ensuring the harmonization of current legislation with internal standards and EU best practice. The project will also provide an effective, economic and efficient collection and utilization of public

resources in line with policies and objectives of the government, as well as accountability and fiscal transparency (as mentioned also in 2006 Screening Report, Chapter 32).

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable)

Project impact

The project will serve the priorities highlighted both in the AP and NPAA and other reports prepared by EU Commission and SIGMA and will lead to further alignment with EU practices by analyzing current internal control system and strengthen the implementation capacity in Turkey.

Catalytic effect

This project will contribute to achievement of targets set in preparation for the Turkey's accession to the EU. The systems and measures established on the basis of the activities of this project will form a basis for countrywide implementation of the public internal control strategy. Furthermore, outputs to be produced by this project will lead to establishment and operation of necessary structures and instruments for the full FMC implementation in line with the international standards and EU best practices. Besides, strengthening capability and competence levels of ministerial staff are the other outputs of the project which would act as a catalyst for progressive harmonisation.

This Project support catalyses a priority accession driven action which would otherwise not have taken place or which would have taken place at a later date because of the financial situation of the public administrations.

Sustainability

The project covers capacity building, model development and pilot implementation for establishing functioning systems and in line with the EU Acquis and international best practices. Training for trainers activities will contribute to sustainability of the project purpose.

Cross border impact: (where applicable)

Not Applicable

3.3 Results and measurable indicators:

Result 1- Qualified personnel are trained up on performance management, strategic planning, performance based budgeting and risk management, and draft Legislation on performance management is prepared in line with EU requirements

Objectively verifiable indicators are:

- 1.1. At least 150 staff successfully participates in trainings by first year of the project
- 1.2. Model training programs for decision support mechanisms developed by 2nd year of the project
- 1.3. In training of trainers' activity, at least 60 attendees are trained.
- 1.4. Dissemination activities among other public agencies are successfully completed with increased awareness and knowledge of performance management, strategic planning, performance based budgeting, risk management, cost-benefit analysis, public value analysis, process performance management and organization performance management by 2nd year of the project
- 1.5. Recommendations adopted on legislative and administrative alignment by 2nd year of the project

Result 2- Integrated Decision Support System and Performance Management Model and Decision Support System technology is developed

- 2.1. Decision Support System model is developed.
- 2.2. Performance Management Capacity is increased.
- 2.3. Strengthened financial decision making, strategic planning and performance management capacity at key institutions.

Objectively verifiable indicators are:

- 2.1.1. Decision process models developed by 2nd year of the project
- 2.1.2. The positive reflections towards the system and reliance towards the financial decisions taken by the help of the system is increased by project end
- 2.2.1. Performance management model, with pros and cons, based on the EU requirements and best practices developed by 2nd year of the project
- 2.2.2. Report on risk analysis shows 60 % increase in the performance
- 2.2.3. The number of units in four institutions that could follow the matching of the priorities indicated in the Strategic Plan and the budget is increased by 2nd year of the project
- 2.3.1. Decision Support System Technology is developed and installed in selected pilot institutions by 2nd year of the project
- 2.3.2. The developed system is matching with a deviation of 10-20% a result of a comparison of the targets in the corporate profile and the real performance results.
- 2.3.3. Multi-year budgeting in line with strategic planning and performance based budgeting successfully implemented: *The rate of deviation between the budget predicted by the Expert System and the budget actualized is decreased by 2nd year of the project*

Result 3- Necessary hardware equipment and software and other necessary electronic equipment is supplied

Objectively verifiable indicators are:

- 3.1. Decision Support System Technology is installed in selected pilot institutions by 2nd year of project

3.4 Activities:

Source of national co financing for activities is institution budget of Ministry of Finance.

Lists of contracts to be concluded

Twinning Contract– Component 1, Technical Assistance Contract- Component 2, Supply Contract – Component 3

Component1: Training and Preparation of Draft Legislation harmonised with EU best practices

The purpose of this component is to transfer know-how related to strategic planning, performance based budgeting and implementation of decision support systems, policies, procedures and best practices that are currently available in EU countries. It will be delivered through a combination of RTA placement, trainings, study visits and seminars aimed at embracing the EU and best practices concerning performance management systems. The assignment will provide assistance in developing legal and institutional change requirements for the successful establishment and implementation of a fully functioning financial decision making and performance management system.

This component seeks to achieve objectives through a project aimed at performance management knowledge transfer between a Member State and their Turkish counterparts, training, on the job training, study visits and overall know how transfer on EU best practices as well as recent implementations on decision support systems and performance management.

- 1- EU acquis and best practices of Member States on Performance Management System will be gathered,
- 2- The know-how will be transferred to the Beneficiary
- 3- The twinning team, including the RTA and the short term experts, is expected to provide in-depth practical knowledge on procedures and best practices in EU Countries
- 4- The twinning team will work together with Turkish colleagues on draft legislation and develop recommendations on harmonisation of the Turkish legislation with the EU acquis on performance management system.

5- Agreed recommendations will be used for detailing the Action Plan and drafting the proposals for legislative amendments to be submitted to the Parliament

6- As training is crucial part of capacity building, there shall be study visits, on-the-job trainings and domestic activities for related stakeholders

1.1. Training

1.1.1. Transfer know-how related to Performance Management

1.1.1.1. Training of Trainers Team - **Means**- A sixty-day training seminar for app. 8 participants from each institution

1.1.1.2. Training of 20 participant from each institution - **Means**- A forty-day training for app.20 participants from each institution

1.1.1.3. Providing in-depth practical knowledge on procedures and best practices in EU Countries on Performance Management System and transfer of know-how by preparing Best Practices Report on Performance Management System -**Means**-Reports prepared by RTA

1.1.2. Transfer know-how related to Strategic Planning

1.1.2.1. Training of Trainers Team - **Means**- A sixty-day training seminar for app. 8 participants from each institution

1.1.2.2. Training of 20 participant from each institution - **Means**- A forty-day training for app.20 participants from each institution

1.1.2.3. Providing in-depth practical knowledge on procedures and best practices in EU Countries on Strategic Planning and transfer of know-how by preparing Best Practices Report on Strategic Planning - **Means**- Reports prepared by RTA

1.1.3. Transfer know-how related to Performance Based Budgeting

1.1.3.1. Training of Trainers Team - **Means**- A sixty-day training seminar for app. 8 participants from each institution

1.1.3.2. Training of 20 participant from each institution - **Means**- A forty-day training for app.20 participants from each institution

1.1.3.3. Providing in-depth practical knowledge on procedures and best practices in EU Countries on Performance Based Budgeting and transfer of know-how by preparing Best Practices Report on Performance Based Budgeting - **Means**- Reports prepared by RTA

1.1.4. Transfer know-how related to Risk Management

1.1.4.1. Training of Trainers Team - **Means**- A sixty-day training seminar for app. 8 participants from each institution

1.1.4.2. Training of 20 participant from each institution – **Means**- A forty-day training for app.20 participants from each institution

1.1.4.3. Providing in-depth practical knowledge on procedures and best practices in EU Countries on Risk Management and transfer of know-how by preparing Best Practices Report on Risk Management - **Means**- Reports prepared by RTA

1.1.5. Transfer know-how related to Cost Benefit Analysis

1.1.5.1. Training of Trainers Team – **Means**- A sixty-day training seminar for app. 8 participants from each institution

1.1.5.2. Training of 20 participant from each institution

1.1.5.3. Providing in-depth practical knowledge on procedures and best practices in EU Countries on Cost Benefit Analysis and transfer of know-how by preparing Best Practices Report on Cost Benefit Analysis – **Means**- Reports prepared by RTA

1.1.6. Transfer know-how related to Public Value Analysis

1.1.6.1. Training of Trainers Team - **Means**- A sixty-day training seminar for app. 8 participants from each institution

1.1.6.2. Training of 20 participant from each institution - **Means**- A forty-day training for app.20 participants from each institution

1.1.6.3. Providing in-depth practical knowledge on procedures and best practices in EU Countries on Public Value Analysis and transfer of know-how by preparing Best Practices Report on Public Value Analysis - **Means**- Reports prepared by RTA

1.1.7. Transfer know-how related to Process Performance Management

1.1.7.1. Training of Trainers Team - **Means**- A sixty-day training seminar for app. 8 participants from each institution

1.1.7.2. Training of 20 participant from each institution - **Means**- A forty-day training for app.20 participants from each institution

1.1.7.3. Providing in-depth practical knowledge on procedures and best practices in EU Countries on Process Performance Management and transfer of know-how by preparing Best Practices Report on Process Performance Management - **Means**- Reports prepared by RTA

1.1.8. Transfer know-how related to Organization Performance Management

1.1.8.1. Training of Trainers Team - **Means**- A sixty-day training seminar for app. 8 participants from each institution

1.1.8.2. Training of 20 participant from each institution - **Means**- A forty-day training for app.20 participants from each institution

1.1.8.3. Providing in-depth practical knowledge on procedures and best practices in EU Countries on Organization Performance Management and transfer of know-how by preparing Best Practices Report on Organization Performance Management - **Means**- Reports prepared by RTA

1.1.9. Seminars and workshops for increase awareness and knowledge among other public institutions

Means- One-day seminar for app. 250 participants with the staff of Beneficiaries

A five-day workshop for app. 20 participants with the staff of Beneficiaries

1.1.10. Study Visit in EU member states

1.1.10.1. Study Visit in EU member states on Performance Management, Strategic Planning, Performance Based Budgeting and Risk Management

1.1.10.2. Study Visit in EU member states on Cost-Benefit Analysis, Public Value Analysis, Process Performance Management and Organization Performance Management

1.1.10.3. Study Visit in EU member states on decision support systems, how existing systems in EU member state's is functioning, what are the pros and cons of these systems

Means- For Study Visit 1.1.10.1. and 1.1.10.2., maximum 3 person from each institution for 5 days, and for study visit 1.1.10.3., maximum 2 person from each institution for 5 days

1.1.11. Internship for the staff of Beneficiaries in the decision support systems, financial management and strategic planning.

Indicative two-month-internships for the staff of Beneficiaries (maximum 3 person/institution) in three different Member States for each with active involvement in the decision support systems, financial management and strategic planning.

1.2. Preparation of Draft Legislation harmonised with EU best practices

This component involves establishing the necessary legislative basis for the financial control in Turkey, in compliance with EU legislation. It involves the following activities;

1.2.1. Developing recommendations on harmonisation of the Turkish legislation with the EU acquis on performance management system – (*Twinning*)

1.2.2. Analysis of pros and cons of all proposed models on existing legislations – (*Twinning*)

1.2.3. Using agreed recommendations for detailing the Action Plan and drafting the proposals for legislative amendments – (*Twinning*)

1.2.4. Preparation of Draft Legislation on performance management – (*Twinning*)

Component 2: Development of Integrated Decision Support System and Performance Management Model

This component involves the development of Decision Support System (DSS) model and Performance Management Model to enable the financial performance of Strategic Development Units to be measured and monitored. This will involve the following activities:

2.1. Development of Decision Support System model.

Ascending change and globalization trend, fateful “knowledge society” notion, basic perception and vision of this century regarding “the administrative concept” have brought restructuring need for mentality, organizational and operational structure of Turkish public finance management in line with European Public Finance Management.

Due to facing with problems related to public expenditure budgeting, it is essential to relate budgeting strongly with planning and policy making in order to determine the limits within planning and policy making according to resource availability, or strategic priorities. Therefore, a strong relation among multi year budgeting, strategic planning and performance based budget is necessary to be established for providing financial discipline, allocating the resources in accordance with political priorities, increasing operational efficiency in resource use and creating an effective public expenditure system.

The aim of this component is to supporting the budgeting, financial decision making, and monitoring processes inline with the Strategic Plan in order to contribute for effective, efficient and economic usage of public resources by developing a DSS model

2.1.1. Identification of existing indicators of Public Finance Management and Methodologies of Data Collection - (*Technical Assistance*)

2.1.2. Collection of rule data (data and metadata) - (*Technical Assistance*)

2.1.3 Current State Analysis: Analysis of current knowledge use behaviours in different Public Finance Managements, Strategy Development Units - (*Technical Assistance*)

2.1.4. Harmonization of data, information and knowledge that form sound basis for financial decisions - (*Technical Assistance*)

2.1.5. Definition of advanced technologies in PFM-DSS implementation - (*Technical Assistance*)

2.1.6. Development of easy-to-use methodological shortcuts to support establishment of Public Financial Management- Decision Support System (PFM-DSS) Infrastructure - (*Technical Assistance*)

2.2. Strengthening the Performance Management Capacity

This activity will focus on developing a measurable, analysable, controllable and better management structure by following activities:

2.2.1. Determination of risky areas in usage and management of public resources - (*Technical Assistance*)

2.2.2. Preparation and implementation of risk efficiency and effectiveness analysis in determined risky areas. - (*Technical Assistance*)

2.2.3. Development of measurable, analysable, controllable and better management structure - (*Technical Assistance*)

2.2.4. Cost-benefit analysis- (*Technical Assistance*)

2.2.5. Constitution of Cost-effective management structure - (*Technical Assistance*)

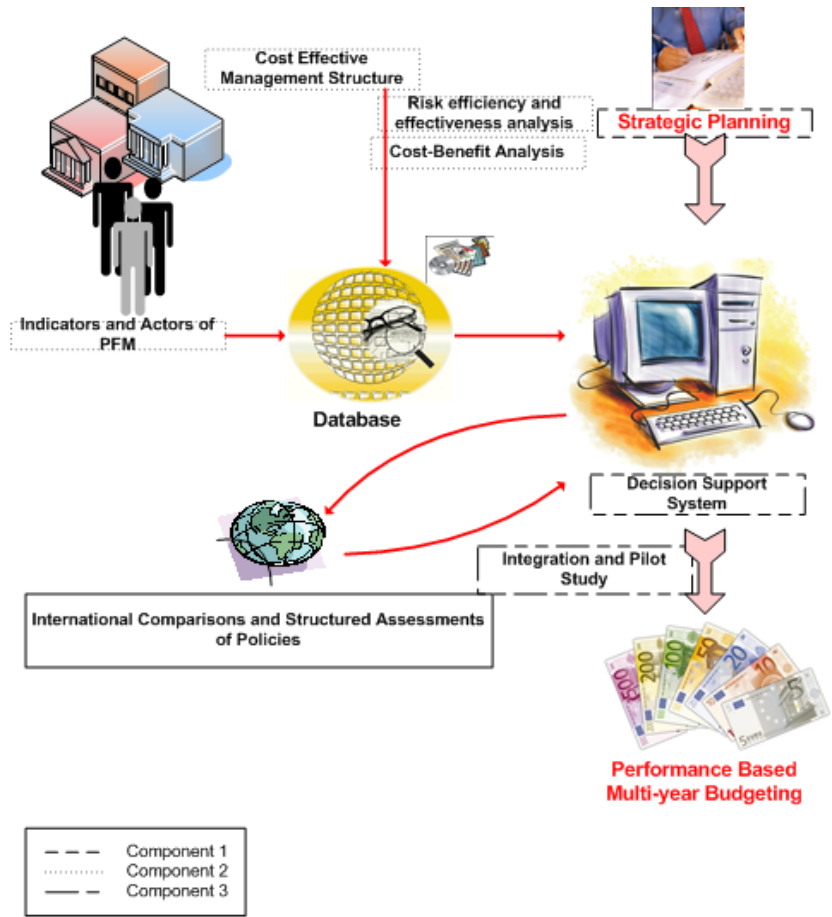
2.2.6. Improvement of the work processes to observe decrease in time of the budget preparation processes and to analyse more decision alternative more efficiently in unit time- (*Technical Assistance*)

2.2.7. Introduction of new concepts of performance management for Public Financial Management System to the authorising offices and managers of four institutions. - (*Technical Assistance*)

2.2.8. Implementation of the performance management system in four institutions - (*Technical Assistance*)

2.3. Development and Installation of Decision Support System Technology

The generic definition of a decision support system is defined as a computer system under the control of one or more decision makers that assists in the activity of decision making by providing an organized set of tools intended to impart structure to portions of the decision-making situation and to improve the ultimate effectiveness of the decision outcome. In this project, with the need of higher transparency requirement in financial controls and the information demand for forward financial planning, it is suggested that a web-based network approach should be used in association with data mining techniques to cover more management aspects such as information controls, material controls, progress controls and quality controls for supporting decision making.

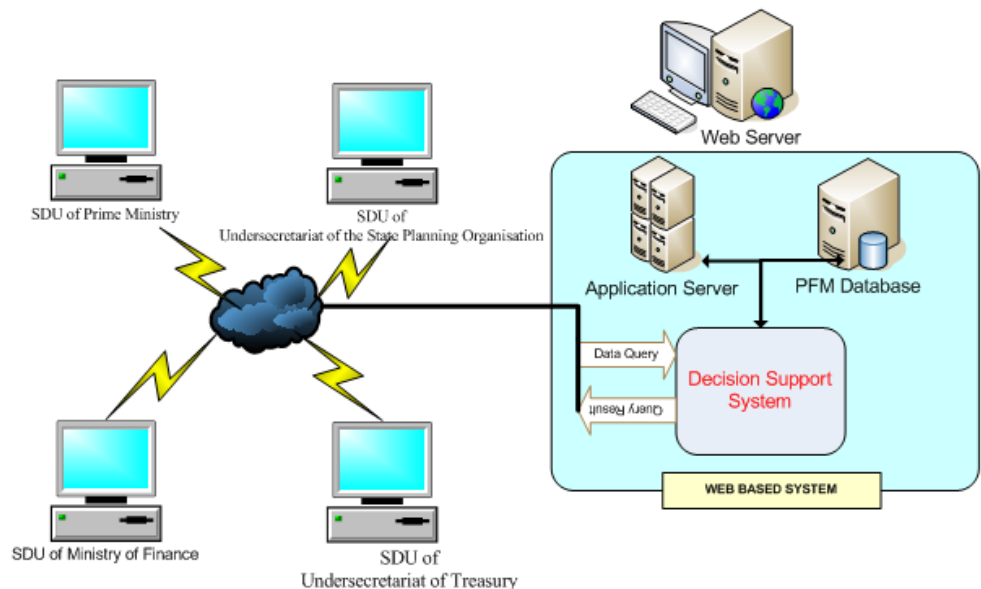


Information and communication technologies is much more needed today for realizing a structural transition in the modernization of the strategic development units in the public financial management, for enhancing efficiency in the business processes and developing an information-based policy-making and decision-taking processes.

Therefore the main function of the developed DSS will be to meet all the requirements of the Law No.5018 by maintaining all kinds of financial and non-financial resources and outputs acquired at the end of the activities and targets attained as per the time series and in terms of quantitative and qualitative features and in way to involve the components which will give the opportunity of reporting and analyzing.

As a result, in daily works of all Beneficiaries using a well-designed, dynamic and reliable Decision Support system, lots of untidy financial and non-financial data and information can be maintained and consolidated as per the time series and in qualitative and quantitative structure and thus loss of the data and information will be prevented; meanwhile reporting and analyzing will be possible with these data and information.

Reliable data acquired as a result of these analyses will support the decision taking processes of the top management.



In the scope of the Project, DSS will contribute to effective, accurate and time-efficient financial decision making in the frame of the public finance management reform. The main activities of this sub-component are as follows;

2.3.1. Development of Public Financial Management Database and data entry software

2.3.2. Development of decision support system modelling and reporting software

2.3.3. Installation and training of the system in **selected pilot institution:** Strategy Development Units of Ministry of Finance, Prime Ministry, Undersecretariat of the State Planning Organization, and Undersecretariat of Treasury

Component 3: Supply of the Equipment

This sub-component is to let a separate contract for the purchase of IT equipment and their required software in accordance with the EC procurement rules.

3.1.1. Provision of necessary hardware equipment and software and other necessary electronic equipment – (*Supply Contract*)

IT equipments will be constructed in Ministry of Finance, and all beneficiaries will access the servers and databases by web-based system to operate software's that will be installed in all beneficiaries' computers as seen in following Figure. The reason of installing in just Ministry of Finance is to manage system more effectively, more easily and more properly secure. All institutions will have access to the system and who can enter data and who cannot enter will be defined.

The staff of the following institutions will participate in these activities as well as beneficiary institution:

- ❖ Strategy Development Unit of Prime Ministry
- ❖ Strategy Development Unit of Undersecretariat of the State Planning Organisation and
- ❖ Strategic Planning Unit of Undersecretariat of the State Planning Organisation
- ❖ Strategy Development Unit of Undersecretariat of Treasury

3.5 Conditionality and sequencing:

There is no pre-condition for the start of the project.

In addition to providing the twinning partner with adequate staff and other resources to operate effectively, the senior management of the beneficiary institution is expected to be involved in the development and implementation of policies and institutional change required to deliver the project results.

The projects will be co-financed from the budgets of beneficiaries for the years 2009 and 2010.

3.6 Linked activities

The project builds on several previous projects to the public financial management, including followings.

a- Twinning code: TR 07 IB FI 02- Strengthening the Public Financial Management and Control System in Turkey

The main beneficiary of this project was Ministry of Finance, Directorate General of Budget and Fiscal Control as a Central Harmonisation Unit for Financial Management and Control. The purpose of the project is to strengthen the implementation of FMC system with an aim to develop best internal control practices in Turkey, particularly developing the capacity of CHU for FMC and achieving full implementation of FMC operations in the Strategy Development Units (SDU) of pilot institutions to further disseminate the best practices throughout the public sector.

b- TR 0302.04-“Alignment of the Turkish Internal Financial Control System with International Standards and EU Practices” Project

The beneficiary of this project which took part in the 2003 Pre-Accession Financial Assistance Programme was the General Directorate of Budget and Fiscal Control, Ministry of Finance. The

project composed of two components, Twinning and Supply. Twinning Partner of the project was Ministry of Economy, Finance and Industry; Republic of France. The Purpose of the project was to assist the Government of Turkey in establishing an efficient and effective public internal financial control (PIFC) system based upon international standards and EU practices.

The project activities have been organized with a purpose to analyse PIFC legal framework, to establish PIFC institutional structures, to draft PIFC implementing regulations, to develop and deliver PIFC training and to assist MoF to develop an IT Strategy for Internal Audit (CAATs).

Twining component has been finalized in December 2006 and supply component will be finalized this year.

c- MATRA/PSO- “Strengthening the Budget Planning and Preparation Process” Project

The beneficiary of the project is the Directorate General of Budget and Fiscal Control, Ministry of Finance and the counterpart is the Dutch Ministry of Finance. This project started in 2004 and later extended to 2008. It has been named as “Strengthening the Budget and Internal Control Process” since 2007.

The purpose of the project is to strengthen the legal and institutional structure of DG Budget and Fiscal Control regarding budget preparation and planning process in order to increase the efficiency of budget policy and ensure compliance with EU Acquis.

d- Cooperation with OECD-SIGMA

Since 2004, many working meetings have been held with OECD-SIGMA missions in the area of public expenditure management. In this context, the report titled “Turkey: Public Expenditure Management System Assessment Report June 2006” was drafted by OECD-SIGMA. Evaluation and recommendations of OECD-SIGMA have been taken into consideration in the preparation of the legislations.

“The proposed project does not overlap with above mentioned project or any other on going and/or proposed projects. This project will add value to them.” Elimination of duplicate or overlapping works done by four beneficiaries.

3.7 Lessons learned

This project is a direct product of lessons learned from previous projects and activities. The project indicated a need for further strengthening the administrative capacity of public administration bodies in the implementation of the EU financial control acquis.

During the implementation of the above-mentioned projects, the following lessons were learned:

- The scope of the project should be specific and the duration should be determined accordingly.
- The continuity of the project staff both in Member State and Beneficiary Country should be ensured and adequate number of staff should be involved in project activities.
- The experience and quality of the key and short-term experts on the subject are of crucial importance for the success of the project since their experience should be directly related to project activities.
- The key experts should provide necessary documentation before and after each activity.

These lessons learned will of course be fundamental to ensure that the mandatory results of the present project are reached within the set temporary and budgetary limits. Thus, the model for IPA institutional framework has been developed in accordance, and this project seeks assistance with full awareness of these advices.

4. Indicative Budget (amounts in €)

			SOURCES OF FUNDING										
			TOTAL EXP.RE	TOTAL PUBLIC EXP.RE	IPA CONTRIBUTION	COMMUNITY CONTRIBUTION	NATIONAL PUBLIC CONTRIBUTION						PRIVATE CONTRIBUTION
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(e)	EUR (b)=(c)+(d)	EUR (c)	% (2)	Total EUR (d)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (e)	% (3)
Activity 1													
Twining	X	–	860,000	860,000	817,000	95	43,000	5	43,000			-	–
Activity 2													
Technical Assistance	X	–	1,410,000	1,410,000	1,269,000	90	141,000	10	141,000			-	–
Activity 3													
Supply Contract		X	120,000	90,000	90,000	75	30,000	25	30,000			-	-
TOTAL IB			2,270,000	2,270,000	2,086,000	91.9	184,000	8.1	184,000				
TOTAL INV			120,000	120,000	90,000	75	30,000	25	30,000				
TOTAL PROJECT			2,390,000	2,390,000	2,176,000	91.04	214,000	8.96	214,000			--	

NOTE: DO NOT MIX IB AND INV IN THE SAME ACTIVITY ROW. USE SEPARATE ROW

Amounts net of VAT

(1) In the Activity row use "X" to identify whether IB or INV

(2) Expressed in % of the **Public** Expenditure (column (b))

(3) Expressed in % of the **Total** Expenditure (column (a))

Details can be found in Annex 5

5. Indicative Implementation Schedule (periods broken down per quarter)

This project shall be implemented through four complementary contracts so that no overlap exists and the contracts support each other:

Contracts	Start of Tendering	Signature of contract	Contract Completion
Contract 1 (Twinning)	I Quarter 2009	III Quarter 2009	IV Quarter 2010
Contract 2 (TA)	II Quarter 2009	IV Quarter 2009	II Quarter 2011
Contract 3.2(Supply)	IV Quarter 2010	I Quarter 2011	II Quarter 2011

Duration of the project: **21 months** implementation

All projects should in principle be ready for tendering in the 1ST Quarter following the signature of the FA

6. Cross cutting issues (where applicable)

6.1 Equal Opportunity

Ministry of Finance is an equal opportunity employer. Selection of staff and other personnel to work on the projects will be based on objective assessments of qualification and experience, without regard to gender. Therefore, equal opportunities for women and men will be guaranteed.

6.2 Environment

Not applicable

6.3 Minority and vulnerable groups

According to the Turkish Constitutional System, the word ‘minorities’ encompasses only groups of persons defined and recognized as such on the basis of multilateral or bilateral instruments to which Turkey is a party. This project has no negative impact on minority and vulnerable groups.

ANNEXES

- 1- Log frame in Standard Format
- 2- Amounts contracted and Disbursed per Quarter over the full duration of Programme
- 3- Institutional Framework
- 4 - Reference to laws, regulations and strategic documents:
 - Reference list of relevant laws and regulations
 - Reference to AP /NPAA / EP / SAA
 - Reference to MIPD
 - Reference to National Development Plan
 - Reference to national / sector investment plans
- 5- Details per EU funded contract (*) where applicable:
 - For *TA contracts*: account of tasks expected from the contractor
 - For *twinning contracts*: account of tasks expected from the team leader, resident twinning advisor and short term experts
 - For *grants schemes*: account of components of the schemes
 - For *investment contracts*: reference list of feasibility study as well as technical specifications and cost price schedule + section to be filled in on investment criteria (**)
 - For *works contracts*: reference list of feasibility study for the *constructing works* part of the contract as well as a section on investment criteria (**); account of services to be carried out for the *service part* of the contract

(*) non standard aspects (in case of derogation to PRAG) also to be specified

(**) section on investment criteria (applicable to all infrastructure contracts and constructing works):

- Rate of return
- Co financing
- compliance with state aids provisions
- Ownership of assets (current and after project completion)

ANNEX 1: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX FOR	Programme name and number DECISION MAKING AND PERFORMANCE MANAGEMENT IN PUBLIC FINANCE – TR080206	
	Contracting period) expires 2 years after the signature of the Financing Agreement	Disbursement period expires 3 years following the end date for contracting
	Total budget : €2,390,000	IPA budget: €2,176,000

Overall objective	Objectively verifiable indicators	Sources of Verification	
<ul style="list-style-type: none"> Strengthening the administrative capacity of the public agencies on financial decision making and performance management. 	<ul style="list-style-type: none"> Turkish institutions can carry out performance management policy consistent with EU practices and procedures by the time of accession 	<ul style="list-style-type: none"> ➤ Draft Legislation ➤ EU Progress Report in 2008 and onwards ➤ Monitoring by the EC (European Committee) Delegation 	

Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>Strengthening financial decision making, strategic planning and performance based budgeting of the strategy development units of the Ministry of Finance, Prime Ministry, State Planning Organization, and Undersecretariat of Treasury.</p>	<ul style="list-style-type: none"> • Performance Based Budgeting is putted into practice in 4 institutions. • The transition from strategic planning to performance based budgeting is successfully achieved in 4 institutions. • %95 alignment is achieved between strategic plan and performance based budget • Reports on fulfilment of multi-year budgeting, strategic planning and performance based budgeting. • Proposals for necessary legislative amendments for a performance management model developed by project end. • Optimum resource allocation is achieved. 	<ul style="list-style-type: none"> ➤ Draft Legislation on performance management ➤ EU Progress Report in 2008 and onwards ➤ Project Implementation Reports ➤ Evaluation of the EU Regular Report on Turkey’s progress towards accession ➤ Proposed models ➤ Turkish Official Gazette ➤ Annual Activity plans and report ➤ Strategic Plan ➤ Performance programme and performance based budgeting 	<ul style="list-style-type: none"> ➤ Continued Government and EU commitment towards Turkey’s accession ➤ Continued Government commitment to public reform
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>Result 1- Qualified personnel are</p>	<p>1.1. At least 150 staff successfully participates in</p>	<p>➤ Assessment and Analysis Report of EU best practices on</p>	<p>➤ Continuity of agreement among all institutions involved.</p>

<p>trained up on performance management, strategic planning, performance based budgeting, risk management, cost-benefit analysis, public value analysis, process performance management and organization performance management and draft Legislation is prepared on performance management in line with EU requirements</p>	<p>trainings by first year of the project 1.2. Model training programs for decision support mechanisms developed by 2nd year of the project 1.3. In training of trainers activity, at least 60 attendees are trained. 1.4. Dissemination activities among other public agencies are successfully completed with increased awareness and knowledge by 2nd year of the project 1.5. Recommendations adopted on legislative and administrative alignment by 2nd year of the project</p>	<p>performance management system</p> <ul style="list-style-type: none"> ➤ Turkish Official Gazette ➤ Gap Analysis Reports ➤ Financial Memorandum on 2008,2009 and 2010 National Programme for Turkey ➤ Draft law and their primary and secondary legislation in addition to existent Law No:5018 on performance management ➤ Training, conference and seminar participation records ➤ Reports on study visits, conferences & seminars, and participation of stakeholders ➤ Project Reports ➤ Technical Assistance Reports ➤ Monitoring Committee Reports ➤ Training, conference and seminar participation records ➤ Training materials ➤ Press coverage 	
<p>Result 2- Integrated Decision Support System and Performance Management Model and Decision Support System Technology is developed 2.1. Decision Support System model is developed. 2.2. Performance Management Capacity is increased.</p>	<p>2.1.1. Decision process models developed by 2nd year of the project 2.1.2. The positive reflections towards the system and reliance towards the financial decisions taken by the help of the system is increased by project end 2.2.1. Performance management model, with pros</p>	<ul style="list-style-type: none"> ➤ Proposed models ➤ Report on harmonized knowledge gathered from relevant institutions ➤ Decision Support System Reports, notes. ➤ Project Reports ➤ Technical Assistance Reports ➤ Monitoring Committee Reports ➤ Risk Analysis Report 	<ul style="list-style-type: none"> ➤ Correct implementation of system

<p>2.3. Strengthened financial decision making, strategic planning and performance management capacity at key institutions.</p>	<p>and cons, based on the EU requirements and best practices developed by 2nd year of the project</p> <p>2.2.2. Report on risk analysis shows 60 % increase in the performance</p> <p>2.2.3The number of units in four institutions that could follow the matching of the priorities indicated in the Strategic Plan and the budget is increased by 2nd year of the project</p> <p>2.3.1. Decision Support System Technology is developed by 2nd year of the project</p> <p>2.3.2. The developed system is matching with a deviation of 10-20% a result of a comparison of the targets in the corporate profile and the real performance results.</p> <p>2.3.3. Multi-year budgeting in line with strategic planning and performance based budgeting successfully implemented: <i>The rate of deviation between the budget predicted by the Expert System and the budget actualized is decreased by 2nd year of the project</i></p>	<ul style="list-style-type: none"> ➤ Performance Indicator Reports ➤ Final Account Trial Balances ➤ Decision Support System Technology reports 	
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<p>Result 3- Necessary hardware equipment and software and other necessary electronic equipment is supplied</p>	<p>2.3.1. Decision Support System Technology is installed in selected pilot institutions by 2nd year of the project</p>	<ul style="list-style-type: none"> ➤ Monitoring Committee Reports ➤ Decision Support System Reports, notes. ➤ Project Reports 	<ul style="list-style-type: none"> ➤ Correct implementation of system
<p>Activities</p>	<p>Means</p>	<p>Costs</p>	<p>Assumptions</p>
<p>Component 1: Training and Preparation of Draft Legislation harmonised with EU best practices</p> <p><u>1.1. Trainings</u></p> <p><u>1.1.1. Transfer know-how related to Performance Management</u></p> <p>1.1.1.1. Training of Trainers Team</p> <p>1.1.1.2. Training of 20 participant from each institution</p> <p>1.1.1.3. Providing in-depth practical knowledge on procedures and best practices in EU Countries on Performance Management System and transfer of know-how by preparing Best Practices Report on Performance Management System</p> <p><u>1.1.2. Transfer know-how related</u></p>	<p><u>Twinning (1)</u></p> <p>RTA</p> <p>Short Term training</p> <p>Study visits</p> <p>Internship arrangement</p> <p>Conferences & Seminars</p> <p>Workshops</p>	<p>Component 1- €860,000</p>	<ul style="list-style-type: none"> ➤ Staff involved in project implementation trained accordingly ➤ Development of suitable workshops and seminars ➤ Full commitment of the authorities involved ➤ Good cooperation among interrelated institutions ➤ Availability of experienced advisors and consultants

<p><u>to Strategic Planning</u></p> <p>1.1.2.1. Training of Trainers Team</p> <p>1.1.2.2. Training of 20 participant from each institution</p> <p>1.1.2.3. Providing in-depth practical knowledge on procedures and best practices in EU Countries on Strategic Planning and transfer of know-how by preparing Best Practices Report on Strategic Planning</p> <p><u>1.1.3. Transfer know-how related to Performance Based Budgeting</u></p> <p>1.1.3.1. Training of Trainers Team</p> <p>1.1.3.2. Training of 20 participant from each institution</p> <p>1.1.3.3. Providing in-depth practical knowledge on procedures and best practices in EU Countries on Performance Based Budgeting and transfer of know-how by preparing Best Practices Report on Performance Based Budgeting</p>			
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<p><u>1.1.4. Transfer know-how related to Risk Management</u></p> <p>1.1.4.1. Training of Trainers Team</p> <p>1.1.4.2. Training of 20 participant from each institution</p> <p>1.1.4.3. Providing in-depth practical knowledge on procedures and best practices in EU Countries on Risk Management and transfer of know-how by preparing Best Practices Report on Risk Management</p> <p><u>1.1.5. Transfer know-how related to Cost Benefit Analysis</u></p> <p>1.1.5.1. Training of Trainers Team</p> <p>1.1.5.2. Training of 20 participant from each institution</p> <p>1.1.5.3. Providing in-depth practical knowledge on procedures and best practices in EU Countries on Cost Benefit Analysis and transfer of know-how by preparing Best Practices Report on Cost Benefit Analysis</p>			
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<p><u>1.1.6. Transfer know-how related to Public Value Analysis</u></p> <p>1.1.6.1. Training of Trainers Team</p> <p>1.1.6.2. Training of 20 participant from each institution</p> <p>1.1.6.3. Providing in-depth practical knowledge on procedures and best practices in EU Countries on Public Value Analysis and transfer of know-how by preparing Best Practices Report on Public Value Analysis</p> <p><u>1.1.7. Transfer know-how related to Process Performance Management</u></p> <p>1.1.7.1. Training of Trainers Team</p> <p>1.1.7.2. Training of 20 participant from each institution</p> <p>1.1.7.3. Providing in-depth practical knowledge on procedures and best practices in EU Countries on Process Performance Management and transfer of know-how by preparing Best Practices Report on</p>			
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<p>Process Performance Management</p> <p>1.1.8. <u>Transfer know-how related to Organization Performance Management</u></p> <p>1.1.8.1. Training of Trainers Team</p> <p>1.1.8.2. Training of 20 participant from each institution</p> <p>1.1.8.3. Providing in-depth practical knowledge on procedures and best practices in EU Countries on Organization Performance Management and transfer of know-how by preparing Best Practices Report on Organization Performance Management</p> <p>1.1.9. Seminars and workshops for increase awareness and knowledge among other public institutions</p> <p>1.1.10. Study Visit in EU member states</p> <p>1.1.10.1. Study Visit in EU member states on Performance Management, Strategic Planning, Performance Based Budgeting and Risk Management</p> <p>1.1.10.2. Study Visit in EU</p>			
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<p>member states on Cost-Benefit Analysis, Public Value Analysis, Performance Management and Organization Performance Management</p> <p>1.1.10.3. Study Visit in EU member states on decision support systems, how existing systems in EU member state's is functioning, what are the pros and cons of these systems</p> <p>1.1.11. Internship for the staff of Beneficiaries in the decision support systems, financial management and strategic planning.</p> <p><u>1.2. Preparation of Draft Legislation harmonised with EU best practices</u></p> <p><u>1.2.1.</u> Developing recommendations on harmonisation of the Turkish legislation with the EU acquis on performance management system</p> <p><u>1.2.2.</u> Analysis of pros and cons of all proposed models on existing legislations</p> <p><u>1.2.3.</u> Using agreed recommendations for detailing the Action Plan</p>			
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<p>and drafting the proposals for legislative amendments <u>1.2.4.</u> Preparation of Draft Legislation on performance management</p>			
<p>Component 2: Development of Integrated Decision Support System and Performance Management Model <u>2.1. Development of Decision Support System model.</u> <u>2.1.1.</u> Identification of existing indicators of Public Finance Management and Methodologies of Data Collection <u>2.1.2.</u> Collection of rule data (data and metadata) <u>2.1.3</u> Current State Analysis: Analysis of current knowledge use behaviours in different Public Finance Managements, Strategy Development Units <u>2.1.4.</u> Harmonization of data, information and knowledge that form sound basis for financial decisions <u>2.1.5.</u> Definition of advanced technologies in</p>	<p><u>Technical Assistance (TA-1)</u> Key experts Short Term and Medium Term Experts Experts studies, legal assistance and experts on ad hoc basis</p>	<p>Component 2: €1,410,000</p>	<ul style="list-style-type: none"> ➤ Full commitment of the authorities involved ➤ Good cooperation among interrelated institutions ➤ Availability of experienced advisors and consultants ➤ Adequate provision from state budget

<p>PFM-DSS implementation <u>2.1.6.</u> Development of easy-to-use methodological shortcuts to support establishment of Public Financial Management-Decision Support System (PFM-DSS) Infrastructure</p> <p><u>2.2. Strengthening the Performance Management Capacity</u></p> <p><u>2.2.1.</u> Determination of risky areas in usage and management of public resources <u>2.2.2.</u> Preparation and implementation of risk efficiency and effectiveness analysis in determined risky areas <u>2.2.3.</u> Development of measurable, analysable, controllable and better management structure <u>2.2.4.</u> Cost-benefit analysis <u>2.2.5.</u> Constitution of Cost-effective management structure <u>2.2.6.</u> Improvement of the work processes to observe</p>			
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<p>decrease in time of the budget preparation processes and to analyse more decision alternative more efficiently in unit time-</p> <p>2.2.7. Introduction of new concepts of performance management for Public Financial Management System to the authorising offices and managers of four institutions.</p> <p>2.2.8. Implementation of the performance management system in four institutions</p> <p><u>2.3. Development and Installation of Decision Support System Technology</u></p> <p>2.3.1. Development of Public Financial Management Database and data entry software</p> <p>2.3.2. Development of decision support system modelling and reporting software</p> <p>2.3.3. Installation and training of the system in selected pilot institution: Strategy Development Units</p>			
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<p>of Ministry of Finance, Prime Ministry, Undersecretariat of the State Planning Organization, and Undersecretariat of Treasury</p>			
<p>Component 3: <u>Supply of the Equipment</u> <u>Activity 3.1.1.</u> Provision of necessary hardware equipment and software and other necessary electronic equipment</p>	<p><u>Supply contract</u> Server and other necessary database software and hardware and required network connections, and network for the ministries</p>	<p>Component 3: Supply Contract : €120,000</p>	<ul style="list-style-type: none"> ➤ Full commitment of the authorities involved ➤ Availability of experienced advisors and consultants ➤ Adequate provision from state budget