

Performance Budgeting in Turkey

by

Sevil Çatak and Canan Çilingir*

The effective and efficient use of public resources has vital importance for Turkey. To serve this purpose, public financial management was reformed and a performance budgeting system was launched in Turkey.

This article assesses the current situation of the implementation of the performance budgeting system in Turkey from the perspective of public administrations under the general budget. It examines all stages of the performance budgeting process (strategic planning, performance programming, budgeting, accountability reporting and auditing) as well as all elements of the system (legislation, methodology, co-ordination, guidance, ownership, implementation, and factors affecting the process). It identifies the strengths of the system and the problems faced.

JEL classification: H110, H610

Keywords: performance budgeting, budgeting systems, strategic planning, performance programming, accountability

* Sevil Çatak is a treasury expert in the Strategy Development Department of the Undersecretariat of Treasury, Turkish Prime Ministry. Canan Çilingir is professor at the Middle East Technical University in Ankara. The opinions expressed in this article do not reflect the official views of the Undersecretariat of Turkish Treasury.

1. Introduction

Government budgets, which are “statements of government financial plans”, are at the core of the public policy indicating how public resources are planned to be used to meet policy goals (OECD, 2006). In order to provide efficient allocation of public resources to public expenditures in conformance with the priorities of government via more informed budgetary decision making and to enhance transparency and accountability in public activities, performance budgeting system has emerged.

As in most developed and developing countries, a performance budgeting approach was introduced in the public sector in Turkey in 2003 by the enactment of the Public Financial Management and Control (PFMC) Law. The PFMC Law covers the financial management and control of all public administrations. Implementation of the law began in 2005 in terms of the budgeting process, and in 2006 in the proper sense.

The hypothesis that the performance budgeting system is not running properly in Turkey is questioned in this article. The article systematically analyses the problems faced by the public administrations under the general budget related to the performance budgeting system in Turkey.

2. General characteristics of the performance budgeting system in Turkey

The performance budgeting approach came into operation in Turkey in December 2003 by the enactment of the Public Financial Management and Control Law.¹ The performance budgeting system was completed in July 2008 in terms of its components. The term “performance-based budgeting” is used in the PFMC Law. It is stated that public administrations prepare their programme/project-based resource allocation and budgets on the basis of their strategic plans, objectives and performance indicators.

2.1. Budgeting categories in the PFMC Law

Three broad types of institutions are defined in the PFMC Law: public administrations within the scope of central government, social security institutions, and local administrations. They are also called public administrations within the scope of general government. The PFMC Law covers the financial management and control of these public administrations. Accordingly, there are three broad categories of budgets: central government budget, social security institution budget, and local administration budget. The central government budget also includes three sub-budget categories that are general budget, special budget, and regulatory and supervisory agency budget (PFMC Law).²

2.2. Performance budgeting tools

Performance budgeting tools are strategic plans, performance programmes, budgets and accountability reports. Moreover, there is a complementary tool called analytical budget classification.

2.2.1. Strategic plans

Strategic plans include medium and long-term objectives, core values and policies, goals and priorities, and performance indicators of public administrations as well as the methods followed to achieve those and resource allocation. Strategic plans define the current and desired position of organisations as well as the way to close the gap between the two. Strategic plans cover five-year periods in Turkey. The liability of public administrations to prepare strategic plans is stated in Article 9 of the PFMC Law, which came into force in January 2005.

2.2.2. Performance programmes

Performance programmes include the following elements:

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

The public administrations are required to prepare performance programmes (Article 9 of the PFMC Law). Performance programmes cover one year and are prepared each year.³

2.2.3. Budgets

A multi-year budget framework is utilised on the basis of the annual budget process. The time horizon for budgets is three years. The appropriations of the first year are established by the Central Government Budget Law (CGB Law). The appropriations of the following two years are set as indicators by the administrations and not legalised.

The administrations within the general budget prepare expenditure budgets, and the general revenue budget is prepared by the Ministry of Finance. The other administrations prepare both revenue and expenditure budgets.

2.2.4. Analytical budget classification

Budgets are prepared according to an analytical budget classification. The classification of expenditure budgets is based on four categories: institutional, functional, financing, and economical classification (Box 1).

2.2.5. Accountability reports

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

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

Public administrations and spending units⁴ are required to issue accountability reports each year (PFMC Law).

Box 1. Analytical budget classification

Budgets are prepared according to an analytical budget classification. The classification of expenditure budgets is based on four categories: institutional, functional, financing, and economical classification.

The **institutional classification** has four levels. The first level identifies ministries and regulatory and supervisory agencies. The second level covers divisions that directly report to the first level. The third level identifies units operating under the second level. The fourth level is for support, logistics and certain executive units.

The functional classification follows the international Classification of Functions of Government (Kraan, Bergvall and Hawkesworth, 2007). The functional classification has four levels. The first level is for the classification of government expenditures in terms of ten services which are: general public services; defence services; public order and security services; economical acts and services; environmental protection services; services for housing and prosperity of people; health services; services for recreation, culture and religion; education services; and services for social security and social aid.

The **financing classification** is a one-digit and one-level code. The source of funding is shown in this part and may be one of the following: general budget, private budget, social security institutions, local administrations, private appropriations, foreign project loans, and contributions and aids.

The **economical classification** has four levels where the first level constitutes main codes and the rest show the details. There are nine options for the first level. These are personnel expenditures, state premiums to social security institutions, expenditures for purchase of goods and services, interest expenditures, current transfers, capital expenditures, capital transfers, lending, and backup appropriations. The first and the fourth levels have two digits, and the second and the third levels have one digit each.

2.3. Actors in the performance budgeting system

The main actors in the performance budgeting system can be classified as regulatory administrations and implementing administrations. The regulatory administrations are the Undersecretariat of State Planning Organization (SPO) and the Ministry of Finance (MoF).

The SPO is responsible for long-term development plans, macroeconomic monitoring and forecasting, and preparation and execution of investment plans. Moreover, the regulation related to strategic planning is to be determined by the SPO (PFMC Law). In this context, two documents were prepared by the SPO: the By-Law on the Procedures and Bases for Strategic Planning, which came into force in May 2006, and the *Strategic Planning Guidebook for Public Administrations*, which was published in June 2006 in its second edition.

The MoF has the overall responsibility for fiscal policy. The MoF is also authorised to determine the issues related to performance programming and budgeting, and accountability reporting by the PFMC Law. In this context, three documents were prepared by the MoF: the By-Law on the Preparation of Performance Programmes of Public Administrations and the *Guidebook for Preparation of Performance Programmes*, which were published in July 2008 and revised in July 2009, and the By-Law on the Preparation of Accountability Reports of Public Administrations, which came into force in March 2006.

The term “implementing administration” refers to an administration that is in charge of performance budgeting. All public administrations covered in the PFMC Law including the SPO and the MoF are implementing administrations for performance budgeting. More specifically, they are in charge of the development of strategic plans, performance programmes and accountability reports as well as the preparation of budgets based on the performance budgeting approach.⁵ All administrations under the central government have their own units, called Strategy Development Departments, which are responsible for co-ordination and guidance in the implementation of performance budgeting.

2.4. The performance budgeting process

The performance budgeting process can be illustrated from the perspective of both the regulatory and the implementing aspects.

The budgeting process begins with the publication of the medium-term programme and ends with the publication of the law on the central government budget (CGB) in the *Official Gazette* (Figure 1). The CGB Law “indicates the revenue and expenditure estimations of the public administrations included in the central government and that grants authority and permission for their realisation and implementation” (PFMC Law).

The main documents of the process need some explanation. The medium-term programme includes basic macro policies, principles, and economic figures as targets and indicators in line with the development plans and strategic plans of the institutions and the requirements of general economic conditions.

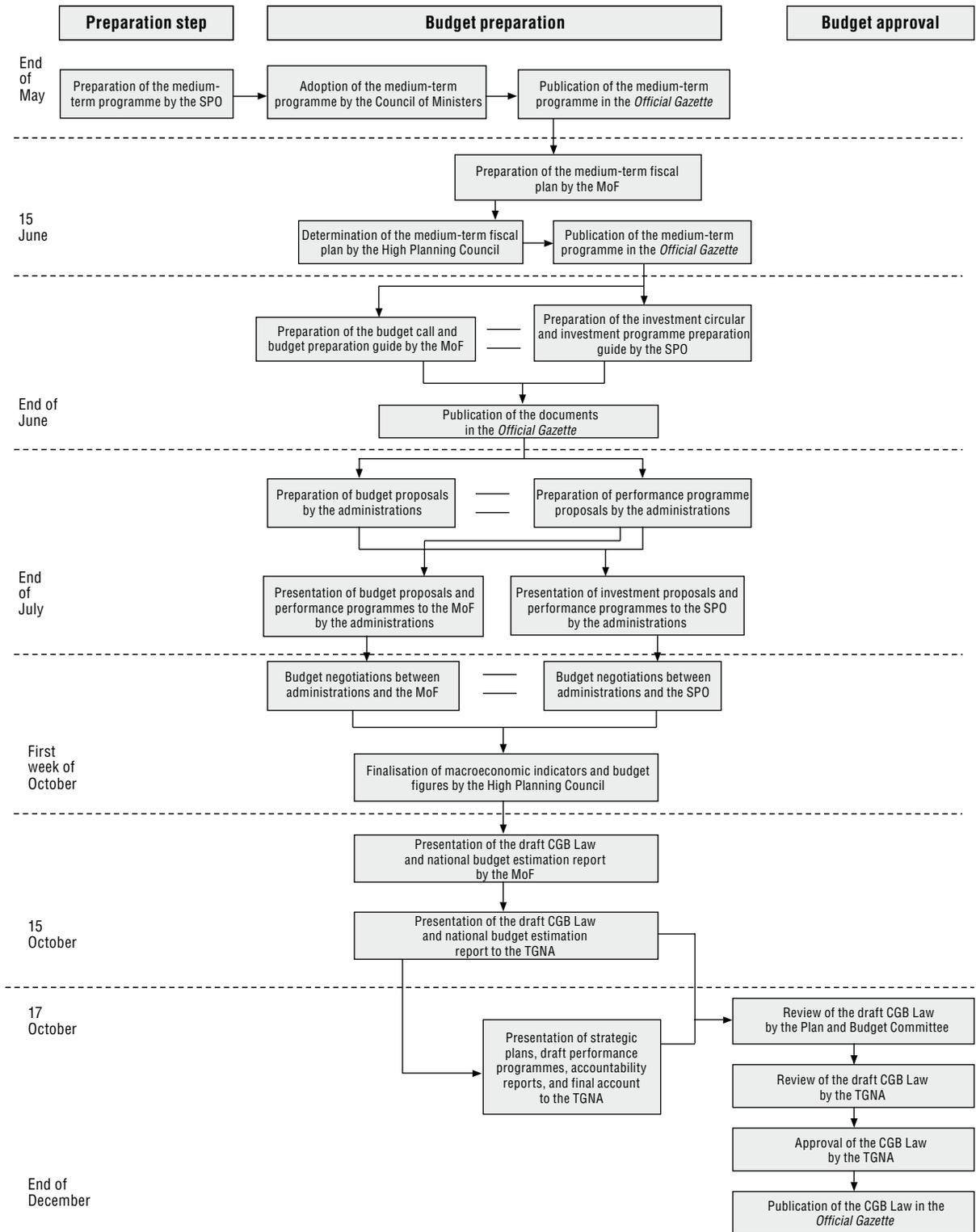
Consistent with the medium-term programme, the medium-term fiscal plan includes the targeted deficit and borrowing positions, total revenue and expenditure projections for the following three years, and the ceilings of appropriation proposals of administrations excepting regulatory and supervisory agencies. The appropriations are legalised by the CGB Law based on the first level of the functional classification and on the second level of the economical classification. Moreover, the appropriations based on the first level of the institutional classification are also stated in the CGB Law. After approval by the Turkish Grand National Assembly (TGNA), the CGB Law is approved by the President of the Turkish Republic and published in the *Official Gazette* before the beginning of the fiscal year.⁶

From the perspective of the implementing administrations within the general budget, the performance budgeting process can be summarised in four steps: preparation of strategic plans, performance programmes, budgets, and accountability reports.

The performance budgeting process begins with the development of the strategic plan of the organisation. Strategic plans of administrations are sent to the SPO, the MoF, the Court of Accounts and the Turkish Grand National Assembly. The budgeting process is carried out, and a performance programme is prepared every year, based on the strategic plans.

Performance programme proposals for administrations are prepared in accordance with the strategic plan under budgetary constraints, which are the budget ceilings determined in the medium-term fiscal plan. Therefore, the performance programming process is executed hand-in-hand with the preparation of budgets. The main features of the performance programming process are explained in the *Guidebook for Preparation of Performance Programmes* and stated below.

Figure 1. **Budgeting process in Turkey**



CGB = central government budget
 MoF = Ministry of Finance
 SPO = State Planning Organization
 TGNA = Turkish Grand National Assembly

In case of a change in appropriations, public administrations revise their performance programmes accordingly. Since there may be budget changes twice, there are three versions of performance programmes: proposal, draft and final, as in the budget. The resource requirements of an administration specified in the performance programme should be equal to the resources available in any version.

Public administrations prepare their proposals for budget revenue and expenditures in the framework of strategic plans and the principles stated in the budget preparation guide.⁷ Spending units also prepare departmental budget proposals. Budgets are prepared using the fourth level of the economical classification, in an electronic form which is called *e-bütçe* and runs through Internet. Well-reasoned statements for budget proposals are also noted in the documents. Performance programmes have an important role in budgeting to enable the link between strategic plans and budgets.

Accountability reports are prepared and issued each year by the heads of public administrations⁸ and heads of the spending units. One copy of the accountability reports of the administrations within central government are sent to the MoF and to the Court of Accounts.⁹

2.5. Budget flexibilities

Appropriations are prepared using the fourth level of the economical classification, but they are legalised in the detail of the second level. Therefore, public administrations and spending units have some flexibility on spending.

Moreover, the administrations within the central budget have authorisation to transfer from one budget item in the second level of the economical classification to another, provided that the total budget transferred to an item does not exceed 20% of the budget of that item.¹⁰ In addition, appropriations can be transferred from one administration within the central government to another only by law. Unused appropriations cannot be carried over from one year to the next, and they are cancelled at the end of the year.

2.6. Detailed expenditure programmes

After the approval of the CGB Law, the administrations under the general budget prepare their detailed expenditure programmes (DEPs), which are on a monthly basis.¹¹ The DEPs are then approved by the MoF on a quarterly basis and for the second level of economical classification.¹² The appropriations of the administrations are released quarterly by the MoF based on the approved DEPs. In case of insufficient appropriations, it is possible to revise quarterly determined appropriations. Public administrations are not allowed to spend in excess of their appropriations (Article 20 of the PFMC Law).¹³

2.7. Internal control and external audit

Internal control, co-ordination of which is the responsibility of the Strategy Development Departments, is a complementary tool for performance budgeting. Internal audit is an important part of internal control and is performed by a separate internal audit unit in administrations.

External audit, which is also a complementary tool, is an *ex post* audit performed by the Turkish Court of Accounts within the framework of the accountability of administrations under general government.

2.8. Review of performance budgeting in Turkey

The performance budgeting approach used in Turkey is either presentational or performance-informed budgeting for accountability purposes. Moreover, both planned and actual performances are used; the former is stated in the performance programmes and the latter is reported in the accountability reports.

The budget system of Turkey follows incremental budgeting. Moreover, line-item budgeting is used in Turkey. The expenditure proposals of the administrations are prepared according to the analytical budget classification. Therefore, it is proper to say that functional budgeting is also utilised. Although the use of a programme/project-based structure is stated in the PFMC Law, a programme classification is not used.

The medium-term programme contains the “medium-term expenditure framework” (Schick, 2002); that is, forecasts for the annual expenditure budget in terms of aggregate limits are made for each of the next three years. The framework is revised annually. Moreover, a top-down budget formulation is applied and money is allocated to public administrations, thus determining the administrative expenditure limits. When properly done, this process facilitates reallocations in accordance with the strategic priorities of the government (Schick, 2002).

Furthermore, among the performance budgeting models, a model based on additional performance documents is used in Turkey, more specifically based on strategic plans. A formal approach, for which “the MoF requires ministries to present performance plans and/or performance results along with their spending proposals” (OECD, 2007), is also utilised. Moreover, performance programmes and accountability reports are the elements informing the budget process.

Accounting is on an accrual basis in Turkey; on the other hand, budgeting is on a cash basis, resulting in a dual system for budgeting and accounting.

The budgeting process in Turkey is defined as “simultaneously centralised and fragmented” by Kraan, Bergvall and Hawkesworth (2007) where centralisation refers to a strong top-down steering process from the centre and fragmentation refers to the existence of more than one budget authority responsible for expenditures in the budget.

Current and capital expenditures are separated; the former is the responsibility of the MoF and the latter is the responsibility of the SPO.

3. The framework of the study to assess the current situation

3.1. Scope and aim of the study

A study was made to assess the current situation of the performance budgeting system in Turkey and to determine strengths and problems.

The study systematically analyses the problems faced by the public administrations under the general budget related to the performance budgeting system in Turkey. These administrations were chosen because they are the most restricted administrations in terms of budget. Another reason, from the perspective of public fiscal management and control, is that the total budget of the public administrations under the general budget constitutes approximately 93.3% of the total central government budget.¹⁴

3.2. The method of the study

In conducting the study, a questionnaire was developed and implemented, and practices of general budget administrations were investigated, details of which are stated below. In addition, a set of interviews was conducted. Furthermore, legislative, regulatory and administrative documents related to performance budgeting were investigated. Data gathered by the above-mentioned tools were then subjected to analysis.

3.2.1. Questionnaire

In order to systematically analyse the problems that the administrations face in the performance budgeting system, a questionnaire was prepared based on the interrelations between the components of the system, focusing especially on the possible problematic areas.¹⁵

The questionnaire was structured around the main instruments of the performance budgeting system, namely: strategic planning, performance programming, budgeting, and accountability reporting. In addition, its design included questions related to descriptive information for administrations and four main components of the system: legislation, methodology, implementation practices, and factors affecting the process.

The research questions that form the basis of the questionnaire were as follows:

- whether the regulation for the performance budgeting system is adequate for administrations;
- whether the performance budgeting methodology is appropriate;
- whether administrations encounter difficulties in the performance budgeting processes;
- the factors affecting the processes; and
- general comments about the system and possible suggestions for its improvement.

There are 50 administrations under the general budget, 44 of which are subject to the performance budgeting legislation. Among them, the target audience of the questionnaire comprised 40 administrations, 29 of which performed strategic planning and performance programming processes, and 11 of which performed/were performing strategic planning only. The same questionnaire was presented to all administrations with the flexibility of leaving irrelevant questions unanswered.

The questionnaires were distributed in Turkish to the Strategy Development Departments of the administrations in a paper version in the period from 8 May to 28 September 2009. The questionnaires were completed by the heads of the SDDs and their personnel working on performance budgeting systems. Still, only one set of responses was received from each administration. Among the 40 administrations, 37 answered the questionnaire – that is, the response rate was 92.5%.

The responses to the questionnaire were systematically analysed by using the software called Statistical Package for the Social Sciences (SPSS) 15.0. The analysis was used as the main determining factor of the current situation of the performance budgeting system.

3.2.2. Interviews

A set of semi-structured face-to-face interviews (I#1) was conducted with experts involved in the performance budgeting process in the Strategy Development Departments of seven administrations. The questionnaire mentioned above was the basis for the

interviews, and the subject was the problems encountered in the performance budgeting system.

Furthermore, a structured interview (I#2) was undertaken to discover why the administrations did not or could not develop their strategic plans. The target audience of this interview was four administrations under the general budget which did not or could not develop strategic plans yet. However, interviews could be conducted with only two of them.

In addition, a meeting was held with the experts of the General Directorate of Economic Modelling and Strategic Research of the SPO to obtain data for the regulatory side of strategic planning. In addition, another meeting was held with the experts of the General Directorate of Budget and Fiscal Control of the MoF related to the regulatory side of performance programming and budgeting. These meetings were designed as structured face-to-face interviews.

The interview responses were used as supplementary and complementary information in the current situation analysis.

3.2.3. Analysis of legislation

The by-laws and guidebooks of the performance budgeting system of Turkey were investigated in detail and compared with the suggestions found in the literature and international best practices. The aim was to determine the deficiencies of the documents that may insufficiently or improperly direct the administrations and generate some problems in the performance budgeting system in Turkey.

3.2.4. Investigation of administrative characteristics and practices

The published strategic plans of 29 administrations were investigated from the strategic management perspective to find out whether the administrations could follow the principles of strategic management and determine the elements of strategic plans properly.¹⁶

In addition, the accountability reports of six administrations that report achieved performance compared to targeted performance were also examined, to reveal whether proper reporting can be accomplished.¹⁷

Furthermore, some administrative characteristics were gathered. The findings of the investigation were used as complementary information in the current situation analysis.

4. Analysis of the performance budgeting system in Turkey

The description of the current situation of the performance budgeting system in Turkey is based on the analysis of the questionnaires, investigation of the regulatory documents related to the performance budgeting system, and investigation of administrative practices.

The current situation can be described in the following areas: legislation, methodology, co-ordination, consultancy/guidance, ownership, implementation, and administrative factors. Another breakdown can be made in terms of the tools used in the performance budgeting system, namely: strategic plans, performance programmes, budgets, accountability reports and other tools. Hence, the situation is presented in a cross-cutting way, where possible.

4.1. Legislation

Analysis for the legislation on performance budgeting in Turkey essentially includes assessment of the by-laws on the performance budgeting tools. In addition, the Law on Civil Servants and the Law on the Turkish Court of Accounts were also studied, because of their complementary role in the system.

4.1.1. Legislation related to strategic plans

The By-Law on the Procedures and Bases for Strategic Planning is assessed in this section.

The description of strategic planning given in the by-law is clear and understandable for 86.5% of the questionnaire¹⁸ respondents, which implies a good starting point for the process.

The strategic planning calendar for administrations, that specifies the due date for the publication of strategic plans, was prepared on the basis of the information obtained by the Strategic Management Survey.

The start date for strategic planning (that is, the calendar) is appropriate for 91.9% of participants. In fact, approximately 50% of administrations sent their strategic plan to the SPO in time. However, both of the administrations under the I#2 interview mentioned the inappropriateness of the calendar as one of the strongest negative factors for strategic planning. Nonetheless, it can be said that the classification of administrations for incremental implementation of strategic planning is proper and well designed.

Strategic planning basics: The preparation process for strategic planning described in the by-law is comprehensive enough to ensure the success of strategic planning studies of 86.5% of participants. However, both of the administrations under the I#2 interview did not endorse this statement.

The strategic planning process has some deficiencies compared to the generally accepted principles and approaches in the literature, which may prevent the proper preparation of strategic plans.

It is stated in the by-law that strategic plans of administrations are prepared consistent with the development plan, the medium-term programme and other related national, regional and sector-specific plans and programmes – that is, a top-down planning approach is envisaged. However, it is thought by 50% of the participants that the way in which the strategic plans will be linked to the development plan and programmes has not been clearly stated in the by-law; this percentage is relatively high. This deficiency includes the risk of developing plans that are disconnected from higher-level policies and programmes.

Moreover, it is stated that interaction of administrations should be considered in the preparation of strategic plans. However, it is not clearly stated that the administrations should investigate the strategic plans or further planning documents of other administrations, especially those with similar activities and responsibilities. Indeed, 69.4% of the participants think that the way in which inter-administrative interactions will be considered in the preparation of strategic plans has not been clearly stated in the by-law; this reply rate is unexpectedly high. This deficiency includes the risk that closely similar plans, as well as coincident and even adverse ones, could be developed.

In addition, it is not commonly felt that the relation of strategic plans to performance programmes has been clearly stated in the by-law. This deficiency may prevent

administrations from considering the performance programming element of the system while developing strategic plans.

Evaluation of strategic plans: It is stated in the by-law that the strategic plans are evaluated by the SPO in terms of the following elements:

- conformance with the development plans, programmes and other related documents;
- conformance with the procedures and bases stated in the related regulations, especially in the by-law;
- conceptual consistency within the components of the strategic plans, namely mission, vision, objectives and targets;
- consistency with the strategic plans of the other administrations.

In this context, a set of questions was prepared by the SPO for the evaluation of strategic plans, details of which will be discussed in Section 4.2.1 below (methodology related to strategic plans). However, 50% of the participants think that the points related to how strategic plans will be assessed by the SPO are not clear, which can be seen as a problem from the perspective of transparency.

Despite the above-mentioned evaluations of the by-law, it should be stated that it is evaluated as an enabling factor for the strategic planning process by 82.8% of participants. However, the by-law had no effect on the strategic planning process carried out by 14.3% of the participants and a negative effect on that of 2.9%, which are important indicators for the regulatory quality of the by-law. In addition, both of the administrations under the I#2 interview stated that the inadequacy of the by-law was an important reason for incomplete plans.

4.1.2. Legislation related to performance programmes

The By-Law on the Preparation of Performance Programmes of Public Administrations is assessed in this section.

The By-Law on the Preparation of Performance Programmes of Public Administrations (first version) was published in the *Official Gazette* in July 2008. However, it was revised after only a year, by the related amendment by-law which was published in the *Official Gazette* in July 2009, resulting in the second version. There are some differences between the first and the second versions of the by-law (Table 1).¹⁹

From the perspective of performance-based budgeting to be implemented in Turkey, budgets should be prepared in line with performance programmes. In the new system, since performance programmes are prepared covering one year, only the resource requirement and appropriations of the budget year can be determined according to performance programmes, if possible. The budgets of the remaining two years are to be forecast by other methods, and most probably ignoring the relation to performance programmes. In other words, the medium-term approach may apply neither to the financial aspect of budget preparation nor to a performance aspect. Therefore, the regulation that confines performance programmes to only the budget year can be said to be contrary to the multi-year budgeting approach. Furthermore, 78.6% of administrations cannot or do not already make realistic estimates for their administrative budget appropriations for the next two years in the framework of the multi-year budgeting approach. Hence, the second version cannot enable the situation to be better.

Table 1. Main differences between the first and the second versions of the By-Law on the Preparation of Performance Programmes of Public Administrations

Area considered	Statement/regulation in the first version of the by-law	Statement/regulation in the second version of the by-law
Programme period	Budget year and the following two years.	Budget year (one year).
Departmental performance programmes (DPPs)	DPPs are prepared by each spending unit.	There is no statement related to DPPs – that is, spending units are not required to prepare DPPs.
Definitions	Includes activity and project differentiation.	There is only a definition for “activity”.
Submission date of performance programmes to the Ministry of Finance and the State Planning Organization	15 February	15 March

The description of “performance programme” given in the by-law is clear and understandable for 66.7% of the participants. But the fact that the definition is unclear for one-third should not be disregarded.

Performance programming basics: Only 52.8% of participants think that the way in which strategic plans and performance programmes will be linked has been clearly stated in the by-law. Thus, there is a risk of the development of programmes that are not properly and perfectly connected to strategic plans.

Appropriations are allocated quarterly by the MoF. However, there is neither a suggestion nor an arrangement to take this practice into consideration in the performance planning process or vice versa.

Evaluation of performance programmes: It is stated in the by-law that performance programmes are evaluated by the MoF in terms of the standards as well as the procedures and the bases. In this context, the MoF developed an evaluation list. However, in contrast to the evaluation process for strategic plans, the questions for assessment of performance programmes are not published.²⁰ A lack of transparency in this context may imply a lack of possible guidance for administrations in the performance programming process.

Additionally, it is stated in the same regulation that performance programmes are evaluated in the budget negotiations held with the MoF and the SPO. However, the level of consideration is not expressed explicitly, which may prevent the performance budgeting system from being fully anticipated by administrations.

Another important point is that the by-law is evaluated as a positive factor for the performance programming process by only 48.2% of the participants. For 24.1%, the by-law had no effect on the process and, for 27.7%, a negative effect. These percentages are significant indicators for the regulatory quality of the by-law.

4.1.3. Legislation related to budgets

The public budgeting process – more specifically, the preparation and approval process of the central government budget law – is defined in the PFMC Law. The assessment of the whole budgeting process is beyond the scope of this study. However, general evaluations are presented considering the relationship between budgets and performance programmes.

Budget calendar: According to the budget schedule specified in the PFMC Law, administrations are given a month (1-31 July) to prepare their budget proposals (provided that the budget documents are published on time). However, the publication dates of budget

documents reveal that there are deviations in some parts of the formal budget calendar (Table 2). Year 2009 may be considered as an exception. Nonetheless, administrations generally have a limited time – less than a month – to prepare proposals.

Table 2. **Publication dates of some budget documents**

Budget document	Publication date in the <i>Official Gazette</i>				
	Budget calendar ¹	2006	2007	2008	2009
Medium-term programme	End May	13 June 2006	21 June 2007	28 June 2008	16 September 2009
Medium-term fiscal plan	15 June	15 July 2006	3 July 2007	8 July 2008	18 September 2009
Budget call and budget preparation guide	End June	15 July 2006	3 July 2007	8 July 2008	18 September 2009
Investment call and investment programme preparation guide	End June	20 July 2006	5 July 2007	16 July 2008	18 September 2009 ²
By-Law on the Preparation of Performance Programmes of Public Administrations	–	–	–	5 August 2008	15 July 2009 ³
Guidebook for Preparation of Performance Programmes	–	–	–	17 July 2008	21 May 2009 ⁴

1. Refers to the specified date in the annual budget schedule in the PFMC Law.

2. Investment proposals of administrations were requested by official correspondence on 30 July 2009. On 15 July 2009, a circular was published in the *Official Gazette* to demand revised investment proposals according to the medium-term programme, medium-term fiscal plan and investment programme preparation guide.

3. Refers to the publication date of the amendment by-law for performance programmes.

4. Refers to the publication date of the draft form of the *Guidebook for Preparation of Performance Programmes*.

Source: <http://rega.basbakanlik.gov.tr> (Prime Minister's site for the *Official Gazette*).

In this context, it is important to specify the publication dates of the By-Law on the Preparation of Performance Programmes of Public Administrations and the *Guidebook for Preparation of Performance Programmes*. In 2008, the by-law was presented after the publication of the medium-term fiscal plan and the budget call (Table 2). This date was even after the formal submission date of budget proposals and during the actual administrative budget preparation process. On the other hand, the guidebook was made public before the by-law. Yet, it can be posited that there was limited time for administrations to investigate and understand the regulation and to put it into practice. However, the effect of this case on the performance programming process of administrations is not apparent.

Budget preparation process: Budget proposals of administrations are prepared and sent to the MoF. Investment budgets, on the other hand, are prepared separately from the other budget items and sent to the SPO for revision. This twofold structure prevents well-organised resource allocation since “it does not encourage line ministries to make trade-offs between recurrent spending and investment and to review the recurrent costs of investment projects” (SIGMA, 2008). It also leads to inefficiencies in budgeting. In fact, 76.7% of administrations believe that there are repeated processes, leading to loss of time in the budgeting process from the preparation of the medium-term programme to the publication of the budget law in the *Official Gazette*.

Budget approval process: According to the “OECD Best Practices for Budget Transparency” (OECD, 2002), the draft budget should be submitted to Parliament at the latest three months prior to the start of the fiscal year so as to allow Parliament a reasonable period of time to review it properly. In Turkey, however, the Parliament formally has 75 days to review and approve the budget, the first 55 days of which are for the Plan and Budget Committee to review and revise budget proposals and the remaining 20 days

of which are for the Assembly to deliberate the text of the draft CGB Law. In other words, the budget approval period is less than the accepted best practice, which may hinder Parliament's proper investigation of all budget and budget-related documents, namely strategic plans, performance programmes and accountability reports. In addition to limited time, the workload of the Plan and Budget Committee may also impede proper analysis of performance budgeting documents (Öner, 2008).

From the perspective of budget amounts, the change in budget appropriations during the negotiations held in the Parliament may differ. In fact, among 30 administrations within the target audience of the questionnaire, budgets for year 2009 of 18 were approved without any change, those of ten were decreased and those of two were increased. Therefore, it can be said that the authorisation of the Plan and Budget Committee and the Parliament on budgets is actively used.

Analytical budget classification: The analytical budget classification (ABC) is compatible with ESA95 (European System of Accounts).²¹ The functional classification is consistent with the United Nations Classification of Functions of Government (COFOG), and the economical classification is consistent with the IMF *Government Finance Statistics Manual* 2001 (GFSM). Budgets are produced according to this classification. However, programmes cannot be specified separately in the classification.

The lack of a programme classification in the ABC system is also a problem for administrations, and has a negative effect on the performance programming process of 54.2%. One result of this situation is that the cost of any programme, project or activity cannot be specified under a single item in the budget; instead, it is split as salaries, training, etc. The other problem – even more serious – is that it is not possible to specify the programme, project or activity to which the expenditures belong. Administrations are not able to relate their planned or actual expenditures and programmes within the analytical budget classification. Actually, 22.2% of administrations cannot link their expenditures to their performance targets at all, whereas 48.2% can partially link and 29.6% can totally link. Also, 61.5% of the administrations think that the ABC needs to be changed to enable the appropriate expression of the cost of the activities.

From the perspective of public information, the MoF informs the public about where taxes are spent by postings on the website of the General Directorate of Budget and Fiscal Control.²² The expenditures are presented according to the first-level economical and functional codes of the ABC. However, the information is limited. For instance, one can see what percentage of the budget was spent on education; yet, the viewer cannot directly see what was achieved in the education sector using the budget. This is due to the lack of the ability to specify outcomes or programmes in the ABC. Moreover, the above-mentioned imperfection may also hinder the Turkish Court of Accounts in determining and auditing the expenditures according to programmes.

Budget transfers: The opportunity for budget transfers and its effect on the realistic preparation of budgets are also important issues to consider. The flexibility to transfer budget appropriations prevents the realistic preparation of budget appropriation proposals of the spending units of 55.6% of participants, and of the total administrative budget appropriation proposals of 44.4%. Although such flexibility is crucial for possible changes in needs within the execution year, the above-mentioned shortcoming should not be disregarded.

Detailed expenditure programmes (DEPs): From the execution side of budgets, detailed expenditure programmes (according to which appropriations can be used) should reflect the portions of performance programmes. However, the date of publication of DEPs impedes full implementation of programmes (Table 3). Furthermore, 78.6% of participants favour finalisation of DEPs before the beginning of the fiscal year.

Table 3. **Publication dates of the “Communiqué of Budget Execution” related to detailed expenditure programmes**

Publication date of the “Communiqué of Budget Execution” in the <i>Official Gazette</i>		
	Call for preparation of DEPs	Announcement of approved DEPs
2009	8 January 2009	7 February 2009
2008	11 January 2008	21 February 2008
2007	24 January 2007	1 March 2007
2006	7 February 2006	26 February 2006

Source: <http://rega.basbakanlik.gov.tr> (Prime Minister's site for the *Official Gazette*).

Separation of performance programmes and budgets: Performance programmes and budgets are prepared and submitted to the related administrations as separate documents. Therefore, appropriations are expressed via two different classifications. On one hand, appropriations are presented under cost of activities, appropriations to be transferred to other administrations, and general management expenditures in performance programmes. On the other hand, budget proposals use the analytical budget classification via which line items are expressed.

This separation, however, implies a conflict. Regulation for performance budgeting requires administrations to identify goals, targets, programmes, activities and costs via unit costs of activities, whereas the analytical budget classification does not enable the allocation of appropriations to individual programmes, which makes it difficult to calculate programme costs or relate appropriations directly to programmes or targets. In other words, the performance programme structure is aligned around a results-based perspective, while budgets cannot harmonise with this structure.

In fact, 90% of participants think that the performance programme and the budget should be prepared as a single document.

4.1.4. *Legislation related to accountability reports*

The By-Law on the Preparation of Accountability Reports of Public Administrations is assessed in this section.

Accountability reporting basics: The By-Law on the Preparation of Accountability Reports of Public Administrations is strong in the sense that it gives a clear and understandable definition of the accountability report, and comprehensive principles related to accountability reporting.

Link between performance programming and accountability reporting: The legislation for the accountability reports does not include any information about how the performance results should be reported, which may be seen as a deficiency. Although the *Guidebook for Preparation of Performance Programmes* includes directive tables for presenting data, there is no table template in the By-Law on the Preparation of Accountability Reports of Public Administrations for reporting performance data. In fact, only 55.6% of the participants think

that the way in which performance programmes and accountability reports will be linked has been clearly stated in the by-law, which is an unacceptably low ratio. This includes the risk of the development of reports that are not properly and completely connected to performance programmes, which may also imply a lack of accountability.

In practice, five of the six administrations which are required to report on achieved performance as compared to their performance programmes successfully presented the required information, which is a satisfactory level. However, there is no common format for the performance reporting parts of the reports, which makes finding core information slightly difficult.

A possible reason for this situation is that the By-Law on the Preparation of Accountability Reports of Public Administrations was published before the By-Law on the Preparation of Performance Programmes of Public Administrations, which resulted in some inconsistency between the two regulations. For example, the definition of “performance programme” is different in the two by-laws. Moreover, although the performance programmes that are prepared according to the first versions of the by-law and the guidebook cover the three-year period, the accountability reports, in which the commitments of performance programmes are reported, are prepared yearly and include the information of the previous year only. This inconsistency seems to be solved by the second versions of the mentioned regulations according to which performance programmes are prepared covering the budget year only. However, as mentioned before, this regulation is contrary to the multi-year perspective for budgeting.

4.1.5. Other legislation

The development plan, the medium-term programme and the medium-term fiscal plan have a positive effect on the strategic planning and performance programming processes of administrations. Nonetheless, it should not be implied that administrations can successfully link their performance budgeting documents to these national-level policies. Other regulations related to performance budgeting are discussed below.

Personnel regime: The performance budgeting system should be supported by complementary regulations, especially the ones regarding the personnel regime. This is because the performance budgeting system ideally includes the management of personnel performance. Indeed, 70% of participants think that the individual performance evaluation system should be created on the basis of performance programmes.

The legislation for personnel or human resources management for the public sector in Turkey is the Law on Civil Servants No. 657. However, the regulations are not sufficient to complete each other and to enable reaching the ideal system. From the budgeting perspective, personnel expenditures and expenditures to social security institutions constitute 22.46% of the total general budget.²³ However, administrations can have little, if any, flexibility and saving on these expenditures, which is a result of the personnel regime. In fact, some administrations also mentioned the importance of and need for human resources management for the performance budgeting system.

Audit mechanism: The audit mechanism is a complementary tool for the performance budgeting system. It includes external audits performed by the Turkish Court of Accounts (TCA) and internal audits performed by internal auditors of the administrations.

The TCA is responsible for performing three types of audits: financial audits, compliance audits and performance audits.²⁴ The performance audit task of the TCA is also mentioned

in Article 41 of the PFMC Law regarding accountability reports. According to this article, accountability reports of administrations are sent to the TCA, which then submits them to the Parliament together with opinions formed on the basis of external audits.

Approximately 63% of participants think that audits done by the TCA will contribute to performance improvement of their administration. In addition, both of the administrations under the I#2 interview shared this view. However, there are some deficiencies in the Law on the TCA. For instance, performance audits are not stated in the law as an audit process but as an assessment, implying that such audits may not be a periodic procedure. Due to some problems including the mentioned one, a new law on the TCA was prepared to improve the legislation and submitted to the Presidency of the TGNA in February 2005.²⁵ However, it has not yet been adopted by the Parliament. Moreover, there is no legal arrangement related to how the problems and findings in the reports of the Turkish Court of Accounts are dealt with and how they are binding.

Although the internal control mechanism is relatively new in Turkey, 88.5% of the participants think that it will contribute to increasing the performance of their administration, which is a good indicator. In addition, both of the administrations under the I#2 interview shared this view.

4.2. Methodology

The analysis of the performance budgeting methodology fundamentally includes assessment of the *Strategic Planning Guidebook* and of the *Guidebook for Preparation of Performance Programmes*. In addition, budgeting and accountability reporting methodologies are assessed considering the related documents and the practices.

4.2.1. Methodology related to strategic plans

Effectiveness of the guidebook: The *Strategic Planning Guidebook* is the main source to be used in the public strategic planning process. It has a positive effect on the development of strategic plans of 83.3% of administrations.

Nonetheless, information on the guidebook is sufficient to meet the information needs of only 62.2% of administrations, despite the fact that the strategic planning process described in the guidebook is appropriate for 86.5% of administrations. In addition, information on the guidebook is not enough to meet the information needs of one administration under the I#2 interview, and both of those administrations found the strategic planning process described in the guidebook inappropriate.

The process is explained in terms of the steps and order in the guidebook. However, there are some deficiencies where important points are ignored compared to the generally accepted principles, which are stated below.

Link between strategic plans and higher-level policy documents: The guidebook does not provide any information about how strategic plans will be linked to the development plan and programmes or how inter-administrative interactions will be considered in the preparation of strategic plans. Therefore, the mentioned issues are unclear for 50% and 69.4% of administrations, respectively. As stated before, there is a risk of the development of plans that are disconnected to higher-level policies and programmes. In practice, 13 administrations emphasised in their strategic plan its relation to the ninth development plan.

Characteristics of the items of strategic plans: It is stated in the guidebook that administrations should determine at least one goal and at least one objective related to each goal. However, there is no guidance about the limit of the number of objectives, targets and performance indicators, which may be a potential cause for administrations to produce too many items to manage. In other words, “if there are too many targets, information overload is the result, thereby making it impossible to prioritise targets and blurring the focus” (Ginnerup et al., 2007). On the other hand, the ideal number of indicators for an outcome is the minimum number that reveals whether the outcome has been achieved (Kusek and Rist, 2004). Although the average number of goals determined by administrations is about eight, which can be an acceptable number, the range reveals that there are administrations that have many more goals (Table 4). At this point, it is important to note that the number of goals in the strategic plan was a facilitator for the process of the administrations under study, if it is less than or equal to ten. The number of objectives and indicators, on the other hand, is relatively high and may cause some complications in the performance programming process.

Table 4. **Quantitative data for elements of strategic plans**

	Theme	Goal	Objective	Indicator
Number of administrations that determined the element ¹	11	29	28	25
Range for the number of elements determined by administrations	3-10	2-32	2-131	2-227
Average number of elements determined by administrations	4.78	7.72	34.89	71.96

1. As of 8 December 2009, among 29 administrations whose strategic plans were published.

On the other hand, since progress needs to be monitored at all levels of the system to obtain feedback on success areas and improvement needs, indicators should be determined for inputs, activities, outputs, outcomes, and goals (Kusek and Rist, 2004). However, it is stated in the guidebook that indicators are developed for objectives when objectives are themselves immeasurable. In the *Guidebook for Preparation of Performance Programmes*, on the other hand, there is no additional information or guidance on this issue. Therefore, administrations are not informed for the requirement of determining indicators for the remaining elements, especially for the goals and outcomes. Due to this misguidance, 16 administrations specified indicators only for objectives in their strategic plans, whereas three did so only for goals, and four only for activities or strategies. Indicators were determined for goals and objectives by only one administration. Similarly only one administration determined indicators for all elements of its strategic plan. There is no evidence that any other administration did so.

Another point to be considered is the core properties of indicators. Performance indicators should be SMART: specific, measurable, attainable, result-oriented and time bounded (Noman, 2008). They should also be CREAM: clear, relevant, economic, adequate, and monitorable (Kusek and Rist, 2004). Furthermore, Arnold (2008) specified additional properties to be satisfied: controllability, meaningfulness, and consistency and repeatability of measurements. The SMART rule is stated in the guidebook but the others are not. This situation may imply that complete guidance may not be provided for this area.

The risk assessment and evaluation should be executed and included so as to complete the strategic planning process. However, it is not stated in the guidebook.

Main parts of strategic plans are stated in the guidebook as follows:

- brief situation analysis;
- explanation related to how participation is accomplished;
- mission, vision, core values;
- at least one goal;
- at least one objective related to each goal;
- measurement criteria if objectives are not measurable;
- strategies;
- five-year estimated cost table including all goals and objectives.

The problem here is that the contents are the minimum requirements and there is no limit for additional information, which may cause administrations to put unnecessary and non-strategic items into the plans and to produce thick plans. Indeed, it is pointed out by the MoF (General Directorate of Budget and Fiscal Control) that strategic plans of administrations are so detailed that there remains almost nothing to put into performance programmes and, hence, preparing performance programmes according to the plans become meaningless.

Link between the elements of strategic plans: As stated in the guidebook, in the development of strategies, SWOT analysis can be used: strengths, weaknesses, opportunities, threats. Possible cases were given, which provides a sufficient guidance.²⁶

It is important to note that completing all of the activities and outputs does not necessarily mean that the desired outcomes are achieved (Kusek and Rist, 2004). In more broad terms, achieving a set of elements may or may not provide accomplishment of higher-level elements. Therefore, some cross-checks should be made to cover the following issues:

- Objectives are collectively sufficient to reach the related goals.
- Targets are together sufficient to reach the related objectives.
- Targets are achieved when the related activities are completed.
- The indicators sufficiently represent the improvement in the related element.

However, only the third cross-check is stated in the guidebook. The risk resulting from this deficiency is that strategic plans may be produced that are incomplete and imperfect and, more seriously, inadequate for achieving what the administration plans to achieve.

Link between strategic planning and performance programming: Although 62.2% of participants think that the costs of the activities should be determined in the preparation process of strategic plans, it would be better done in the performance programming process following the determination of the activities. Otherwise, there would not be any specific progress remaining for performance programming. This point was also supported by the General Directorate of Budget and Fiscal Control. In addition, there is no consensus whether the relation of strategic plans to performance programmes has been clearly stated in the guidebook.

4.2.2. Methodology related to performance programmes

The general outline for the preparation of performance programmes is explained in the *Guidebook for Preparation of Performance Programmes*.

Related to the by-law, the *Guidebook for Preparation of Performance Programmes* was revised and the second version was published in July 2009. Although there are some main differences between the first and the second versions, both the first and the second versions of the guidebook have similar regulations in many respects (Table 5). Therefore, the questions covered in the questionnaire and their interpretations are still valid. On the other hand, the revised regulations are also evaluated from the perspective of whether they provide solutions to the problems or not.

Table 5. Main differences between the first and second versions of the *Guidebook for Preparation of Performance Programmes*

Area considered	Statement/regulation in the first version of the guidebook	Statement/regulation in the second version of the guidebook
Cost of activities and analytical budget classification	Costs of activities are determined in terms of the fourth level of the economical classification. ¹	Costs of activities are determined in terms of the first level of the economical classification.
Classification of appropriations	Appropriations are classified as (direct) cost of activities, fixed costs (expenditures to be distributed to performance targets on an administrative level) and appropriations to be transferred.	Appropriations are classified as cost of activities, general administrative expenditures and appropriations to be transferred.

1. Although the table for the cost of the activities presented in the guidebook is in terms of the first level, the table used in the *e-bütçe* system was in terms of the fourth level.

Effectiveness of the guidebook: Information on the guidebook is enough to meet the information needs of only 25% of participants. In addition, the guidebook has no effect on the performance programming process of 13.8% of administrations, whereas it affects the process positively for only 55.2% of administrations, and negatively for 31%. Therefore, it can be said that the effectiveness of the guidebook is poor.

Moreover, the performance programming process described in the first version of the guidebook is not appropriate for 52.8% of administrations. The process is simplified by the second version due to the removal of departmental performance programmes, which may possibly lead the above-mentioned percentage to be slightly higher for the evaluation of the second version.

Link between strategic plans and performance programmes: There exists a methodological ambiguity about how strategic plans are converted into performance programmes. The guidebook includes the answers for what is to be done, but not for how it can be done. The most important thing missing is the method that can be used for prioritising the objectives of strategic plans to determine the ones to be performed within performance programmes. Indeed, only 52.8% of participants think that the guidebook clearly states how strategic plans and performance programmes will be linked. It can be said that – using strategic plans as a starting point – performance programmes produced under the given condition will possibly not include a proper logic.

The performance programming process: A single target value is expected for each indicator. However, a target is not required to be a single numerical value and can be defined as a range in some cases (Kusek and Rist, 2004), which could be an enabling factor especially for the preparation of the first performance programmes.

In addition, feasibility analysis should be used for the determination and selection of activities. But it is not mentioned in the guidebook, which most probably causes

administrations not to perform the analysis. In practice, among 24 administrations, 11 did not perform feasibility analysis in the performance programming process.

It is stated in the guidebook that the costing of the activities should be on the basis of the analytical budget classification (ABC). However, how costs will be classified accordingly is not clear for 71.4% of the participants. Nevertheless, the requirement that costs be expressed according to the ABC is a positive factor for the performance programming process of 64.3% of administrations, whereas it is a negative factor for 21.4% and an unbiased factor for 14.3%. Therefore, it can be said that the ABC may prevent some administrations from linking performance programmes to budget allocations.

The second version of the guidebook says that appropriations can be presented under the cost of activities, appropriations to be transferred to other administrations and general administrative expenditures in performance programmes. This methodology is more like flexible budgeting, by which a budget is based on fixed and variable costs (Finney, 1993). In this context, the expenditures that serve more than one activity and/or administrative needs, yet cannot be included in the cost of any activity, can be handled as general management expenditures. This flexibility may discourage the calculation of real costs of activities. What is worse, it prevents proper comparisons between activity alternatives, such as between the use of internal resources and outsourcing.

Update of performance programmes: Performance programmes have to be revised if a change occurs in the budget appropriations during the budgeting process. However, the methodology that can be used in these steps is left to the administrations, and 61.8% of the participants stated that how performance programmes will be updated has not been clearly stated in the guidebook. In practice, among 15 administrations that were faced with a budget change after the budget negotiations with the MoF and the SPO, five updated both budget appropriations and the targets and their resource requirements in their performance programme, eight updated only the budget appropriations without changing targets and resource requirements, and two did not revise their performance programme. Among 15 administrations whose budget was changed after the budget negotiations in the TGNA, the respective updates were one, seven and two.

4.2.3. Methodology related to budgets

Both the regulatory documents related to budgets and the practices of the MoF and the SPO are assessed in this section.

Budget ceilings: Budget ceilings for the administrations are represented in the medium-term fiscal plan. These ceilings are strict in the sense that administrations cannot exceed them in their budget proposals. Nevertheless, they can propose additional budget needs in a separate form – that is, budget ceilings have a binding role in the determination of the real (approved) budget.

These ceilings are generally determined on the basis of the appropriations included in the budget law of the previous year and the ceilings fixed in the medium-term fiscal plan of the previous year. The problems in this procedure are that strategic plans or performance programmes of the administrations and their resource requirements have little effect, and that the performances of administrations in previous years are not considered at all. These are important indicators that the system in Turkey is, at least for now, presentational performance budgeting.

In addition, 66.7% of administrations stated that the way of determining the budget appropriation ceilings of their organisation was a negative factor for the performance programming process, whereas only 18.5% evaluated it as positive.

The link between strategic plans, performance programmes and budgets: The link between strategic plans, performance programmes and budgets has vital importance. Finney (1993) stated that “the budget must be prepared in the proper strategic context, firmly within the framework of the objectives, strategies, and plans of the company” – one of the requirements for effective budgeting – and adds that a summary strategy statement should be included in budgets.

According to the related regulation in Turkey, budgets should include a form where the legal responsibilities, the administrative goals and objectives under the responsibility of the unit, and the activities to be carried out in the budget year are stated. Therefore, it can be said that the infrastructure is ready for implementation.

In practice, the link has two sides, namely the consideration of strategic plans and performance programmes by the administration in determining its budget proposals, and consideration by the regulatory and authorised bodies in budget negotiations. However, how these linkages can be provided is clear neither in the guidebooks nor in the budget call.

In the first side of the relation, only 30.8% of administrations determined and prepared the budget proposals of the spending units of their organisation considering their strategic plan and performance programme, yet based on experience. Approximately 23% determined them in line with the overall resource requirements of the performance targets and the activities of the departments. In total, strategic plans and performance programmes are used by 53.9% of administrations for budgeting. On the other hand, 23.1% multiplied the appropriation amounts of the previous year by a certain growth rate to obtain the proposals for the current year. Alternatively, 19.2% determined the amounts considering the expenditures of the previous year. One administration, on the other hand, used the ceilings in the medium-term fiscal plan.

Put another way, the method of determining and preparing budget proposals of organisations also varies. Only 11.5% of administrations determined their proposals in line with the overall resource requirement of the performance targets of their performance programme. The majority (76.9%) determined their proposals on the basis of the budget ceilings specified in the medium-term fiscal plan. One administration said that it proposed more appropriations than the actual need, considering the possible cut during budget negotiations. Alternatively, the proposals of 7.7% (two administrations) included the appropriation amounts of the previous year multiplied by a certain growth rate.

Therefore, no common budgeting methodology is used by the administrations. Furthermore, approximately one-third of the questionnaire respondents mentioned the fact that performance programmes do not direct budgets; instead, budgets determine performance programmes, which implies unrealistic or undervalued programming.

The other side of the link – the consideration of strategic plans and performance programmes by the regulatory and authorised bodies in budget negotiations – is assessed next.

Budget negotiations: In Turkey, approval by the MoF is required for budget appropriations to be presented in the draft CGB Law – that is, the MoF is authorised to make

changes on budget proposals. The SPO, on the other hand, is authorised for investment appropriations.

A sort of administrative expertise system is utilised in the MoF. Public budget experts are charged with conducting budget-related functions of an administration. In other words, each administration is assigned a budget expert. As the performance budgeting system was put into practice, budget experts also became responsible for the performance programming functions of administrations. The expertise system is beneficial in the sense that serious expertise can be obtained on an administrative level; however, expertise is not yet available for performance programming.

There are no written rules or procedures to guide the budget negotiations between the administrations and the MoF and/or the SPO. Moreover, the reasons of budget cuts are not clear. In an extreme case, the MoF has authorisation to change (and did change) amounts allocated by an administration to budget items of the fourth-level economic code without changing the total amount of the second-level economic code item by very much. This practice, however, most probably belies the actual need or plan of administrations. Consequently, such changes in actual budget allocations may weaken the willingness and ability of administrations to produce and execute realistic budgets.

Furthermore, strategic plans and performance programmes of the administrations have little, if any, effect in the determination of the budgets in the budget negotiations held in the MoF, SPO or TGNA.

Consequently, the impact of the MoF on the administrative budgets is a negative factor for the performance programming process for 55.2% of administrations, and a positive factor for only 27.6%. Similarly, the impact of the SPO on the administrative budgets is a negative factor for 48.3% of administrations, and a positive factor for 31%. In other words, the changes in budget amounts of administrations made by the MoF and the SPO hinder most of the performance programming processes.

Detailed expenditure programmes: Performance programmes should be considered in the preparation of the detailed expenditure programmes (DEPs), since they are monthly plans for expenditure. However, the breakdown of administrations that considered performance programmes in the preparation of DEPs was 24% partially, 16% mostly, and only 4% (one administration) completely. In other words, 44% of the administrations took performance programmes into account while preparing DEPs, whereas 56% did not.

On the other hand, administrations submit their expenditure forecasts each month for the following three months to the Treasury (General Directorate of Public Finance). These forecasts, with a three-month rolling horizon, are used for cash management. There is no confirmation that the MoF is informed about these forecasts. Based on the assumption that, as the period gets closer, forecasts become more proper and accurate, it would be beneficial for the MoF to use the updated forecasts.

4.2.4. Methodology related to accountability reports

No guidebook exists for the preparation of accountability reports. The contents of such reports are described in the related by-law. However, detailed information is not provided in the by-law, and there are some methodological ambiguities.

Performance reporting: The expenditures cannot be systematically linked to the activities, objectives or goals due to the lack of programme classification in the analytical budget classification. Therefore, it is not possible to report the financial side of the activities

in a proper and organised way. In practice, only one among the six administrations which are required to report on achieved performance, as compared to performance programmes, presented financial data based on its activities and targets.

Moreover, there is no regulation related to how the achieved performance should be presented in the reports nor in how much detail, which may be assessed as a lack of guidance. In practice, both detailed quarterly performance and scant information can be found in the reports.

Readability of the reports: Without any guidance, there may be an overload of activities, objectives and performance indicators as well as other information related to administrations in the accountability reports, which will possibly reduce their readability and make it difficult to find strategic information.

Evaluation of the reports: Accountability reports are not evaluated by any of the concerned administrations, which implies a lack of supervision that may cause the presentation of unnecessary information as well as the absence of the required information. It may also lead to a decrease in or loss of commitment to the necessity and benefit of reports. It can also be said that accountability reports are not used for the purpose of accountability.

4.2.5. Methodology for information systems

The system related to automatically performing, tracking, reporting and evaluating the performance programming process is the *e-bütçe* system.²⁷ Budget and performance programme proposals of the administrations are prepared via this system. It is used by all of the administrations under study, but explanations and directions related to the tables to be prepared satisfy the information needs of only 61.9%.

Data entry can be easily done by 47.4% of the administrations. It became simpler in the updated version of the module, which implies that the percentage may currently be higher. Similarly, data can easily be followed by only 41.2%. For instance, the data are kept in seven stages of the budgeting process.²⁸ However, a trace of the data cannot be kept within a stage in the system, especially in the preparation of proposals, since a new entry replaces the current one. Therefore, administrations have to construct their own tracing system if such a need exists. On the other hand, information can be copied from one step to another in the new performance programming module, which simplifies the process.

Since budgeting and performance programming are the processes that should go hand in hand, the related modules of the *e-bütçe* system should talk to each other. However, 72.2% of participants think that data flow is not performed easily between the performance budget module and other modules. Besides, data can still not be transferred between the performance budgeting module and others.

In addition, there are no alerts in the system except the ones related to authorisation. For instance, there is no mechanism to prevent administrations from making demands in excess of appropriation ceilings. Moreover, the reporting process through the *e-bütçe* system meets the needs of 35.3% of administrations, which is relatively low.

Two-thirds of the administrations that are required to report on achieved performance as compared to performance programmes mentioned the absence of and the need for a performance information system to properly track performance-related data in their accountability reports.

Consequently, it can be concluded that the *e-bütçe* system is not adequate as a management information system (MIS) in performance budgeting.²⁹

4.3. Co-ordination

Co-ordination between the regulatory bodies (the MoF and the SPO) is investigated in this section. The inconsistency between the by-laws related to performance budgeting mentioned in the previous sections is a sign of the fact that there is a lack of co-ordination between the regulatory bodies. Weakness of the co-ordination between the SPO and the MoF is also mentioned by some questionnaire respondents. Furthermore, 93.3% of the administrations think that possible lack of co-ordination between the MoF and the SPO may adversely affect the effectiveness of the performance budgeting system.

4.4. Guidance

Guidance for the development of strategic planning, performance programming, budgeting and accountability reporting is investigated in this section.

4.4.1. Guidance related to strategic planning

Guidance related to strategic planning is essentially provided by the SPO, in the form of consultancy, training or evaluation. Still, administrations may need and receive guidance from consultancy organisations, advisors or outside consultants.

Guidance by the Undersecretariat of State Planning Organization: In practice, 23% of the participants said that they did not receive consultancy support from the SPO. The administrations that requested support from the SPO needed it especially in the form of training for the strategic planning method to be followed and as medium-term consultancy where an expert from the SPO assists them during the process. Yet, few of the demands could be met by the SPO. Among the administrations who received support in other areas than the above-mentioned ones, only 25.9% evaluated it as a positive effect on their strategic planning process, whereas 48.2% saw it as having no effect. What is worse is that the consultancy support received had a negative effect on the strategic planning process for 25.9%. In addition, the inadequacy of the consultancy support is one of the strongest reasons for incomplete strategic plans. Therefore, it can be concluded that the consultancy support given by the SPO was not sufficient to meet the needs and to strengthen the strategic planning process of the administrations under study.

Events organised by the SPO can also be considered within the guidance concept. But the training, workshops, seminars, etc., arranged for strategic planning did not help administrations much. The events had a negative effect on the strategic planning process for 32.4% of administrations, no effect for 50% and a positive effect for only 17.6%. In addition, the inadequacy of the events is one of the strongest reasons for incomplete strategic plans. Therefore, it can be said that, for guiding the administrations, the quality of the events is poor.

Related to the evaluation of strategic plans, a set of questions was prepared by the SPO (Table 6). The questions are given an order of precedence by the SPO in some way during the evaluations, but there is no systematic prioritisation. Moreover, the evaluation list developed by the SPO to assess strategic plans does not include all the relevant items that could help to ascertain the quality of the plans.

Table 6. **Set of questions for evaluation of strategic plans**

Evaluation area	Questions ¹
Consistency with national programmes	Is the plan consistent with legal priorities and topics?
Current situation analysis	Does the administration follow up/monitor external factors? Are activities that minimise or improve potential effects of external factors defined? Does the administration follow up/monitor internal factors? Which of the internal factors can affect the success of strategic goals? Does the corporate culture need to be changed?
Stakeholder analysis	Who (which organisations) are the essential stakeholders? Why? Were their opinions taken into account and reflected in the plan? Among the personnel of the administration, who participated in the development of the plan? Do all heads of departments participate? With regard to priorities and decisions, what type of communication strategy with the personnel and managers will the administration use?
Mission, vision, goals and objectives	Is the mission result-oriented? Does it serve a public need? Are any activities of the administration not defined/covered in the plan? How was the mission of the administration differentiated from similar missions? Do the goals include main functions and activities of the administration? Do the goals logically relate to the mission? Are the goals result-oriented or output-oriented? If the objectives could not be defined as numerical or measurable, were they defined to enable evaluation of whether they are achieved or not?
(Internal) Consistency	Does the plan have a logical integrity? Are the components of the plan consistent with each other? Does the plan reflect co-ordination with other implementing organisations? Do the plans of other organisations aim to achieve similar strategic goals or include similar functions and activities?
Other	Does the plan include time-dimensional, reliable, useful and consistent fiscal information? Is there a calendar for evaluation?

1. The questions used by the State Planning Organization for evaluation of strategic plans are presented in Turkish on the website www.sp.gov.tr/degerlendirme.html.

Source: www.sp.gov.tr/degerlendirme.html (State Planning Organization site for strategic planning).

In fact, 64.3% of the administrations think that the evaluation done by the SPO is not sufficient for determining the quality of the strategic plan of their administration, whereas both of the administrations under the I#2 interview think the opposite. Nonetheless, transparency in this context may be seen as helpful guidance for administrations in the strategic planning process.

The evaluation procedure begins with the review of the plan by the related sector experts of the SPO. Afterwards, it is investigated by a junior SPO expert and an SPO expert working in the General Directorate of Economic Modelling and Strategic Research. Results of the assessments are then reported to all administrations – that is, administrations are informed about how well they performed, which is praiseworthy.

The SPO also monitors whether the feedback given is taken into account by the administrations. A specific result about the status of an administration is obtained on the basis of its level of consideration of the feedback. The result can be one of the following:

- green, when all feedback was considered and reflected in the plan;
- yellow, when some points stressed by the SPO were considered in the update of the plan;
- red, when none of the feedback was considered by the administration.

However, feedback given by the SPO related to strategic plans based on the above-mentioned evaluations has a positive effect on the strategic planning process of only 59.4% of administrations, a negative effect on 21.9%, and no effect on 18.75%. This implies that

the content value of the feedback is not much appreciated by the administrations, although the way of providing it is proper.

In addition, one of the most frequently stated comments by administrations is that consultancy and guidance provided by the SPO are inadequate.

Guidance by consulting firms or outside consultants: Strategic planning teams of 12 administrations include consulting firms or outside consultants. Twenty-five administrations noted that support was received from consulting firms or consultants; 11 of the administrations received full consultancy by including them in strategic planning teams. Consultancy support affected the strategic planning process positively for 56% and negatively for only 8%, whereas it has no effect for 36%. In addition, consultancy support has no significant effect on incomplete plans. Therefore, it can be concluded that the quality of guidance and its effect vary.

4.4.2. *Guidance related to performance programming*

Guidance related to performance programming is essentially provided by the MoF, in the form of consultancy, training or evaluation. Still, administrations may need and receive guidance from consultancy organisations, advisors or outside consultants.

Guidance by the Ministry of Finance: In practice, 24% of participants stated that they did not receive consultancy support from the MoF. Among the ones who received support, 40.9% evaluated it as a positive factor in their performance programming process, whereas 31.8% saw it as having no effect. Moreover, the consultancy support received had a negative effect on the process of 27.3%. Therefore, it can be concluded that the consultancy support given by the MoF was not sufficient to meet the needs and strengthen the performance programming process of administrations.

Events organised by the MoF can also be considered within the guidance for performance programming. However, it can be said that the level of assistance provided by training, workshops, seminars, etc., is not sufficient. These events hinder the performance programming process for 33.3% of administrations, have no effect for 22.2% and have a positive effect for 44.4%.

Similar to the evaluation list for strategic plans, an evaluation list was developed by the MoF for performance programmes.³⁰ The budget expertise system utilised by the MoF functions without a co-ordination unit, implying a decentralised structure. Thus, performance budgeting practices may be different for different experts and hence for different administrations. Consequently, it is not guaranteed that the evaluation list is systematically used. In fact, 70.4% of participants think that the evaluation done by the MoF is not sufficient for determining the quality of the performance programme of their administration.

Feedback given by the MoF related to performance programmes based on the mentioned evaluations has a negative effect on the performance programming process of 40.9% of administrations, a positive effect on only 27.2%, and no effect on 31.8%. This implies that the content value of the feedback is not sufficient to guide administrations.

In addition, one of the most frequently stated comments is that consultancy and guidance provided by the MoF are inadequate.

Guidance by consulting firms or outside consultants: Support was received from consulting firms or outside consultants by 17 administrations. Consultancy support affected the performance programming process positively for 41.2% and negatively for 29.4%,

whereas it had no effect for 29.4%. Therefore, it can be concluded that the effectiveness of consultancy support varies.

4.4.3. Guidance related to budgeting and accountability reporting

Since budgeting is a technical process in a sense without integration of performance programmes, less guidance may be needed. Besides, the budget expertise system utilised by the MoF enables dealing with administrations one at a time.

On the other hand, there is not yet a systematic way to report performance in accountability reports. Hence, training programmes are not organised and reports are not evaluated by the MoF. Therefore, guidance related to accountability reports cannot be assessed.

4.5. Ownership

The essential factor establishing ownership is a commitment to the performance budgeting system, implying a belief in its benefits. Among the participants, 70.4% think that the performance-based budgeting system will contribute to improved performance of their organisation, which is a satisfactory proportion. In addition, one administration under the I#2 interview shared this view. It is beneficial to assess the ownership concept for the parts of the system as well.

4.5.1. Ownership related to strategic planning

The level of participation in the strategic planning process is closely linked to the level of ownership. Kusek and Rist specified the necessity as follows:

Setting goals in isolation leads to a lack of ownership on the part of the main internal and external stakeholders. Likewise, when choosing outcomes, it is crucial to build a participatory and consultative process involving the stakeholders. The participatory process should start with the development of goals and continue with setting outcomes and building an indicator system (Kusek and Rist, 2004, p. 58).

Involving key stakeholders in the process in a participatory manner enables commitment for the achievement of the desired outcomes (Kusek and Rist, 2004), whereas lack of ownership especially by internal stakeholders most probably impedes the implementation of plans and programmes.

In particular, the head of the administration should be involved in the strategic planning process and even should be the head of the strategic planning team or committee (Özçam, 2007). Questionnaire respondents often declared that the support of top management of administrations is important in performance budgeting.

A structure for enabling ownership and support of ministers and heads of administrations for strategic planning exists in the legislation. The points in the By-Law on the Procedures and Bases for Strategic Planning relating to ownership are as follows:

- The heads of the administrations are responsible to the concerned ministers for preparation and implementation of strategic plans.
- Ministers are responsible for preparation and implementation of the concerned strategic plans in accordance with the development plans and programmes.

- The strategic plan of an administration is approved by the concerned minister before it is sent to the SPO and the MoF.

These points seem to be also effective in implementation.

When the role of ministers in the strategic planning process is investigated, it can be seen that their supervision could only be obtained in four administrations, where the minister is a member of the strategic planning team. In addition to these four administrations, political ownership was provided in 30 other administrations. Among those 34 administrations, 58.9% evaluated political ownership as a positive factor, 17.6% as a negative factor and 23.5% as a factor of no effect for the strategic planning process.

The level of participation by top management in strategic planning teams is interpreted as ownership by top management and classified, according to the team structure, as no ownership, average ownership, good ownership and excellent ownership. Levels of ownership by top management are shown in Table 7.

Table 7. **Levels of ownership by top management**

Level of ownership	Members of strategic planning team (1 = member, 0 = not a member)		
	Deputy head of administration	Head of administration	Minister
No ownership	0	0	0
Average ownership	1	0	0
Good ownership	0	1	0
Excellent ownership	1	1	0
	1	1	1

According to the logic used, 36.1% of administrations had no ownership by top management, whereas 19.4% had average ownership, 2.8% (one administration) had good ownership, and 41.7% had excellent ownership. Moreover, the support of top management has a positive effect on the strategic planning process for 83.8% of administrations. Eighty-five per cent of administrations having no ownership also evaluated support of top management as a positive factor, which implies that support should not necessarily be in the form of membership in the strategic planning team. On the other hand, participation by top management in strategic planning teams almost always provides a positive effect.

It is also important to note that two of the factors stated among the strong reasons for incomplete plans are that strategic planning is not assessed as beneficial by the top management of administrations and that the support of top management for the process is insufficient.

What is also important for the proper implementation of strategic plans is to ensure ownership by the personnel of administrations. The need for a participatory approach is stated in the PFMC Law: "... public administrations shall prepare strategic plans in a co-operative manner". It is also mentioned in the *Strategic Planning Guidebook*. The level of participation in the strategic planning team can be classified according to the structure of teams as no participation, poor participation, average participation, good participation and excellent participation. The level of participation in the strategic planning teams of administrations is shown in Table 8. The main determinant of the level is whether the representatives of all spending units are involved in the team or not.

Table 8. **Levels of participation in the strategic planning team**

Level of participation	Members of strategic planning team (1 = member, 0 = not a member)					
	Consultants or consulting firms	Personnel of Strategy Development Department	Representatives of some spending units	Representatives of all spending units	Some heads of departments	All heads of departments
No participation	1	0	0	0	0	0
Poor participation	0 or 1	1	0	0	0	0
Average participation	0 or 1	1	1	0	0	0
	0 or 1	1	0	0	1	0
	0 or 1	1	0	0	0	1
Good participation	0 or 1	1	1	0	1	0
	0 or 1	1	0	1	0	0
	0 or 1	1	1	0	0	1
Excellent participation	0 or 1	1	0	1	1	0
	0 or 1	1	0	1	0	1

According to the logic used, all administrations achieved at least poor participation. More specifically, 2.8% of administrations (one administration) had poor, 13.9% had average, 30.6% had good and 52.8% had excellent participation. In addition, among 24 administrations that have a provincial organisation, 13 ensured the participation of their personnel in the strategic planning process – that is, ownership of the personnel seems to be obtained in the proper sense. Moreover, participation of personnel in the strategic planning process has an enabling effect on the process in 70.3% of administrations. As the participation level in the strategic planning team improves, its effect on the process tends to become more positive. Nonetheless, participation of personnel may be ensured in the form of seeking their views via meetings, questionnaires, workshops, etc.

Finally, according to the PFMC Law, strategic plans shall be taken into consideration in the budget negotiations in Parliament. Although this statement enables political ownership and strategic plans to be effective in the performance budgeting system, it is not the case in practice. Strategic plans of 75% of participants are not taken into consideration at all in the budget negotiations held in Parliament.

4.5.2. *Ownership related to performance programmes*

Ownership is also a crucial factor in performance programming.³¹ From the perspective of political ownership, performance programmes of 77.3% of administrations are not considered at all in the budget negotiations held in the TGNA or in the Plan and Budget Committee.

On the other hand, support of top management is an enabling factor for the development of performance programmes of 67.9% of administrations. Moreover, participation of personnel in the performance programming process has an enabling effect on the process in 51.8% of administrations and no effect in 18.5%. Therefore, it can be concluded that ownership is properly obtained in the performance programming process for some organisations.

4.5.3. *Ownership related to accountability reports*

Political ownership for accountability reports is also important in the sense that it provides supervision and control over the performance budgeting system. However, accountability reports of 75% of administrations are not taken into consideration at all in

the budget negotiations held in the TGNA – that is, accountability reports are not audited or discussed by the TGNA.

4.6. Execution of performance budgeting steps

The fact that some administrations are unable to complete the performance budgeting documents in due time is the sign of a problematic situation. For instance, among 17 administrations whose strategic plans should cover 2010-14 and should be made public at the latest in January 2009, only six published their plans (as of 30 December 2009). Approximately 50% of the administrations sent their strategic plans to the SPO in time. Moreover, the degree of difficulty in the development of strategic plans and performance programmes and whether the administrations performed the required steps are also important indicators for the quality of implementation of the performance budgeting system.

4.6.1. Development of strategic plans

The administrations experienced varying levels of difficulty in the development of strategic plans. Determining the stakeholders, vision, mission and core values of the organisations are evaluated as easy steps for more than half of the participants. However, doing SWOT analysis, determining strategic priorities, goals and objectives, linking goals and objectives and forming the strategies are the steps which are slightly difficult for the administrations. On the other hand, determining performance indicators is a very hard step – in fact, the hardest step to perform.

Some steps are not performed, or cannot be performed, by the majority of the administrations. Half of the administrations performed feasibility analysis and only 33.3% did risk assessment, with a high degree of difficulty. These ratios can be evaluated as inadequate. Similarly, recording the information on strategic plans in the *e-bütçe* system is performed by only 45% of administrations, yet with almost no difficulty. Moreover, 68.5% of administrations determined the costs of their objectives, and faced an average degree of difficulty.

It is also important to note that 83% of administrations investigated international best practices, and more than half of these administrations found it beneficial to do so. In addition, 81% also investigated strategic plans of equivalent foreign organisations and more than half of them benefited from it. These values imply intensive efforts. On the other hand, one administration under the I#2 interview found the lack of such investigation as a negative factor for its strategic planning process.

As mentioned before, strategic plans are evaluated by the SPO. The main topics criticised by the SPO, by order of frequency of occurrence, are as follows:

- current situation analysis;
- objectives;
- costing of activities;
- strategies;
- performance indicators;
- mission and vision;
- the link of strategic plans to the development plan.

Moreover, strategic plans are also criticised by the MoF as they include so many and detailed items that they cross the frontier of performance programmes.

It can be concluded that the necessary steps for the strategic planning process could not be performed properly by administrations. Unfortunately, inadequate performance in these steps most probably prevents the production of strategic plans and further performance programmes of high quality.

4.6.2. Development of performance programmes

All stages of the performance programming process are slightly difficult or very difficult for administrations. Almost half of the administrations found that it was slightly difficult to determine the objectives that will be given priority in the programme period among the ones in the strategic plan.

Similarly, administrative performance targets are slightly hard to determine, whereas administrative performance indicators are harder to determine. Administrations found it slightly hard to determine the spending units related to the administrative performance targets. On the other hand, departmental performance targets and indicators are determined with a more than average degree of difficulty.

Administrations found determining the activities slightly hard to perform. In fact, one administration did not determine activities or projects in the context of the performance programme. Moreover, only 54% of administrations performed feasibility analysis, with a high degree of difficulty.

Administrations evaluated determining the costs of the activities as a hard task. The technique used in this stage varied. Approximately 11.5% of administrations determined the cost of all activities by an activity-based costing technique, whereas 38.5% used it for some activities.³² Approximately 34.5%, on the other hand, distributed appropriations to the activities by rule of thumb, 11.5% did not determine the costs, and one administration did not determine activities at all.

As part of efforts in the costing process, expressing the costs of the activities according to the analytical budget classification and determining the costs of the departmental and administrative performance targets are relatively hard stages for the administrations. Nevertheless, determining the costs of the administrative goals is evaluated as easy, slightly hard or very hard by an almost equal number of administrations.

Almost all administrations (93%) prioritised their activities in the performance programme. Yet, it was considered as one of the hardest stages of the performance programming process. Only 55.6% of administrations recorded their performance programme information in the *e-bütçe* system, which is evaluated as a slightly hard process.

It is also important to note that 75% of administrations investigated international best practices; more than half of them evaluated it as a factor of no effect and only 24% found it beneficial to do so. In addition, 74% investigated the performance programmes of equivalent foreign organisations and only 25% of them benefited from the experience. These values imply intensive efforts, yet they do not have the expected effects on the process.

As mentioned before, performance programmes are evaluated by the MoF. The main topics criticised by the MoF are as follows:

- link between strategic plans and performance programmes;
- performance targets;

- performance indicators;
- activities;
- costing;
- conformance of the contents with the guidebook.

It can be concluded that these are the steps that could not be performed appropriately by administrations. Unfortunately, inadequate performance in these steps most probably hinders the production of performance-based budgets of high quality and may misdirect the proper performance reporting.

4.7. Factors affecting the performance budgeting process

The effects of some administrative factors on the implementation of the performance budgeting system are investigated in this section.

4.7.1. Administrative factors affecting the development of strategic plans

Administrations have a high appreciation of the benefits of strategic plans. Approximately 94% of the participants, and both of the participants of the I#2 interview, evaluated the preparation of the strategic plan as useful for their administrations.

However, corporate culture was appropriate for and had a helpful effect on the strategic planning process of only 56.7% of the administrations. Moreover, one of the factors mentioned among the strong reasons for incomplete plans is the inappropriateness of corporate culture for strategic planning. Therefore, it can be concluded that cultural change required for strategic management and performance budgeting has not yet been achieved by approximately half of the administrations.

It is also important to emphasise that the inappropriateness of authorisation, duties and responsibilities of administrations for strategic planning is a serious reason for unfinished plans.

Some enabling factors are the support of top management for 83.8% of administrations, the qualifications of top management for 91.2% and participation of personnel in the process for 70.3%. However, one of the serious reasons for incomplete plans is that participation of personnel in the strategic planning process is insufficient.

The strategic planning team of organisations plays a vital role in the process. One of the factors affecting the development of strategic plans includes the qualifications and capacity of the team. Although strategic planning is a relatively new concept in Turkey, the knowledge of the strategic planning team of 89.2% of administrations related to strategic planning had a positive effect on the process. Similarly, the qualifications of the strategic planning team positively affected the process in 91.7% of administrations. The size of the strategic planning team is another indicator that should be assessed with their qualifications. The number of personnel in strategic planning teams positively affected the process of 83.8% of the administrations. Therefore, it can be said that the administrations in the study formed their strategic planning teams appropriately.

On the other hand, both of the administrations under the I#2 interview stated that the insufficient knowledge of their strategic planning team related to the process was a strong disabling factor. In addition, one administration mentioned the insufficiency of the qualifications of its team as another factor. Yet, the number of personnel in their teams was not a significant factor. Consequently, there are some problems related to the strategic

planning teams of the administrations under the I#2 interview, negatively affecting the process.

Being responsible for co-ordinating the process, Strategy Development Departments (SDDs) are of crucial importance. The qualifications of the personnel of the departments positively affected the process in 91.43%. On the other hand, the number of personnel had an enabling effect for only 56.7%, and no effect for 16.2%. Routine business of the departments negatively affected the process in 54.1%. The effect of the organisational structure of the departments is positive for 58.3%, negative for 25%, and neutral for 16.7%. For administrations under the I#2 interview, the most important reason for incomplete plans is the insufficient number of personnel of SDDs, whereas the qualifications of the personnel and routine business of the SDDs are insignificant factors. Therefore, it can be said that there are some organisational problems related to SDDs that impede the success of the process.

Moreover, 86.5% of administrations have technological opportunities that enabled their strategic planning practice. Fiscal resources, on the other hand, had a positive effect in fewer administrations (67.5%). Data capacity is also an important factor for administrations and had a positive effect in 70.3%. But in one administration under the I#2 interview, technological opportunities and data capacity are insufficient for strategic planning. On the other hand, inadequacy of fiscal resources is insignificant for both of the administrations. Therefore, it can be concluded that such opportunities exist in most administrations, yet they can be enhanced.

4.7.2. Administrative factors affecting the development of performance programmes

Administrations also have a high appreciation of the benefits of performance programmes. The percentage of participants that evaluated the preparation of performance programmes as useful is 85.2%. It can be said that performance programmes are not yet as fully assimilated and accepted as strategic plans.

The work of the study team of the organisations in the performance programming process has a fundamental role in the process. One of the factors affecting the development of performance programmes is the qualifications and capacity of the team. The knowledge of teams of 71.4% of administrations related to performance programming has an enabling effect on the process. Similarly, the qualifications of the team positively affected the process in 71.4% of administrations. The number of personnel in the teams also positively affected the process of 60.7%. Therefore, it can be said that some administrations formed their teams properly.

Having responsibility for co-ordination means that the Strategy Development Departments (SDDs) are also important in the performance programming process. The qualifications of the personnel of the departments positively affected the process in 82.1% of the administrations. On the other hand, the number of personnel had a positive effect for only 55.1% and a negative effect for 37.9%. Routine business of the departments negatively affected the process in 60.7% of administrations. The effect of the organisational structure of the departments is positive for 46.4% and negative for 42.9%. Therefore, it can be said that there are some organisational problems related to SDDs that hinder the success of the process.

Some other enabling factors for performance programming are the support and the qualifications of top management for 67.9% and 88% of administrations, respectively. Participation of personnel in the process, however, is a positive factor for only 52%.

Forming the base for performance programmes, strategic plans are essential factors for the performance programming process. Participants stated that the quality of their strategic plan positively affected the process. Additionally, if the number of goals in the strategic plan is less than or equal to ten, it was a facilitator for the process; this is the case in 64.3% of administrations.

Activity-based costing has a crucial importance in the performance programming process. However, it is not and cannot be utilised by 50% of administrations, which is a negative factor in the performance programming process.

Moreover, 82.7% of administrations have technological opportunities that enabled their performance programming practice. However, the capacity of the administrations is not sufficient for the development, tracking and evaluation of performance. The required infrastructure to obtain performance data is not available in 41.4% of administrations. This not only complicates obtaining reliable data, but also negatively affects the quality of the performance programming process.

Cost accounting, which allows the estimation of the full costs of activities and should be used as a tool in performance programming, cannot be utilised in 70.8% of administrations. This deficiency is also a negative factor affecting the process.

4.7.3. Factors affecting the development of accountability reports

Administrations have a high appreciation of the benefits of accountability reports. The percentage of administrations evaluating the preparation of an accountability report as useful for them is 93.6%. This high ratio may be partly due to the fact that accountability reports were already being prepared before administrations had a strategic plan or performance programme.

5. Conclusion

This study was designed to present a detailed description and analysis of the performance budgeting system in Turkey, without losing the big picture. The elements of the performance budgeting system (namely strategic plans, performance programmes, budgets, accountability reports and possible other tools) constituted the sub-areas of the system analysis.

Based on the findings of the system analysis, the following problems were identified:

- **Inadequate and incomplete legislation** caused by:
 - deficiencies and ambiguity in strategic planning, performance programming, budgeting and accountability reporting regulation;
 - preparation of investment and operational budgets as separate documents;
 - preparation of performance programmes and budgets as separate documents;
 - short coverage period of performance programmes;
 - short budget approval period by Parliament;
 - unaligned complementary legislation.
- **Incomplete and unclear performance budgeting methodology** caused by:
 - ambiguity in the performance budgeting approach;

- lack of a systematic approach for strategic planning;
 - deficiencies and ambiguity in the performance programming methodology;
 - ambiguity in linking strategic plans to higher-level policy documents, performance programmes to strategic plans, budgets, accountability reports and detailed expenditure programmes to performance programmes;
 - lack of programme classification;
 - ineffective performance budgeting documents in determination of budget ceilings;
 - appropriations of administrations and ambiguity in rules and procedures of budget negotiations.
- **Weak co-ordination and guidance** caused by:
 - two regulatory administrations in the performance budgeting system;
 - inadequacy of the assessment of the strategic plans and performance programmes;
 - insufficient guidance for strategic planning and performance programming processes;
 - disconnected performance budgeting legislation and disconnected budget negotiations.
 - **Improper and ineffective implementation** caused by:
 - delays in the budget calendar;
 - lack of activity-based costing, feasibility analysis, risk assessment and cost accounting.
 - **Disabling administrative and external factors:**
 - organisational problems of the Strategy Development Departments;
 - insufficient political ownership and supervision;
 - lack of infrastructure to obtain, track and evaluate performance data;
 - inadequacy of the *e-bütçe* system.

Therefore, it can be said that the performance budgeting system in Turkey is not running properly and that the level of progress is lower than modest.

Notes

1. The PFMC Law was amended in 2005 by Law No. 5436.
2. General budget refers to the budgets of public administrations that are legal entities of the government. Special budget is the budget of each public administration which is established as affiliated or related to a ministry for the performance of a defined public service, to which revenues are allocated, and which is authorised to spend from such revenues, with the establishment and operation principles arranged through special law. Regulatory and supervisory agency budget refers to the budget of each regulatory and supervisory agency, which is established in the form of board, agency or supreme board by special laws. There are 50 general budget administrations, 127 special budget administrations (94 of which are universities) and 8 regulatory and supervisory agencies.
3. The By-Law on the Preparation of Performance Programmes of Public Administrations was published in July 2008 and revised in July 2009. According to the former version of the by-law, performance programmes covered three-year periods and were prepared each year – that is, there was a three-year rolling horizon for performance programmes. The targets of the first year were definite, whereas those of the following two years were indicators.
4. Departments of administrations that have allocated appropriation within the budget of the administration and spending authorisation are called spending units in Article 3 of the PFMC Law.
5. There are exceptions related to the principles and procedures for the regulatory and supervisory agencies.
6. The President of the Turkish Republic has no vote authority for the Central Government Budget Law.

7. The general budget revenue proposal is prepared by the Ministry of Finance, and the revenue proposals of other budgets are prepared by the administrations concerned.
8. The head of a public administration, as defined in the PFMC Law (Article 11), is the undersecretary in ministries, the highest administrator in other public administrations, the governor in special provincial administrations and the mayor in municipalities. However, the Minister is the head of public administration in the Ministry of National Defense.
9. Accountability reports of local governments are sent to the Ministry of the Interior and to the Court of Accounts.
10. The limit for the transfers is 5%, unless a different ratio is defined in the budget law of the relevant year. This ratio was defined as 20% in the CGB Law of 2009. Transfers cannot be made from personnel expenditure items, from items to which transfers were made, and from items to which transfers were made from contingency appropriations.
11. DEPs may be based on the second level or the fourth level of the economical classification. Special budget agencies and social security institutions also prepare their financing programmes.
12. Special budget agencies and social security institutions prepare their detailed expenditure programmes on the basis of the quarterly release rates determined by the Ministry of Finance.
13. "The authorising officials who have delivered spending instructions which are against the budgets, the detailed expenditure programmes or release rates or which are in excess of appropriation amounts stated in appropriation dispatch documents, without causing public loss, shall be subject to a fine amounting up to two times of the net monthly payment they earn including all kinds of salary, allowance, increase and compensation" (Article 70 of the PFMC Law).
14. Based on the initial appropriations presented in the Appendix Report of the *General Conformity Report of Year 2008* prepared by the Turkish Court of Accounts.
15. In the development of the questionnaire, other surveys done in the performance budgeting or related areas were also investigated (2008 Local Administrations Performance-Based Budgeting Questionnaire, administered by the Ministry of Finance; OECD Budget Practices and Procedures Survey 2007; questionnaire administered as part of an SDD support project co-ordinated by the Prime Ministry).
16. As of 8 December 2009, the strategic plans of 29 administrations have been published.
17. Six administrations had performance programmes for the year 2009, according to the strategic planning calendar. Therefore, only those six accountability reports were investigated.
18. Questionnaire respondents will be referred to as "participants" or "administrations" in this section.
19. Both the first and the second versions of the by-law have similar regulations in many respects. Therefore, the questions covered in the questionnaire and their interpretations are still valid. On the other hand, the revised regulations are also evaluated from the perspective of whether they provide solutions to the problems or not.
20. The list could not be obtained from the Ministry of Finance. Therefore, no related question could be included in the questionnaire.
21. See <http://ebutce.bumko.gov.tr/proje/ABS/absgiris.htm>.
22. The website can be accessed via www.bumko.gov.tr.
23. Based on the initial appropriations presented in the Appendix Report of the *General Conformity Report of Year 2008* prepared by the Turkish Court of Accounts.
24. Performance audits became a legal mandate of the TCA in 1996. It was regulated as an additional article named "efficiency and effectiveness assessment" in the Law on the TCA.
25. The Law Proposal on the TCA defines: i) audits of the TCA as regularity and performance audits; and ii) performance audits as assessments of the economic and efficient use of resources and effectiveness of activities in achieving administrative objectives, considering good governance principles of public administrations, within the responsibility of accountability.
26. SWOT analysis includes the analysis of the strengths and the weaknesses of an administration as well as the opportunities and threats that it may encounter.
27. Related to the revision of the By-Law on the Preparation of Performance Programmes of Public Administrations, the performance budgeting module of the *e-bütçe* system was updated. Nonetheless, both the first and the second versions of the module have similar properties in many respects. Therefore, the questions covered in the questionnaire and their interpretations are still

valid. On the other hand, the revised regulations are also evaluated from the perspective of whether they provide solutions to the problems or not.

28. The budget stages are: i) initial appropriations; ii) proposal of administrations; iii) expert opinion; iv) draft; v) the Plan and Budget Committee; vi) law; and vii) net initial appropriations.
29. Recently, administrations have begun to use a new management information system called SGB.Net, developed initially in the SDD of the Ministry of Finance. However, it is too early to assess the effectiveness of the system.
30. The list could not be obtained from the Ministry of Finance. Therefore, no related comment could be put forward.
31. Since forming a team is not mentioned in the related by-law or guidebook, the structure of such a team was not questioned in the study. Despite the absence of such information, the effect of performance programming work teams was investigated.
32. Activity-based costing is a cost management technique by which all costs can be directly related to the products or services and all activities can be related to outputs (Finney, 1993).

References

- Arnold, W.G. (2008), *Performance Budgeting: What Works, What Doesn't*, Management Concepts, Inc., Vienna, Virginia, United States.
- Finney, R.G. (1993), *Powerful Budgeting for Better Planning and Management*, Sue Katz and Associates, New York, United States.
- Ginnerup R. et al. (2007), "Performance Budgeting in Denmark", *OECD Journal on Budgeting*, Vol. 7, No. 4, pp. 67-90.
- Government of Turkey (2003), *Public Financial Management and Control Law*, Ankara (also published in the *Official Gazette* No. 25326).
- Kraan, D., D. Bergvall and I. Hawkesworth (2007), "Budgeting in Turkey", *OECD Journal on Budgeting*, Vol. 7, No. 2, pp. 7-58.
- Kusek, J.Z. and R.C. Rist (2004), *Ten Steps to a Results-Based Monitoring and Evaluation System*, The World Bank, Washington DC.
- Noman, Z. (2008), "Performance Budgeting in the United Kingdom", *OECD Journal on Budgeting*, Vol. 8, No. 1, pp. 75-90.
- OECD (2002), "OECD Best Practices for Budget Transparency", *OECD Journal on Budgeting*, Vol. 1, No. 3, pp. 7-14.
- OECD (2006), "OECD Budget Practices and Procedures Database Phase II: Final Glossary", www.oecd.org/dataoecd/30/46/39466131.pdf, accessed 28 May 2010.
- OECD (2007), *Performance Budgeting in OECD Countries*, OECD Publishing, Paris.
- Öner, E. (2008), *Bütçe Uygulama Aşamasında Parlamentonun İzleme/Gözetim Fonksiyonu: Komisyonların Rolü ve Bütçe Analiz Kapasitesi* ("Monitoring/Supervision Function of the Parliament in Budget Execution Stage: The Role and the Budget Analysis Capacity of the Commissions"), *Uluslararası Sempozyum: Bütçe Sürecinde Parlamentonun Değişen Rolü* (International Symposium: The Changing Role of the Parliament in Budgeting Process), *Bildiri ve Makaleler* (Proceedings and Papers), 8-9 October, Afyonkarahisar, Turkey.
- Özçam, E. (2007), *Büyük İşletmelerde Stratejik Planlama ve Konuya İlişkin Bir Araştırma* ("Strategic Planning in Big Companies and a Research Related to the Topic").
- Schick, A. (2002), "Does Budgeting Have a Future?", *OECD Journal on Budgeting*, Vol. 2, No. 2, pp. 7-48.
- SIGMA (2008), "Turkey Public Expenditure Management System Assessment May 2008," www.sigmaweb.org/dataoecd/37/52/41638823.pdf, accessed 4 January 2010.