



SIGMA

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



Creating Change Together

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PRIORITIES

TURKEY

MAY 2013

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Table of Contents

2013-2020 SIGMA country priorities for public administration reform – explanatory note.....	2
Turkey 2013- 2020 SIGMA country priorities.....	2
Public finance management.....	4
Public procurement.....	7

2013-2020 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 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. The EC may wish to use the identified priorities to feed into the planning of EU assistance, in particular for IPA II, and to inform discussions with the country on public administration reform priorities.

TURKEY**2013- 2020 SIGMA COUNTRY PRIORITIES**

The following priority targets are proposed for Turkey for 2020:

1. The framework of public internal financial control (PIFC) meets European Union (EU) principles and standards and uses PIFC internal control systems methods applied across the entire public sector.
2. The Turkish Court of Accounts (TCA) has the necessary operational and functional independence required to fulfil its tasks according to international standards of supreme audit institutions (ISSAIs).
3. 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 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 internal financial control (PIFC) provides a basic structure for management control and internal control 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. 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 has been developed 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 defining the tasks of the Central Harmonisation Units (CHU)-financial management and control (FMC) as well as to strengthen the provisions of internal audit as well as clarifying the role and responsibilities of the Internal Audit Co-ordination Board.

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. The modernising legal framework was in place from December 2010 when, in July 2012, an amending law³ changed the audit remit and particular operating processes of the TCA. This resulted in some legal uncertainty concerning the precise authority of the TCA to undertake financial and performance audit. It also resulted in the TCA not being able to implement all the changes that it had initiated since December 2010. A subsequent decision by the Constitutional Court has annulled parts of the amending law but this decision has not yet been published in the Official Gazette and thus is not yet binding. The below priorities proposed take into account the legal framework in force at the time of submitting the 2013 SIGMA assessment to the European Commission (EC).

Target 2020	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. 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.
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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); and amending Law No. 6353 (July 2012).

³ Law No. 6353.

PUBLIC FINANCE MANAGEMENT

Enhanced application of the PIFC requirements to ensure the establishment of functionally independent internal operating audit arrangements with relevant functions, remit and scope.	
1-2 Years	<ol style="list-style-type: none"> 1. MoF to submit the draft PIFC policy paper 2013-18 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 of 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 approve and start implementation of its draft 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 an 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 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 would bring the laws in line with the current EU Directives (except the one on defence procurement). In particular, they would address issues related to exemptions and domestic preference and clarify the situation of utilities. The public procurement system is managed by a full set of central institutions, all engaged in the successive development of policies and practices.

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)/Ministry of EU Affairs to finalise 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'; 2. Public Procurement Authority (PPA) to expand monitoring of procurement to give a comprehensive view of areas, which now may be covered only partly, like education, health care, public housing and infrastructure; 3. PPA to identify further sectors likely to benefit from e-procurement and extend the current system accordingly; 4. 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; 5. MoF to allocate additional staff for analytical and regulatory development in the public procurement policy and co-ordination department in order to enhance its co-ordination capacity; 6. 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; 7. MoF and PPA to review the remedies system and determine the regulatory and institutional reforms required and prepare a corresponding action plan; 8. MoF and Ministry of Development (MoDev) to facilitate the future alignment with the <i>acquis</i> of policies and practices in the fields of utilities, concessions and PPPs.
3-5 Years	<ol style="list-style-type: none"> 9. MoF, MoEA, PPA, MoDev and Ministry of Defence (MoDef) to prepare and adopt further amendments to the public procurement law and other legal instruments as required by the latest changes to the Directives, including defence and security, utilities, concessions and PPPs; 10. MoF to co-ordinate the implementation of the action plan for the development of centralised procurement by drafting and adopting legislation required; 11. 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.

PUBLIC PROCUREMENT

5 + Years	<p>12. MoF to amend the regulatory framework as needed for continued alignment with the <i>acquis</i>;</p> <p>13. 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.</p>
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