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# **TR2010/0136.01-01/001- Technical Assistance for Improved Strategic Management Capacity**

## *Gap Assessment Report*

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## List of Abbreviations

AR	Activity Report
CBA	Cost Benefit Analysis
CoA	Court of Accounts
DG	Directorate General
DGSM	Department of Governance and Strategic Management, Ministry of Development
EU	European Union
FMIS	Financial Management Information System
GDP	Gross Domestic Product
GFS	Government Finance Statistics (IMF Manual of 2001)
IA	Internal Audit
IS	Information System
IT	Information Technology
KBS	Budgeting IT system that is in use by the Ministry of Finance
MIS	Management Information System
MoD	Ministry of Development
MoEd	Ministry of Education
MoF	Ministry of Finance
MTEF	Medium Term Expenditure Framework
MTFP	Medium Term Fiscal Plan
MTP	Medium Term Program
NAO	National Audit Office
NCA	National Court of Accounts
NDP	National Development Plan
NPM	New Public Management
OAG	Office of Auditor General
OECD	Organisation for Economic Co-operation and Development
OMB	Office of Management and Budget (of the United States of America)
OMC	Open Method Coordination
PART	Programme Assessment Rating Tool
PB	Performance Budgeting
PBB	Planning, Programming and Budgeting
PER	World Bank's Public Expenditure Review
PESTLE	(Analysis of) Political, Economic, Social, Technological, Legal and Environmental (Factors)
PFM	Public Financial Management
PFMC	Public Financial Management Control
PP	Performance Program
PPBS	Planning, Programming and Budgeting System
PPP	Public Private Partnership
SAI	Supreme Audit Institution
SDU	Strategy Development Unit
SGB	Strategy Development Unit (Strateji Geliştirme Başkanlığı)
SMART	Specific, Measurable, Attainable, Reasonable, Timed
SOE	State Owned Enterprise
SP	Strategic Plan
SPM	Strategic Planning and Management
STEEP	Social, technological, economic, environmental and political analysis
TCA	Turkish Court of Accounts
TQM	Total Quality Management
UK	United Kingdom
USA	The United States of America

# 1 Executive Summary

This Gap Assessment Report has been produced by the team of experts of the EU financed project 'TR2010/0136.01-01/001 - Technical Assistance for Improved Strategic Management Capacity' in the period February – April 2013.

The report analyses the present situation of strategic management reform in Turkey. It focuses on what has been achieved, what are the most important gaps in implementation and puts forward recommendations on how to best address those gaps in order to continue to develop and ensure a system of strategic management that will be functional, useful and adjusted to the requirements of the Government of Turkey's public administration.

## Impressive initial steps in strategic management

In putting strategic management and performance budgeting reform in place, the Government of Turkey has achieved a significant and impressive step in public administration. The implementation of wide-ranging public and financial management reform changes, via the introduction of the Public Financial Management and Control (PFMC) Law 5018, has been a significant undertaking. The level of initial implementation success has been a considerable achievement.

The integration of strategic planning and results-based performance budgeting is not a new concept, and reform efforts have been a constant priority in international development across the world in the last few decades. These concepts are now embedded in public management in a wide range of countries. Despite Turkey's progress in initial implementation, strategic management and performance budgeting in Turkey is currently more than a decade behind many other comparable countries and twenty years behind the leaders in these reforms. The challenge now for Turkey's public administration is how to step up the pace of further progress in implementation, address existing gaps in the strategic management framework and system, and build on the current achievements, for sustainable long-term implementation success.

## Still more than a decade behind other OECD countries

The strategic planning, performance management and budgeting reform, which resulted in the PFMC Law no. 5018 and a number of associated acts, was initially triggered in response to the economic crisis of 10-15 years ago. The first efforts in its introduction have brought important positive instrumental changes to Turkey's public administration. Apart from a sound overall legal framework, a set of instructions, guidelines and procedures, and the creation of a network of Strategic Development Units (SDUs) in public institutions, the reform has ensured the development of an important stock of strategic plans and other associated documents across the public administration.

Public institutions produce 5-year institutional strategic plans, 1-year annual performance programmes and annual activity reports. In 4 years during 2006-2009 most institutions prepared their first strategic plans - 148 institutions of the total 188 public bodies. At this point, while a few

institutions have still not yet produced their first institutional strategic plan, most have already drafted their second while a few are on to their third, depending on whether changes in their operating situation required them to review and revise their plans in the meantime.

These advances have been analysed in the report and the most important gaps or obstacles for further development have been identified. The main existing gaps and corresponding overall recommendations are summarised in the table below. A full and detailed list of recommendations is presented in Section 8 of the report.

### Moving from formal compliance to a more mature and effective system of strategic management

Many of the difficulties and recommendations to address them relate to that part of the reform implementation which may be collectively referred to as 'systems' and associated instruments. These include mandates and regulatory instruments, new instructional and compliance requirements, guidance materials, and new processes and institutional arrangements. However, the challenge now is to improve upon the initial introduction of strategic management and to move from initial compliance, which has been focused on law and instructions to get all institutions to a basic point of implementation, to a more mature and effective system of strategic management. While improvements are still needed in the 'systems and instruments' aspects of reform implementation, different types of reform efforts are also now needed, including changes in management practice and institutional culture, in order to guarantee the use of strategic management instruments in on-going and sustainable operation.

Many countries have experienced a number of challenges in the integration of results-based strategic management with the use of performance information in decision-making and the budget process. Thus, limitations and obstacles suffered during the implementation and adaptation of this model in any country, specifically during the initial years of reform, should not discourage those responsible for the reform and its stakeholders. However, since the first impetus for Turkey to move forward with this reform, motivation seems to have slowed down.

The model chosen for the strategic management and performance budgeting system in Turkey is in line with international standards. In general, the normative framework is clear in the design of the model and formal conditions for its implementation. One of the main issues is the need to put emphasis on integration of different parts of the system, so that there is a clear logical sequence from the planning phase (ex ante) to the reporting and accountability phase (ex post). The addition of strategic management elements has not yet had a sufficient impact on policy decision-making and use by managers of the institutions. **In fact, strategic management techniques and procedures are currently not in harmony with daily procedures and operational management and there is a sense that, even if fully installed, their application or use is rejected in the daily operational culture of the public service, as if a strange body has been artificially inserted in the administration.**

### Turkey is not yet getting a convincing return from its investment in reform

Therefore, the Government of Turkey has not yet been able to fully realise the benefits of its considerable investment in strategic management reform. Obviously, this is a question of

allocating more time and effort, as other international experiences show. However, if Turkey continues its current rate of progress in the application of strategic management and continues its current reliance on incremental improvement (focusing mainly on the 'compliance' requirements and introducing instructions, methodologies, and techniques), it is likely that in ten years' time Turkey will be only marginally further forward in these practices than it is now.

**Preparing strategic plan documents and using analytical tools is highly necessary, but these are not end products in themselves and are more a means than an aim.** These aspects are more the *result* of strategic management behaviour than a means to achieve it.

The debate about which comes first - the introduction of the techniques or the behavioural adaptation (modifying decision-making styles and criteria) is a "chicken and egg" discussion. Both approaches are important - simultaneously or in a gradually related cadence. Improvement with one of the approaches requires or depends on the consolidation of some concrete stages of development of the other, and vice versa.

Reform requires serious effort not just in introducing new techniques and instruments but also adapting institutions and changing administrative culture. Further improvements in the 'compliance' side of the reform must also be matched with attention to the more difficult 'cultural' side of the reform. Gains in improvement in the quality of documents, specification of strategies and services and associated performance measures, costing, feasibility analysis technics, etc. are vital next steps that require significant further effort. However, improvement in these areas alone will not ensure effective strategic management implementation. Encouraging a higher level of management motivation to adapt decision-making styles, and in information sharing, consultation and collaborative behaviour are also required, as well as educative measures through leadership, training, and personnel capacity building. Addressing key gaps and introducing further measures in the "people management" aspects of reform - adapting culture and behaviour and building institutional capacity for change – need to be included as strategies during the next stage of the reform.

Considering the 'people-related' aspects of reform: leadership, institutional culture and behaviour, and capacity for change

Simultaneously this requires enhancing both structural/operational changes and institutional capacity building (e.g. coordination, enforcement and control mechanisms, properly oriented to encourage joint action, avoid deviations and promote improvements in strategic management).

The dimensions and scope of the reform are large and the context in which it is applied is complex. Furthermore, international experiences show the diversity of approaches for applying the strategic management model. Past and current reform experiences show the importance of continuous reform effort, to respond to new challenges. Thus, the reform strategy itself needs the development of measures to adapt institutions, procedures and capacity for leading, monitoring and evaluating the specific application of the reform model and adapting it to particular sectors or particular institutional characteristics or contextual changes. Recommendations in this respect are presented in the table below.



## It is time to re-launch the reform with renewed effort, realistic expectations and reinforced central guidance

The 'change management' challenge for the Turkish Administration now is to decide where it wants to be with progress in five-ten years and how much longer it wants to take to implement these reforms fully. It is now important to re-launch the strategic management initiative with renewed but realistic expectations and reinforced capacity for central guidance of the reform.

Main gaps	Recommendation - open debate and systematic analysis on ...
1. Missing elements in legislative framework	<ul style="list-style-type: none"> <li>- Create an inter-institutional working group to prepare amendment proposals to existing legislation and regulations.</li> </ul>
2. Lack of integration of strategic management and budgeting systems and cycle	<ul style="list-style-type: none"> <li>- Establish mechanism to align national priorities (NDP) with institutional strategic plans</li> <li>- Unify capital investments and recurrent budget negotiations, process and cycle</li> <li>- Consider merging MTFP and MTP</li> <li>- Clarify the scope and content of various strategy documents and set explicit links within strategic planning, performance programming and performance reporting documents</li> <li>- Align guidance materials and approaches for strategic management, performance programming, budgeting and activity reporting</li> <li>- Connect costing of strategic plans and performance programmes with budget information</li> <li>- Connect financial and non-financial performance information in reporting and management systems</li> </ul>
3. Poor internal performance management systems and lack of external performance accountability framework	<ul style="list-style-type: none"> <li>- Prepare guidelines to introduce systematic programme evaluation (for assessment of both output and outcome achievement)</li> <li>- Introduce civil service personnel performance management system</li> <li>- Apply incentives for strategic planning improvements and in using performance information for programme development and management</li> <li>- Address legislative and regulatory gaps relating to external performance reporting, auditing and accountability</li> <li>- Prepare strategy for Court of Accounts to improve their capacity to carry out performance audits</li> <li>- Integrate requirements relating to activity reporting with guidance on strategic planning and performance programming</li> </ul>
4. Low level of institutional capacity and problems in existing public management culture	<ul style="list-style-type: none"> <li>- Clarify the identity, roles and responsibilities of central guiding and coordinating institutions</li> <li>- Integrate institutional guidance emanating from MoD and MoF</li> <li>- Transform SDUs from residual finance departments into fully functioning drivers of strategic management in their institutions</li> <li>- Reinforce strategic management and performance budgeting in public service culture and management practice</li> </ul>
5. Lack of overall reform strategy for further implementation and reliance on incremental improvement	<ul style="list-style-type: none"> <li>- Create working group for high level leadership that would provide unified upper-level guidance</li> <li>- Develop overall roadmap for next stage of reform</li> <li>- Establish inter-institutional working groups or other mechanism for evaluation and review of reform progress</li> <li>- Speed up pace of reform through the choice of either adaptive or transformative reform measures</li> <li>- Address all aspects of management during reform</li> </ul>

## 2 Introduction

The EuropeAid Project 'Technical Assistance for Improved Strategic Management Capacity' aims to strengthen the strategic management system in the Turkish public administration through the provision of a programme of technical assistance and capacity-building support.

The overall objective of the project is:

***'Efficient and effective public service and transparent and sound financial management of public funds'***

The purpose is:

***'More effective and impactful strategic planning by central public institutions'***

The project aims to support this with capacity building assistance designed to cover five major interventions:

- Training
- Expert technical assistance and advice (focusing primarily on a range of technical products such as guidelines and methodologies)
- Information dissemination seminars
- Study tours to investigate best practice examples
- A programme of direct coaching support to selected pilot institutions.

The project design incorporates three main components:

- Component 1: Assessment of the overall strategic management system and the preparation, implementation processes and outcomes of strategic management in central institutions, with identification of gaps
- Component 2: Capacity-building with central (co-ordinating) institutions
- Component 3: Capacity-building with other central public institutions.

Project work during the gap assessment period (February-April 2013) was in fulfilment of the requirements specified in Activities 1.1 to 1.3 of the project Terms of Reference (ToR). This gap assessment report was researched and compiled by the project's Technical Assistance Team (TAT). The report is a key output of Component 1 of the project, which aims to assess and evaluate the current situation of strategic management in the Turkish administration and in the nominated institutions, and provide recommendations to address the gaps.

Analysis undertaken to complete this gap assessment has included:

- Information gathered from meetings with officials from all institutions identified in Activity 1.2 of the ToR
- Information gathered from meetings with officials from a sample of other central public institutions with sector responsibilities
- Review of background material including legislation, associated regulations and bylaws, reports from other relevant projects and other relevant reports and documentation
- Review of the strategic plans, performance programmes and activity reports of selected institutions, and
- Review of international best practice.



The pilot institutions included in the gap assessment were those identified in Activity 1.2 of the ToR. This included those with co-ordinating responsibilities for strategic management and performance budgeting, namely the co-ordinating departments of the primary beneficiary Ministry of Development (MoD), and co-beneficiaries Ministry of Finance (MoF), Ministry of Interior (MoI) and the Higher Education Council (HEC). It also included the Strategy Development Units (SDUs) of these institutions and of other key institutions at the centre of government, namely the Prime Ministry and Under-Secretariat of the Treasury. In addition, in order to extend the analysis further and to be able to make a fuller assessment of strategic management implementation within the Turkish public administration, the project team also met with officials of the Strategy Development Units of a sample of other central public institutions with sector responsibilities. This included the Ministry of Education, Ministry of Industry (Department of SMEs), Directorate-General of Water Works, Social Security Institution, the Court of Auditors, and sector departments within the MoD.

The meetings for the gap assessment commenced during the project's inception stage (22 January to 21 February 2013) and an initial analysis and assessment of the current state of strategic management practice in Turkey was completed during that stage. In the months that have followed (22 February to 30 April 2013), a further round of meetings and analysis has been undertaken. The list of meetings undertaken and documents reviewed is presented in Annexes 1 and 2 of this report.

The experts examined, through the interviews and relevant documentation, the process of preparation and implementation of the strategic plans of the institutions. The TAT addressed several questions to those institutions with considerable experience in preparing strategic plans as well as to those institutions that have less experience in this regard.

In compiling this report, the project team also carried out desk research, reviewing the relevant legislation (laws, bylaws and regulations) and other background information. The experts also reviewed a number of example 5-year institutional strategic plans, 1-year performance programmes and annual activity reports to assess their quality and internal consistency. The experts assessed the linkages between higher-level long-term national planning documents and institutional strategic plans, and linkages between the strategic plans and performance programmes (as operational documents) and analysed whether the activity reports adequately reflect the achievement of goals outlined in the planning documents.

Thus the TAT examined, through the interviews and analysis of reports and other documentation, the processes of preparation of strategic plans and other aspects of the strategic management practice of the institutions. The TAT synthesised the information acquired through further analytical work on strategic management reform in Turkey presented in this report. The gap assessment report thus indicates the strong and weak points that were identified via the interviews and reviewing of documents and provides recommendations to address the identified gaps.

The report contains the following dimensions:

**Section 3 of the report provides an overview of strategic management reform implementation in Turkey**, and presents **the overall summary of the gap assessment**. It introduces the purpose of and background to strategic management reform and explains the nature of the strategic management 'model' that has been put in place in Turkey, via changes in

administrative and financial management practice introduced as part of the Financial Management and Control Law 5018. It then summarises the identified gaps relating to the implementation of this model in the strategic management system and practice in the Government of Turkey.

**Sections 4, 5 and 6 together present the deeper-level analysis of strategic planning, strategic management implementation and performance budgeting practice in Turkey.**

**Section 4 outlines the main points of analysis required for the gap assessment as specifically prescribed in the project ToR.** This Section focuses on strategic planning and implementation in the pilot institutions designated for analysis and comments on the strategic plans as well as preparation and implementation processes.

**Section 5 focuses on integration of the strategic management and performance budgeting system.** It refers to international practice and experiences regarding strategic management and outlines issues associated with the ex-ante and ex-post stages of the planning and budgeting system (the cycle consisting of planning, budgeting, reporting, evaluation and accountability) and with co-ordination at the centre of government.

**Section 6 describes issues relating to institutional capacity** and the management of change, which are currently inhibiting further progress in application of strategic management reform in Turkey. This section presents problematic aspects of implementation that relate to the tradition and culture of existing public service practice.

Section 7 presents **strategies to address the gaps identified and for the way forward in reform implementation**, to overcome the current problems and obstacles. This discussion identifies the short-term solutions that the SMC Project can assist with, as well as medium to longer-term reform imperatives.

Section 8 presents the **recommendations** put forward by the TAT to address the gaps identified.

## 3 Strategic Management Reform in Turkey: An Overview

### 3.1 Background and Purpose of the Reform in Turkey

The development and introduction of Turkey's strategic management system has taken place as part of a wider public administration reform programme, for which the initial "pioneering" reform impetus now hearkens back over ten years ago, to the first half of the decade 2000-2010.

#### Two Primary Triggers of the Reform in Turkey

Economic crisis of early 2000 generated need to modernise the system in force since 1920s	EU accession agenda and international peer pressure from OECD and World Bank
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Frequently an imperative for reform in many countries has arisen out of political, economic and fiscal crisis or instability and Turkey was no exception in the period leading up to 2000. Arising from this "crisis" period, a working group of key politicians and high-level officials was set up to spearhead a drive for reform. The working group investigated international best practice widely and considered structural reforms that had taken place in a number of countries. The report of the working group focused on identified weaknesses in Turkey's public administration. These included weaknesses in national development planning and implementation. The National Development Plan had been developed and put into effect but there were gaps in the system of institutional follow-through of the planning framework. In addition, the working group focused on the need for reform of outdated public financial management practice (for which the legislative framework at that time dated from the 1920s) and the weakness of public sector management. The working group understood that the Budget and Budget process does not of itself lead to a good management system. Importance was placed on the need for a more defined policy framework based on strategic planning (including linking national development planning and institutional planning), together with the development of a new legislative foundation based on more modern approaches to the principles of fiscal responsibility. This was the background to the reform, which came to fruition in the form of a major new legislative framework – the Public Financial Management Control (PFMC) Law 5018. The new law was introduced in 2003 and fully operationalized by 2006. It brought new concepts and practice in strategic management and performance budgeting to the public administration of Turkey.

Further catalysts and impetus for reform - prior to and since the introduction of the PFMC Law 5018 - have included on-going developments aimed towards European Union accession, together with a level of international "peer pressure" from international donor agencies that has been manifested in reports of external reviews. The latter reviews (such as the World Bank's Public Expenditure Review (PER) report, 2006) commented on the need for changes in Turkey's public administration. These have combined together with on-going internal interest in reform within the Government of Turkey, to take advantage of the benefits of initiatives implemented by EU and OECD countries and other developing and transition countries, including general modernisation of public sector administration.

**The fact that the introduction of strategic planning and strategic management concepts in Turkey has its context in wider public financial management reform is of critical importance. In this, a key element is the introduction of performance budgeting as part of intended fundamental shifts in concepts of fiscal responsibility and accountability in the use of public funds and resources. The introduction of strategic planning and management thus sits squarely within the functions of overall budgeting and financial management in public administration.**

Institutional strategic planning is important for its own sake as part of good governance and management - providing clarification of organisational direction and priorities, providing a mechanism for development of strategy (charting the course to achieve identified directions) and providing a framework for management to work towards achievement of key priorities relating to the identified directions. At whole-of-government level, effective institutional strategic planning is an integral mechanism for effective implementation of wider national, regional or sectoral development planning priorities and strategies – hence the mandated requirement in Law 5018 for all public institutions of the Government of Turkey to prepare strategic plans. **But ultimately the PFMC Law 5018 was put into effect to introduce fundamental changes to the understanding of public financial management and the operation of the public service in administering these changes.**

The concept of strategic planning and strategic management as part of a **system of planning and budgeting linked to results-based performance and accountability** involves a set of ideas that emphasise the need for integration of these elements, operating as part of a systemic cycle. The 'model' involves some fundamentally simple concepts, however governments in many countries have found this difficult to achieve, and the application of these reform concepts in Turkey is demonstrating these challenges. Most of the existing problems in implementation of the strategic management system in Turkey relate to **gaps in the institutional integration of key aspects of the overall strategic management system**, including the links between different aspects of government strategic planning, and the links to performance management, performance budgeting and aspects of the accountability framework.

**The introduction of strategic management and performance budgeting reform has brought many positive changes to the Turkish administration and these are discussed in later sections of this report. However, the challenge now is for the Government of Turkey and government institutions to improve upon the initial introduction of strategic management and to move from initial compliance to a more mature and effective system of strategic management implementation.**

### 3.2 International Trends in Strategic Management and Budgeting Reform

Integrated strategic management and PFM reforms, and the place of performance budgeting within an overall strategic management system, have over the last twenty-five years or so often been associated colloquially with the ideology and set of reforms in some countries referred to as "New Public Management" (NPM). However, in many ways this is an overstated linkage and misnomer. Reform efforts to bring strategic management and performance budgeting into government institutional practice go back much further and aspects of these reforms have taken place in many countries outside the context of NPM.

In the USA, UK, New Zealand, Australia and Canada the debate about NPM was held 20 years ago and it has been successfully applied due to a systematic approach to reform

Other countries have experienced a range of challenges in the integration of results-based strategic management because of introducing only partial application of reform

NPM has given these reforms a particular flavour in some countries in recent decades, which is what perhaps has characterised debate in public management on these matters. The core ideas of NPM were to translate aspects of private sector practice into public administration, and the watchwords were to encourage a focus on increased "efficiency and effectiveness". In many countries that were at the forefront of NPM reforms, such as the USA, UK, New Zealand, Australia and Canada, the debate about whether NPM works or not has generally been and gone some twenty years ago. These countries have implemented various aspects of the group of reforms loosely attributed to NPM concepts in a variety of forms, have operationalized and made routine the management practices associated with these reforms and moved on to further refinements. In the European/Continental context, however, the debate about NPM itself is still current - partly because the basis for comparison in this context involves many partial or incomplete examples of implementation, where efforts have struggled.

The PFM-related reforms linked to NPM concepts are often associated with "free market economics", e.g. efficiency and effectiveness of government, results-based management, transparency and accountability. These harken back to the heyday of NPM, being part of a raft of reforms that frequently also included privatisation of public assets and institutions, outsourcing, rationalisation and downsizing of the public sector, and decentralisation or de-concentration of government. There is some basis to suggest that the concepts that are generally recognised in relation to these reforms perhaps work better in a decentralised government system.

During the period of significant government reforms during the 1980s and 1990s in 'Anglo-Saxon' environments, NPM was not the only set of ideas that influenced reform and modernisation of public administration. In the USA and other countries, Total Quality Management (TQM), which reinforced a customer orientation, was also important during that period, as was a call for reducing the compliance burden ('red tape') of bureaucracy. Such was the 'Reinventing Government' initiatives in the USA in the early 1990s, led by Al Gore. In the decades since these reforms, many further related developments have become popular including increased sophistication in areas such as participatory planning, focus on an 'outcomes' orientation in results-based management, emphasis on improved governance, co-ordination and cross-cutting initiatives ('joined-up government') and improvements in aspects of the accountability framework – with focus on performance auditing, programme evaluation and 'value for money'. Along with these initiatives, there have been on-going developments in organisational management practice, notably in human resources management and performance management.

In relation to performance budgeting, again it is important to note that efforts in results-based programme budgeting go back to the 1960s (for example - the 'Planning, Programming and Budgeting System' (PPBS) efforts in the USA), with various reform initiatives since. Since reforms in modernisation of public administration in many countries during the 1980s and

1990s, further efforts in various jurisdictions have continued to focus on bringing strategic programme planning, and concepts of integrated planning, budgeting and performance management into basic good public management practice.

Thus, the integration of strategic planning and results-based performance budgeting within an overall strategic management system is certainly not a new concept, and reform efforts to bring these aspects together in an integrated framework of modern governance and management have been a constant reform priority in international development across the world in the last few decades. As a result, these concepts have become routine in public management in a wide range of countries, now dating back many years. However, many countries have also experienced a number of challenges in the integration of results-based strategic management, particularly with the use of performance information in the budget process.

The core elements of an internationally accepted model and associated concepts, and various approaches to implementation, are discussed in the following and subsequent sections of this report.

### 3.2.1 Elements of an Integrated Strategic Management System

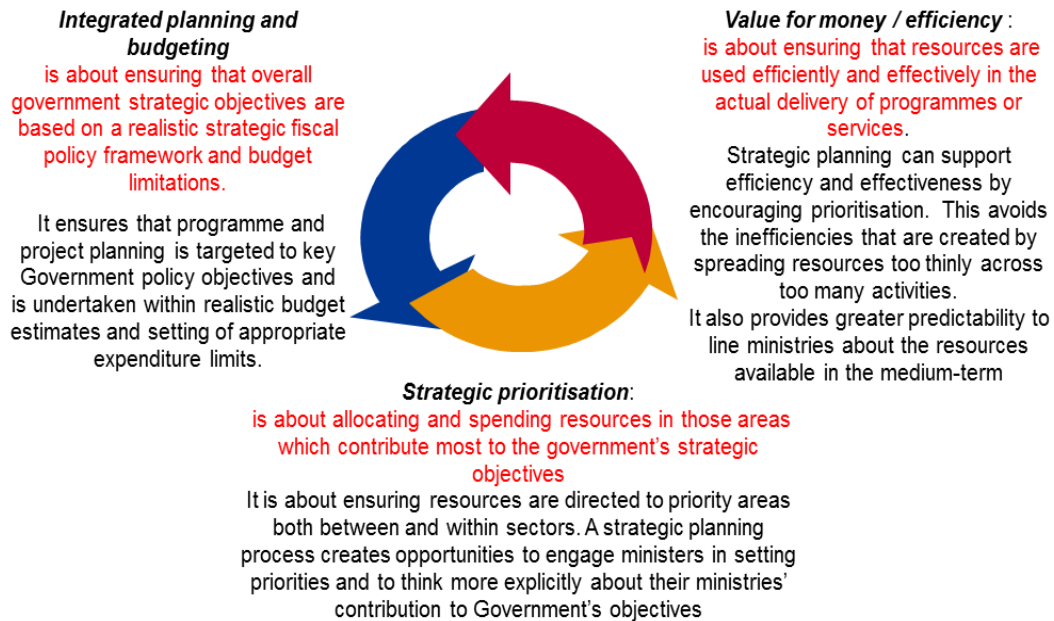
**The "model" of strategic management that has been put in place in Turkey via Law 5018 incorporates the aims and key elements of an integrated strategic management and performance-based budgeting system. The purpose of such a system is to ensure success in achievement of the Government's fiscal responsibilities, for targeting expenditure to key priorities and for performance in service delivery.**

At the core of this is a set of very simple ideas, including:

- Prudent use of Government funds
- Need for government policies and strategies to be planned over at least a medium-term period, within a clear fiscal and macro-economic framework, for greater clarity of government achievement against intentions, and predictability of government expenditure requirements
- Importance of targeting funding to key strategic priorities
- Translation of whole-of-government priorities into institutional programmes and performance and
- Need for an improved ability to demonstrate and evaluate the results of Government actions and spending.

In application of these requirements, various strategic management and PFM practices have focused on the need for a stable cycle of integrated planning and budgeting. A core logic focuses on working top-down from strategic plans (at the level of outcomes, goals and strategies) to institutional services/programmes (outputs) and associated performance indicators, to the budget classifications (inputs) for budget execution. Effective strategic management practice is iterative. It also involves the bottom-up processes of participatory efforts for planning (based on stakeholder engagement and feedback). Service delivery and performance reporting within the accountability framework completes the system, together with performance auditing and programme evaluation.





When a Government wishes to move towards an integrated performance-focused strategic management framework, there are endemic and systemic issues and problems in institutional systems and practice that need to be resolved. These relate to:

- Creation of integrated planning and budgeting systems;
- Creation of an integrated and stable planning and budgeting cycle;
- Inclusion of performance information in all parts of the system and all stages of the cycle and
- Reforming the public service to a performance management culture.

Key parts of the system involve the integration of the "ex-ante" planning and budgeting formulation part of the strategic management process with the "ex-post" budget execution, reporting and performance evaluation/assessment stages. The mechanisms and processes that make up the key parts of the performance and accountability framework need to be embedded in all parts of the system and all stages of the cycle, to make the overall strategic management system work. *Ideally, the logic of an integrated strategic planning/budgeting/reporting system is included within the concept of an on-going rolling annual cycle.* The cycle starts with the strategic planning stage as the "front end" of the Budget process, moving to Budget preparation, then to service delivery and Budget execution, with associated monitoring and accounting processes, then to reporting, auditing and evaluation, with the results of the evaluation flowing into policy review and further strategic planning. This is illustrated in the diagram below.



### 3.3 Application of Strategic Management in the Turkish Public Administration

#### 3.3.1 Summary of Achievements to Date

The Government of Turkey has achieved significant steps in early implementation of strategic management and performance budgeting reform. These achievements have included:

- The Turkish Administration is clear about the ‘model’ of strategic management that it has chosen to put in place and this model conforms to international best practice. The PFMC Law 5018 establishes a comprehensive and sound foundation that provides for an integrated strategic management and performance budgeting system. This framework enshrines all the principles of fiscal responsibility, strategic prioritisation in the allocation of resources and efficiency and effectiveness in the use of resources outlined in Section 3.2.1 above.
- In addition to Law 5018, key supporting regulatory instruments and instructional mechanisms have been put in place.
- An appropriate institutional architecture has been operationalized with the establishment of Strategy Development Units in public institutions, with defined responsibilities for strategic management and performance budgeting.
- The reform has generated a significant stock of strategic plans, performance programming and reporting documents across government, over a period of seven years since initial introduction of these new requirements.
- Improvements in the use of new strategic management and performance budgeting tools and techniques are developing incrementally, after several years of developing practice.

#### 3.3.2 Summary of Gap Assessment

Turkey is an extremely large and influential country in terms of economic achievement, and strategic regional and international influence. **But the implementation of good practice in governance and public administration relating to strategic management and performance budgeting is currently some 10-20 years behind many other countries of comparable size and influence to Turkey, and also behind many poorer and smaller countries that have introduced strategic management, performance budgeting and related PFM reforms.**

### Primary Concerns Identified

Strategic management in public administration of Turkey is 10-20 years behind similar countries	Strategic planning mechanisms are not fully integrated in the management systems of the Turkish Administration	The present incremental pace of reform will leave the Turkish Administration even further behind
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The systems of development planning, investment planning, the annual Budget process, the process for development of sectoral policy and plans (reporting to the High Planning Council), the "traditional" approach to activity reports and traditional compliance and financial auditing all continue to proceed largely in their separate silos and to their own timetables. **The introduction of strategic planning, performance budgeting and performance reporting requirements has had an impact, but the strategic management system is not fully implemented and not yet effectively integrated into the on-going public service processes and systems. Therefore, the Government of Turkey has not yet been able to fully realise the benefits of its considerable investment in strategic management reform.**

Essentially, the new strategic management requirements contained within Law 5018 have been super-imposed on to the existing systems of planning and budgeting, which have largely carried on without full integration of the new processes. Legislation and supporting regulatory instruments have been introduced to ensure a basic level of compliance; initial guidance materials have been prepared; implementation capacity is developing slowly and developments in institutional capacity are proceeding at an incremental pace. Further implementation, however, is now being left to the vagaries of long-term incremental improvement - largely on a "goodwill" basis at the level of individual institutions - with continuing gaps in the overall system and no apparent overall strategy for stepping up the pace of implementation.

Introducing a new strategic management system across government, with sweeping changes to the modus operandi of public administration is not an easy task and many countries have experienced these difficulties. The weight of the status quo in Turkey's public administration does not currently support rapid progress in these areas. **However, if Turkey continues its current rate of progress in the application of strategic management and performance budgeting, it is likely that in ten years' time Turkey will be only marginally further forward in these practices than it is now - and even more significantly behind many other countries that will have progressed further in the meantime.**

The following is a summary of all the identified gaps.

#### Gaps relating to missing elements in the legislative architecture of the system

1. **The legislative framework still contains missing elements required to ensure full strategic management and performance budgeting implementation.** This includes:
  - 1.1. Law 5018 provides a sound empowering framework, but there are gaps in supplementary bylaws and regulations to provide further clarification of the generic definitions for strategic plan content and requirements contained in Article 1 (n) and Article 9 of Law 5018.

- 1.2. There is no requirement for a formal review period within the five-year period for strategic plans. The bylaw on strategic planning contains a provision whereby strategic plans may be reviewed and updated after two years of implementation or under certain circumstances. But the five-year period without a mandatory mid-term review encourages a situation where after an extensive effort to prepare the strategic plan, it is then put on the shelf and over the five years a widening gap of relevance and performance alignment develops between the annual performance planning, budgets and reporting.
- 1.3. Article 68(b) of Law 5018 provides for external performance auditing and assessment but supplementary legislation and regulations are lacking to ensure effective and timely implementation of performance auditing. The proposed Law 6085 on the Court of Accounts has been developed but not adopted.
- 1.4. The Regulation on Activity Reports outlines a requirement for separate chapters on financial information and performance information. This encourages on-going separation of financial and non-financial performance reporting and provides no mandate or incentive to encourage integrated reporting.

### Gaps relating to integration of the cycle and processes of the strategic management and performance budgeting systems

2. **There are significant gaps in the integration of systems and processes for strategic planning, performance planning, investment planning, budgeting and activity reporting.** The requirements and responsibilities of institutions are well stated and specified in Law 5018, including requirements for co-ordination, however these processes proceed within their own streams and to separate timetables. This includes:
  - 2.1. Law 5018 (Article 9) requires that MoF define the processes and principles on the compatibility of administrative budgets with the performance indicators stated in strategic plans. But this has not been resolved and the requirements of results-based strategic plans and performance programmes, and for costing these plans, do not align easily with the budgeting system and formulation of budget proposals based on economic classifications for presentation of line-item inputs in Budget documentation.
  - 2.2. Timetabling and processes for the annual planning and budgeting cycle does not support or encourage an integrated approach to the components of strategic management and budgeting, nor for a logical flow from the definition of whole-of-government strategic objectives and priorities, within a defined fiscal envelope, through to the translation to institutional plans and budgets.

Law 5018 provides for the adoption of the consolidated medium-term programme by the Council of Ministers in May and the adoption of the medium-term fiscal framework by the High Planning Council in June, prior to development of budget submissions for the annual Budget. Current practice is for adoption of both these medium-term plans in September, very close to the Budget preparation. The development of performance programmes starts in March but ceilings are issued for investment planning later, and the development of both performance programmes and investment planning proceeds on the basis of a bottom-up approach, with consideration of proposals and negotiations with individual institutions progressing upwards to consolidation into the medium-term programme and fiscal framework very late in the process.

This approach is intended to preserve as much political flexibility as possible until the deadline for presentation of the Budget to the Parliament, however it also weakens the opportunity for strong signalling of Government strategic priorities linked to high-level development plans early in the process, and for a higher level of certainty and top-down logic in institutional plans and budgets.

- 2.3. Law 5018 (Article 16) provides for performance indicators to be jointly set by the MoF and MoD, to be included in the budgets of the administrations. This level of co-ordination in providing integrated instruction and guidance to public institutions through the various instruments of the strategic plans, performance programmes and budgets is not achieved due to problems in aligning the systems and processes.
- 2.4. **Guidelines on preparation of strategic plans and performance programmes issued by the MoD and MoF are not aligned** and present a "contest of frameworks" in terminology, definitions and instructions for costing of strategic plans and performance programmes. The guidelines are not integrated, nor defined with adequate instructions.
- 2.5. **There are gaps in instructional mandates, mechanisms and guidance materials to facilitate demonstrated linkages between high-level government priorities, policies and plans, institutional strategic plans and performance programmes.**

#### Gaps relating to the performance management and accountability framework

3. **There are significant gaps in the performance management and accountability framework and cycle**, including:
  - 3.1. Lack of effective evaluation of strategic plans by some institutions with co-ordinating responsibilities.
  - 3.2. Lack of additional mandates, mechanisms and guidance to improve activity reporting
  - 3.3. Lack of additional mandates, mechanisms and guidance to facilitate integrated financial and non-financial performance reporting
  - 3.4. Delayed introduction of external performance auditing and assessment
  - 3.5. Lack of a performance management system within the public service
  - 3.6. Lack of incentives or sanctions for organisational or individual performance and no real incentives for improving the use of performance information

#### Gaps relating to current public service and institutional capacity, culture and practice

4. **There is significant variation in the quality and usefulness of strategic plans across the government**, including:
  - 4.1. There is a multiplicity of approaches about what is contained in strategic plans, how strategies are articulated and presented, varying presentation of overall outcomes and priorities, mixed presentation of key outputs/services/programmes and performance information relating to key deliverables, and inclusion of inputs information rather than presentation of internal strategies on organisational capability.
  - 4.2. Overall, the use of strategic plans is largely still at a 'compliance' stage and not integrated into institutional management as a routine management tool.
5. **There is evidence of very mixed capacity within public institutions and SDUs, to effectively implement the strategic management and performance budgeting requirements**, including:

- 5.1. The capacity of central co-ordinating institutions is very mixed, as is the capacity of their SDUs. The capacity for high-level co-ordination of the reform appears weak, particularly in relation to the requirement for a collaborative or inter-institutional co-ordination approach. Some institutions with central co-ordinating responsibilities in strategic management are carrying out their co-ordination and guidance responsibilities only in a basic "compliance" mode and there is a lack of evaluation and leadership of the direction of on-going reform progress.
  - 5.2. SDUs in some institutions still seem to be making a slow transition to the incorporation of aspects of their new roles in strategic management, instead still functioning primarily as accounting units and in some cases hearkening back to previous status in financial control.
6. **There are significant gaps in the "cultural" environment within the public service, to support effective implementation of strategic management**, including:
    - 6.1. The concepts of strategic planning, results-based strategic management, performance budgeting and performance reporting have been derived from approaches developed in other jurisdictions and there is no obvious linkage to traditional Turkish public service culture.
    - 6.2. The public administration environment within Turkey does not yet fully support an acceptance of medium-term strategic planning or a "performance culture" in the routine modus operandi of the public service.

#### Gaps relating to the lack of an overall reform strategy

7. **There is no apparent overall co-ordinated strategy for further strategic management and performance budgeting implementation of the reform.** Following the introduction of Law 5018 and associated mandates, subsequent implementation seems to be without high-level 'drive' for further implementation and is relying on incremental improvement on an ad hoc basis at institutional level and there are no defined steps to take the Government of Turkey further beyond initial compliance.
8. **An incremental approach to further implementation of strategic management, with reliance on an "educative" approach from central co-ordinating institutions and a "bottom-up" approach to improvements, is out of alignment with mode of practice in the public service in the Government of Turkey.** Gaps in public service practice demonstrate that strategic management in Turkey is not yet sufficiently advanced to rely on incremental improvement. Public administration in Turkey is centralised and the public service is formal and hierarchical, focusing on bureaucratic compliance, systems and processes. An approach to further implementation of strategic management that fits this culture is currently missing.

Sections 4, 5 and 6 of this report below present the detailed analysis and assessment that has led to the identification of the gaps listed above.





### 3.3.3 Destination of Reform

**The challenge for the Government of Turkey now is to decide where it wants to be with reform progress in five-ten years and how much longer it wants to take to fully implement the reform** – that is, to move beyond the initial successful compliance stage to a more mature system of strategic management.

The destination of this reform in the Turkish Administration needs to progress towards:

- Further and full realisation of the intention of Law 5018
- Closing the gap between the Turkish Administration and international best practice in the application of strategic management and performance budgeting as a programming, budgeting and management tool
- Further developing capacity to move towards a more mature, effective and embedded application of strategic management, where
- Effective strategic management practice is 'routine' and effectively influences decision-making, resource allocation and management practice.

## 4 Analysis of Strategic Planning and Strategic Management Implementation

### 4.1 Analysis of the Strategic Management Framework and System

**The project ToR required, for the gap assessment, an analysis of the overall strategic management system including the legal framework (Activity 1.1).**

The legal and institutional architecture put in place in Turkey for implementation of strategic management reform has been designed to cover the introduction of essential concepts and practice, with mandates for key strategic planning and performance budgeting requirements and accountability. The PFMC Law 5018 and related laws for local administrations set out the strategic management requirements for public administrations within central government and local administrations to prepare strategic plans and undertake performance programming and reporting. In this regard the Ministry of Development (MoD) has been given the pioneer role in the transition to strategic planning/management and similarly the Ministry of Finance (MoF) leads the transition to performance budgeting.

Ministries, public universities, public and semi-public economic and social institutions, municipalities and provincial administrations are all required to prepare their own institutional strategic plans. MoD formed a department for the oversight and central coordination of strategic management implementation – the Department of Governance and Strategic Management (DGSM), which is responsible for guiding, coordinating and regulating strategic planning practice across the government. The Department aims to work towards creating an integrated system covering the preparation, monitoring, evaluation and auditing of the strategic plans of all public administrations and focuses on providing awareness- raising activities and guidance to public institutions. Following adoption of the PFMC Law 5018 in 2003, further clarification was provided via enactment of a bylaw in 2006 by MoD on ‘Principles and Procedures for Strategic Planning in Public Administrations’. The bylaw prescribed the generic content of strategic plans and instructions on how they should be prepared. It also established a calendar setting a sequence of deadlines for institutions to submit their first strategic plans. The bylaw embraced several different categories of institutions (totalling 188 public bodies), from 2006 to 2009. The Bylaw required the institutions to send their strategic plans to the MoD for evaluation and sets out the criteria for that evaluation/assessment<sup>1</sup>:

Year	Number of Institutions	Example Strategic Plans from this Year
2006	17	Turkey Statistical Institute 2007-2011 General Directorate of Highways 2006-2010 Turkish Patent Institute 2007-2011 Under-secretariat of Defence Industry 2007-2011
2007	31	Turkish Accreditation Agency, 2008-2012 Turkish Standards Institution, 2008-2012 International Cooperation and Development Agency, 2008 2012 SME Development and Support Administration 2008-2012

<sup>1</sup> Based on - "Procedures and base regulation for public strategic planning in Turkey". Official Gazette No.26.5.2006 / 26179. Kamu idarelerinde stratejik planlamaya ilişkin usul ve esaslar hakkında yönetmelik.



2008	60	Ministry of Finance, 2009-2013 Ministry of Transport, 2009-2013 Ministry of Labour and Social Security, 2009-2013 State Planning Organization, 2009-2013
2009	40	The Ministry of Justice 2010-2014 The Ministry of the Interior 2010-2014 The Ministry of National Education, 2010-2014 The Ministry of Health 2010-2014
<b>Total:</b>	<b>148</b>	

Responsibility for performance budgeting, including development of annual performance programmes and activity/performance reporting, is the responsibility of the MoF. This is articulated in the PFMC Law 5018 as the link between strategic plans and the annual Budget. Within the MoF, responsibility for co-ordination of performance budgeting implementation lies with the Department of Budgeting and Fiscal Control. Within the scope of performance budgeting, Law 5018 requires each government organisation to prepare an annual performance programme, to monitor and evaluate achievement and to make public the results through accountability (activity) reports. The MoF carries out the task of central harmonisation with preparation of the consolidated Medium-Term Fiscal Framework, the consolidated Medium-Term Fiscal Plan (which is prepared annually and includes the detailed annual programme, with indicative forecasts/programmes/plans for years two and three), the annual Budget and the annual consolidated Activity Report. Thus, the Ministry is empowered by legislation to enable the consideration and articulation of Budget proposals incorporating performance information and for decisions to be made using this information, for the best allocation of resources based on expenditure priorities. The responsibility of the MoF includes improvement of performance-based budgeting and co-ordination of its implementation across government, with the purpose of ensuring that public resources are effectively and efficiency allocated and spent. Within this scope, the Ministry issued the '*Bylaw on Preparation of Performance Programmes by Public Administrations*' (2008) and the '*Bylaw on Accountability Reports*' (2006).

In a similar manner to that described above, the Ministry of Development is responsible for drafting the budget for investments, development of the Medium-Term Programme and annual budget for investment planning.

Both the MoD and MoF have issued guidelines to assist institutions in carrying out their strategic management and performance budgeting/reporting responsibilities. The MoD's guideline for preparation of strategic plans (issued 2006), provides basic instructions on the (minimum) required content of strategic plans and some guidance on their preparation. Similarly, the MoF issued guidelines, updated 2009, on the preparation of performance programmes and performance reporting. These guidelines cover public administrations within the scope of the general budget (listed in Table I annexed to Law 5018), special budgeted administrations (listed in Table II), and social security institutions (listed in Table IV). Separately, local administrations (with a population of over 50,000) are required to prepare strategic plans and performance programmes under the Municipal Law No. 5393 and the Law of Special Provincial Administration No. 5302 and the Law 5216 on Metropolitan Municipalities in 2004.

In addition to the co-ordinating roles of MoD and MoF, the institutional framework established to oversee the general requirements of the PFMC Law involves other institutions that have co-ordinating and/or guidance responsibilities for key aspects of the strategic management process. The Ministry of Interior (specifically the Department of Local Administration) is

responsible for oversight of local government strategic planning, management and activity reporting and the Council of Higher Education has some responsibility for oversight of strategic management responsibilities of the universities.

Strategy Development Units (SDUs) have been established in central public institutions and local government. In most institutions, the SDUs equate to the re-constituted former Finance departments of the institutions (which formerly reported to the MoF) but their responsibilities are now wide, including managing the process for preparation of their institutions' strategic plans, annual performance programmes, investment plans, budget proposals and activity reports, together with monitoring of performance against the strategic plans and performance programmes.

#### 4.1.1 The Legislative Framework

Overall, the basic legislative and institutional aspects of the strategic management framework are in place. Law 5018 provides a very appropriate empowering framework for implementation of strategic management and performance budgeting, with key mandates in place. The Government of Turkey has reached the stage of successful initial compliance in strategic management implementation. However, this level of compliance is essentially "introductory" in relation to the overall strategic management system and cycle intended in Law 5018. There are still major weaknesses in application of the entire strategic management system and these weaknesses, if not addressed, will prevent the Government of Turkey from moving to a further stage of maturity in successful implementation.

##### Primary Issues in Legislation

Performance management lagging behind strategic planning	Poor attention paid to accountability mechanisms	Missing linkages between financial and non-financial performance information
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Overall, the initiative of strategic management in Turkey has been more successful in implementation of the 'front end' processes of strategic planning than in bringing the other aspects of the 'ex-post' parts of the strategic management and performance/accountability framework into effect. **The performance monitoring, reporting, evaluation and auditing parts of the overall strategic management system lag behind the implementation of strategic planning.**

In relation to the legislative framework, while the Law 5018 itself is sound, the supporting laws and regulations need strengthening to provide a stronger compliance mandate, to push institutions towards greater effort in performance reporting and accountability for performance. The Law 6085 on the Court of Accounts has been adopted but not yet fully implemented. It is designed to define the role of external performance audit in the strategic management and overall accountability and performance reporting process but this aspect of the strategic management framework is still 'in transition'. The Court of Accounts is still in the process of moving from historical 'compliance auditing' to financial auditing and the move to performance auditing is still further out. Their progress towards taking on the functions of performance auditing is at a very early stage, focusing on piloting approaches.

As noted above, public institutions prepare annual activity reports, and the MoF has the responsibility to prepare a consolidated annual report which is submitted to the Parliament (the General Activity Report). The Court of Accounts' officials interviewed by the project commented that activity reporting at the institutional level varies widely in consistency and quality and that the Court of Accounts reports are often ignored by Parliament. In addition, currently there are weak systems for assessment of institutional-level and departmental-level performance within organisations. Consequently, **currently there is little real focus on organisational-level performance accountability.**

The Regulation on Activity Reports sets out the required content of activity reports, but the requirements allow for separate chapters presenting financial information and performance information relating to the activities of the institution. This continues to invite lack of integration in activity planning and budgeting. If there is no impetus for integrated reporting, **there is no impetus to improve integration of financial and non-financial performance information** in the assessment of performance against the strategies and targets set for delivery of the services of the institutions, presented in their strategic plans and performance programmes.

Another weakness in the overall legislative framework is the lack of integration of various instruments in the planning and budgeting cycle. The strategic plans cover a five-year period, while performance programmes are prepared on an annual basis to align with the annual Budget process and the annual Budget presents detailed estimates for one year and indicative for the two out-years. Strategic plans are not prepared and updated within a rolling framework relating to the other planning and budgeting instruments and there is no formal legislative obligation for strategic plans to be reviewed and updated during the five-year period, in order to provide a more current foundation for the 1-year performance programmes and budgets.

#### 4.1.2 The Systemic, Technical and Institutional Framework

In relation to linkages between strategic planning/management and performance budgeting, the analysis found a range of systemic, technical and institutional problems. Weaknesses in these linkages are some of the key unresolved issues in the strategic management system. It should be noted at the outset that many of these issues also test countries with mature as well as early applications of strategic management.

##### Primary Issues in Institutional Framework

Missing output costing mechanisms	Separation of capital and recurrent expenditure overseen by MoD and MoF	Lack of info for performance management
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Firstly, the requirement to prepare results-based medium-term strategic plans and annual performance programmes linked to performance budgeting is an aim that requires appropriate performance specification and appropriate costing and this is difficult to reconcile with existing budgeting systems. The **existing budgeting, accounting and FMIS systems of government cannot cope with output-based costing mechanisms** necessary to cost the policies, priorities and strategies outlined in results-based strategic plans.

No system exists for allocation of those personnel costs that cannot be ring-fenced as direct costs against particular activities or of indirect costs to results-based programme categories.

Large allocations of personnel costs and indirect costs remain in general administrative classifications. Consequently, it is difficult to accurately cost government policies and services, or to calculate the cost of goals and objectives in strategic plans.

Secondly, the formulation of the budget for investment planning (capital expenditure) and the annual Budget (recurrent expenditure) are separated, with the Ministry of Development determining priorities for the former and Ministry of Finance maintaining control of formulation of recurrent expenditure. **Separation of the capital expenditure and recurrent expenditure systems creates alignment problems** for strategic planning, strategic management implementation and performance reporting.

The processes involved in these two separated streams within the system of planning and budgeting in the Turkish Administration are well institutionalised into the modus operandi of the public service and the public institutions, but still this separation does not support effective integration. After the issuing of separate circulars, the process takes place as an extended system of negotiation between the MoD, the MoF and the public institutions. New requirements have not yet been properly integrated into the well-oiled and familiar annual processes associated with investment planning and preparation of annual Budget proposals.

At the political level, the processes are separated and this continues through the institutional arrangements. The Medium-Term Fiscal Programme is adopted by the High Planning Council and the Medium-Term Programme is adopted by the Council of Ministers. At an institutional level, guidance is not integrated – circulars for investment planning and annual budgeting go out separately and to different timetables. The guidelines for strategic planning and performance programming are not in alignment or integrated. Consequently, compliance with one set of requirements may create problems in compliance with another. MoF officials noted that strategic plans do not always define performance indicators for major programmes – for example major investment programmes, or major programme areas involving on-going baseline expenditure.

**The use of performance information in monitoring activities against strategic plans and performance programmes is weak.** The Ministry of Finance has introduced an internal system of performance monitoring – the SGB system. This system is one of three central systems which "do not relate to each other" – the other two being the central accounting system (KBS) and the E-Budget system (allowing budget submissions to be made on-line), but there is a data trade-off between these systems. Internal processes for collection and utilisation of performance information are still fragmented. There are many issues relating to data collection, evaluation and assessment to demonstrate/verify performance, and a lack of internal incentives or sanctions to encourage accountability for performance failures. Staff and managers of SDUs indicated that the only mechanism to encourage accountability for poor performance is 'talking to people'.

The section above noted the gaps in the overall performance reporting and accountability framework. In addition to the weaknesses relating to performance reporting and performance auditing noted above, there is currently also **no effective performance management system for staff performance in the public service in Turkey**. There was a 'traditional' system of performance appraisal, which was abolished two years ago. A new system is being developed but is not yet at the stage of a definite proposal. Consequently, in addition to weak systems of performance assessment and management at the institutional level, currently there is also no



effective performance management system at manager/staff level or any system of incentives for good performance and/or sanctions/penalties for poor performance. Directors from the SDUs commented that in monitoring performance data and reporting of performance via use of the SBG system, they have no methods other than encouragement) in instances of performance failures or variances. The concept of the public service in Turkey is 'a job for life' and promotion and seniority is not linked to performance.

## 4.2 Analysis of Preparation and Implementation Processes and Outcomes of Strategic Management

**In addition to assessment of the overall strategic management framework and system, the project ToR required an analysis and assessment of the preparation and implementation processes and outcomes of strategic management in six central institutions (Activity 1.2).**

The project team also conducted an analysis of the strategic plans of the six central institutions, and sampled some performance programmes and activity reports.

In addition, the project team also met with additional line ministries and other government institutions, in order to extend the analysis. The team also sampled some strategic plans and activity reports of line ministries, again in order to extend the analysis, and to gain information on the wider implementation of strategic management beyond the central co-ordinating institutions.

The comments that follow have been confined to generic points and to the conclusions of the project team, rather than listing specific examples. It is not the project team's responsibility to name institutions where specific weaknesses were noticed. Rather, the point of this exercise was to draw general conclusions, to provide an informative analysis and assessment and information on which to base recommendations. (Interested parties may follow up with the project team for specific references to substantiate the analysis and conclusions provided.)

### 4.2.1 Main Issues in Strategic Planning

All institutions within government that are required to prepare strategic plans, performance programmes and activity reports have reached a basic level of compliance. They have all prepared their first strategic plans and are now moving into the preparation of their second or third, depending on when changes in their operating situation required them to review and revise their plans.

The representatives of all the institutions that the project team met with all spoke very positively about the processes of preparation of strategic plans. Whether it related to the processes of internal workshops, engagement with external stakeholders, or the processes involved in internal development of the content of the strategic plans, the officials mostly spoke positively about their experience in relation to these aspects of strategic plan preparation. They described diligent internal processes for developing strategies, for gathering, reviewing and refining organisational and departmental inputs and in many cases, diligent efforts to canvass the views of external stakeholders. In particular, inclusive participatory planning seems to have been well received and brought improvements in management practice. Managers described that they

had found the process of working collaboratively with other departments as a 'collective' in the development of institutional strategies a novel experience but very useful.

Some of the institutions interviewed were starting preparation of their next strategic plans and seemed to be advancing well in their preparation processes. Several of these, who had started their preparation process early in 2013, were already well progressed with their stakeholder engagement processes and the start of internal processes for development of strategies and performance specification. Weaknesses noted by the project team where these processes were discussed included apparent gaps in internal communication and co-ordination between the SDU and other departments about the planned upcoming strategic planning process. The issues included delays in issuing internal circulars and timetables, some lack of consultation with other departments in developing/agreeing internal strategic planning timetables and process, and some examples of over-structured or over-prescribed process. Reliance on external consultants was also noted as an issue in some institutions and there were many indications that strategic planning processes are not yet fully internalised or integrated into within-organisation routine practice, even within the cognisance of the SDUs.

Expertise and capacity is slowly growing in the central public institutions after the first few years of developing, implementing and monitoring strategic plans. Several managers of SDUs in the central co-ordinating institutions noted that as the use of these mechanisms continues, they and their staff are gradually developing a deeper level of experience and expertise in strategic management practice. This includes skills in specification of goals, objectives and performance indicators. However, as noted earlier there are continuing issues with difficulties in performance specification, including specification of services/outputs and choosing relevant performance indicators. SDU officials are also developing experience in the process of internal monitoring and evaluation, evaluating the performance information in departmental reports, monitoring variances and discussing these with other departments.

**Institutions with co-ordination and evaluation responsibilities carry out mixed evaluation tasks.** There is a legislative requirement for all those institutions that have obligations to prepare strategic plans to submit these plans to either the MoD (for central institutions) or to the relevant co-ordinating institutions. The DSGM at MoD has provided evaluation and feedback on strategic plans and also conducted comparative analyses. However, two other institutions with co-ordination responsibilities are overwhelmed by the task of evaluation of the strategic plans of institutions in their sector. They just store the plans submitted, and complained of insufficient resources and lack of appropriate staff expertise to be able to carry out evaluation. In one case, one of the institutions which has a level of co-ordinating responsibility did not even have a strategic plan for their own institution and there is internal confusion about a plan for the sector as opposed to an institutional plan.

Strategic management requirements generally still tend to be regarded as something 'extra' to ordinary daily activities and are not yet integrated into institutional management as a routine part of how organisations are run – even in those institutions with central co-ordinating responsibilities. **Strategic planning does not yet 'drive' the activities of the organisations** - the plan is 'on the shelf' rather than 'in the heads' and 'on the desk'. After the positive experiences of strategic planning, there appeared to be some surprise among officials about the considerable difficulties in how to make the strategic management system and processes work properly – and these comments indicate that the Turkish application of strategic management is

still at a relatively early stage. Comments that are typical of early implementation experience were the comments about 'learning by doing and 'learning what not to do'. Some commented on the 'newness of the process and requirements' and the 'lack of a culture of strategic management and corporate governance' in the public administrative system. Some managers consider strategic management to be incompatible with (the existing) public service culture and modus operandi of government institutions. Typical examples of the many comments on the difficulty of defining objectives and setting performance indicators included:

*"All departments wanted to see their specific objectives represented in the strategic plan and therefore the document became too large. Our objectives are now too detailed. I think that the strategic plan should have ideally a few priorities. In our case it is just a long list."*

*"It was very difficult to identify appropriate performance indicators that would allow us to measure and verify our activities."*

SDUs are developing expertise and capability in strategic management and performance budgeting, but high turnover affects the development of sustained capability in many institutions. As noted earlier, the SDUs were the previous Finance departments and some SDU managers complained of lack of appropriate expertise relating to the strategic management requirements in their departments. These departments, under the old financial law and arrangements, were the representatives of the Ministry of Finance and were responsible for ex-ante fiscal control. There is a perception that there was a prestige associated with that. It is perceived in some quarters that the new role and arrangements for SDUs, being now part of their own institutions' structures, have resulted in a loss of status.

#### 4.2.2 Analysis of Strategic Plans

The project team reviewed the strategic plans of the pilot central institutions, together with a sample of the strategic plans of some line (sector) institutions. The team also reviewed the performance programmes and activity reports of some of the selected institutions, as show below.

Institution	Strategic Plan	Perf. Programme	Activity Report
Ministry of Development	2009-2013	2012, 2013	2011
Ministry of Finance	2008-2012	2012, 2013	2011
Ministry of Interior	2010-2014	-	2011
Prime Ministry	2011-2015	-	2011
Under-Secretariat of Treasury	2009-2013	-	-
Higher Education Council	-	-	2011
Ministry of Justice	2010-2014	-	-
Ministry of Education	-	-	2011
General Directorate of State Highways	2012-2016	-	-
Ministry of Energy and Natural Resources	2010-2014	-	-
Under-Secretariat for Defence Industries	2012-2016	-	-
Ministry of Labour and Social Security	2009-2013	-	-

**Table 1 - List of Strategic Plans, Performance Programmes and Activity Reports Reviewed by TAT**

The team has not identified the specific strategic plans for comment in this analysis, but has instead presented a summary of key points noted.

The strategic plans analysed by the project team vary significantly in quality and application of the key concepts of strategic management and performance budgeting. Some institutions have produced good examples of well-thought-out strategic plans, with reasonable clarity in the

conceptual framework adopted for the presentation of strategies, priorities and related performance indicators/targets. Some presented a good coverage of the institution concerned, its priorities over the medium term and main programme areas and activities.

Common issues and problems noted relating to the content and presentation of the sampled strategic plans included:

- **Problems in the presentation of strategies and other strategic information about the institution concerned and its strategic priorities**, including:
  - **Some of the plans are mainly descriptive**, rather than analytical in presenting the required information on goals and objectives, strategies and performance information. Some plans provided a very general diagnosis of the institution's current situation, with broad descriptive information and little data brought into analysis of key problems and issues - to illustrate the dimension of the problems or challenges in the ministry's operational situation. In some cases, there is no relation between information presented in the diagnosis of the situation and the approach to objectives and performance indicators proposed.
  - Strategic objectives are sometimes defined in terms of very broad policy statements
  - **Little information on the 'intervention logic'** i.e. the reasons why particular strategies or areas of service delivery had been chosen to achieve particular goals or outcomes. Sometimes the connections between elements of the strategic plan are implicit but loose and contain no specific references to or reflection on the causal relation between goals, strategies, indicators, targets, actions, and the resources required. (However, a few plans did contain specific objectives focused on relevant outputs with consideration of external effects.)
  - Some plans contained references made to intended reforms but little reference to specific outcomes or impacts expected, particularly in terms of performance information
  - Some plans contained too many objectives of a detailed and descriptive nature with a lot of documentation but without resulting in much clarity about the ministry's priorities and key strategies
  - There is frequently a **lack of differentiation between internal strategies** and activities aimed at improving aspects of internal management or internal organisational capability (such as strategies to improve IT systems or increase revenues) **and external strategies** linked to the mission and mandates of the organisation and delivery of key services to external 'customers'. The plans often show a focus on inputs and an emphasis on the internal activities of the organisation, rather than an emphasis on results of the activities.
- Problems with the **presentation of performance information**, and definition/specification of performance targets including:
  - Examples often include a muddled array of aspirations and targets, with a mix of indicators presented together in a way that lacks a clear conceptual framework that has a logic of presentation - with indicators and targets set at a vague "outcomes" level mixed in with detailed indicators focused on activities and inputs
  - Performance indicators are sometimes not quantified and some indicators in the plans are just general statements of intention
  - Some indicators are not appropriate for follow-up and monitoring

The analysis of the sampled strategic plans pointed up several key systemic issues relating not only to the creation of the plans themselves, but in relation to their implementation.

**There are significant problems in costing of strategic plans.** Some institutions have become overwhelmed in the process of strategic planning and forgotten one of the key purposes of the Law no. 5018 to cost effectively the resources required to carry out government policies and strategies, of which the services and programmes produced by institutions are among the key means to achieve the Government's objectives. Some institutional plans contain no costs at all and others present some costs, but frequently with little or no explanation of the specific relationship of these costs to the strategies or performance objectives/indicators. Some plans contained no information on what was included in the costs, how these costs had been calculated, or whether totals in the table represented the complete costs of the ministry or just selected parts of their budgets. A few did present costing estimated by target and some methodological explanation on calculation was provided.

**Crosscutting objectives create problems with performance accountability.** The conceptual framework for presentation of the content of strategic plans can set up some significant problems in monitoring and reporting of performance if the strategies, objectives and performance indicators are not set within an appropriate accountability framework. Managers of Strategy Development Units that the project team met with described the complicated accountability impacts of trying to determine performance monitoring and evaluation across leading and contributing departments in the organisation where some goals or objectives cut across units of management accountability and financial control.

**Strategic plans do not align well with the performance programmes.** While they are supposed to be linked to the annual performance programmes. However, due to competing frameworks of the Ministry of Development and Ministry of Finance there remains confusion between the two.

**The translation to activity reporting varies.** The transition from strategic plans to monitoring and reporting of performance is clearly not yet well entrenched or understood. The Court of Accounts officials noted that many activity reports are simply descriptive and not yet performing the function of 'performance reports'. As with the strategic plans, expertise in reporting varies widely and evidence of capacity is very mixed. Some institutions are however providing a good account of reporting of achievement against the strategic plans and performance programmes. As could be expected, the central ministries with co-ordinating responsibilities for strategic management had produced the best examples among the plans and reports analysed by the project team. They mostly had produced good examples of both strategic plans and linkage through to activity reports, providing good account of achievement against the relevant goals and objectives, reporting gaps in performance where necessary and in some cases with information about actions taken to address variances in planned versus actual performance. Notably, the MoF and Prime Ministry provided good examples among the documents reviewed of coherent and useful strategic plans, and good linkages between planning and reporting. However, in some other cases - when the performance targets had not been met, the activity reports remained silent on these areas and did not report on these targets at all.



# 5 Integration of Strategic Management and Performance Budgeting

## 5.1 International and Conceptual Points of Reference

Section 3 above introduced the key concepts associated with an integrated model of strategic management and performance budgeting. The intended model that the Government of Turkey has put in place via the PFMC Law 5018 conforms to these concepts. However, as described above in Sections 3 and 4, strategic management reform application in Turkey has now moved beyond initial implementation to a stage where lack of integration among key parts of the strategic management and budgeting system is one of the main issues that is inhibiting further progress in strategic management implementation in the Turkish Administration. The project team's work during the inception stage and gap assessment reflected a clear concern within the civil service about this problem.

The diagram below illustrates key components of an integrated strategic management system – the strategic plans themselves, the integration aspects of the planning, management and budgeting system, the planning and budgeting cycle reflecting that system, and the institutional capacity that supports it.

Previously Section 4 above commented on the overall strategic management system and framework in the Turkish Administration, the main issues evident in strategic planning, and commented on the strategic plans themselves.

This Section now takes the analysis further in relation to the key aspects of an integrated system, and how this is reflected in the planning and budgeting cycle. Section 6 explores key aspects of the institutional capacity to support it.



### 5.1.1 Key Aspects of Integration

To deepen the analysis and diagnosis of integration issues, a model that features four different but complementary aspects of integration (Gray et.al, 1993) was used to clarify and expand the analysis of integration gaps, examine the reasons, and identify recommendations.



Type of integration	Description
<b>1. Logical-functional</b>	Mutual consistency and relevance-usefulness of the product of one function for another function within the strategic management cycle
<b>2. Organizational - procedural</b>	Effective connection of procedures and structural arrangements dealing with strategic management
<b>3. Informational</b>	Sharing of data, the processes by which data becomes information and knowledge, and its dissemination
<b>4. Social or Cultural</b>	Homogeneity of values and background or training of officials who deal with strategic planning and strategic management functions

The gap assessment focused mainly on the first three aspects of integration above. Some attention was also paid to the cultural and behavioural factors that affect future progress of strategic management reform. These four key features together provide a reference table for systematic identification of main flaws and potential measures for improvement. Part of the information gathered during the gap analysis is classified according to this scheme in order to categorize weaknesses and recommendations.

A complementary analysis was undertaken in assessment of institutional capacity for co-ordination using the co-ordination scale created and applied by Les Metcalfe (1994). Initially developed to relate to EU Member States adaptation to EU decision-making, the scale contains a logical progression or hierarchy within the model, relating to the operation of the state apparatus in relation to co-ordination capacity. In addition to the model developed by Gray et al, Metcalfe's co-ordination scale provided the project team with a useful reference point in thinking about and assessing the co-ordination capacity of the strategic management system.

Lack of coordination at central government weakens public service performance. This might cause over-investment in certain sectors, project duplication, high transaction and management costs and weak development impact. Coordination capacity both at the central and at sector level is a key pre-condition for improving public sector effectiveness. Reflecting the national interest and key government objectives in strategic documents at sectoral and institutional level is often mentioned as a priority, however this demands a strong governmental capacity for coordination, to ensure the necessary linkages.

Coordination means the inter-relation among the parts of a system for its sound functioning. Coordination capacity implies the ability to integrate collective action within and among public administrations. A classic hierarchical approach to coordination (vertical coordination) is not sufficient. It is logical that the responsibility for coordination is located at the centre but its effectiveness depends on the interaction of the different parts of the system.

### 5.1.2 International Examples of Integrated Strategic Management and Budgeting

Many countries have found difficulties and challenges in drawing the application of strategic management and performance management together with the budgeting system – including using performance information in the Budget process to specify and measure results, improving the quality of such information, in integration of results in the Budget documentation, and in persuading politicians to use this information in decision-making. There is no one single

approach to performance budgeting. Even where countries have used similar models and concepts, applications differ and governments have adapted them to their own national capacities, cultures and priorities.

International Experience - budgeting and strategy reforms are primarily triggered by crises

Hybrid examples that combine the functions of financial control and managing for results reflect a diversity of approaches when applying the strategic management model. Reform experiences show the importance of continuous reform to respond to new challenges

Hence, Turkey has to develop an application of the reform customized to its own situation and build capacity to maintain and adapt it to future circumstances

Different countries have approached strategic management and performance budgeting reforms from different perspectives and priorities. In Finland, Denmark and Sweden, performance budgeting and management was a part of spending control policies introduced during the economic crisis of the 1980s and 1990s. New Zealand responded similarly to economic and fiscal pressures and the need to reduce Government spending in the same period. Major changes in the political landscape in the UK during this period prompted changes in public sector management, resulting in a focus on reallocation of funds to priorities to improve efficiency and reduce waste, with the importance of "value for money auditing" an important tool. A decade later the Asian financial crisis triggered ambitious reforms in South Korea. Australia mounted similar reforms in its budgeting process to New Zealand, following the latter's example in output budgeting, but was not under the same pressures for reducing government spending and has kept more of the traditional aspects of its public service, in contrast to New Zealand's radical reform of the civil service and decentralisation. However, both Australia's and New Zealand's reforms have over-arching objectives of improving cost effectiveness and public accountability, while devolving financial and management responsibility. Canada's reforms focused initially on cutting back expenditure during the 1990s, but in the 2000s, like New Zealand and Australia, have focused on improving results-based management and accountability.

Many countries have found challenges in reforming traditional budget formulation and budget execution systems - in order to introduce and superimpose modern concepts of results-based management, strategic planning and performance-based budgeting. A government's Budget is essentially a mechanism for financial management and control, so most **Budget structures and systems of budget classifications are designed for budget execution and control of inputs-related expenditure, not for results-based management.** Concepts of strategic management and results-based performance budgeting are linked to budgeting priorities associated with transparency of the costs of policies and priorities and with performance in the delivery of key government services – that is, demonstrating results for the funds expended. Results are often best defined in terms of outcomes (overall impacts for the community) and outputs (the actual services delivered). Traditional Budget structures, such as that of the Government of Turkey and most European continental countries, are not designed for transparency of costs directly tied to results and as such the use of resources is not linked to demonstrated, integrated financial and non-financial performance in achieving results. The Government of Turkey's Budget is typical in that it is designed instead for detailed line-item

financial inputs control, where the Parliament approves inputs-based appropriations at quite detailed levels of financial allocation. Below the Parliamentary appropriations, the Ministry of Finance exerts further control via virement procedures to restrict allocations of money between classifications but institutions are given flexibility to some extent by budget laws to make reallocations between recurrent items within their budgets. The Government of Turkey's Budget structure is compliant with GFS 2001 and presents a typical structure of classifications including institutional, functional and economic classifications, the latter presented in two levels of detail. The Parliament votes appropriations down to the first level of the hierarchy of functional classifications and approves the Budget Act at the second level of detail of economic classifications. These are very detailed-level appropriations. Thus the expenditure is transparent at detailed levels, but not the results to which the expenditure relates.

**Detailed line item inputs budget structures are exceedingly difficult to align with a results-based strategic management approach where the focus in strategic plans is on achievement of goals and objectives, outcomes and outputs.** Attempts to cost goals and objectives in strategic plans in such a budgeting environment usually results in a muddle of costing, because goals and objectives defined in relation to 'strategy' cut across units of management accountability and financial management control. In addition, central FMIS and accounting systems in this kind of budgeting environment are not designed to handle cost allocation systems that can aggregate costs to outcome and output categories.

One solution to the technical side of the problem of lack of integration between strategic planning and budgeting systems is to redesign the structure of budget classifications to fit with results-based concepts of strategic and programme planning. The other is to ensure that specification and costing of outcomes/outputs, goals, objectives etc. can be related to aggregations of existing budget classifications and do not create complicated cross-cutting accounting and accountability issues. Either way, the intention is to more directly relate the plans to the budget expenditure.

Leading edge examples of successful implementation of the first approach include the New Zealand and Australian examples where a completely integrated planning and output budgeting system has been in place for nearly 25 years, with full accrual accounting within an outcomes/outputs framework. In this model, classifications for planning, Budget formulation and Parliamentary appropriations are fully aligned. Appropriations are approved by the Parliament for categories of funding that relate to groups of outputs. These funds are accordingly then allocated in output categories to government ministries and institutions, without the Parliament having to approve any inputs-related expenditures or the Ministry of Finance exercising inputs-based ex-ante control. The Budget estimates contain no economic classifications or inputs-based definition of expenditures. Financial control of inputs budgets is decentralised to Ministry control and systems of performance and accountability include sophisticated FMIS/accounting mechanisms which can allocate and aggregate costs to both outputs and inputs budgets, for full accountability of both financial and non-financial performance. The role of the Ministry of Finance in this case changes from a focus on ex-ante fiscal control to one of scrutiny of Budget proposals for expenditure on outputs delivery. Costing of outputs assumes a new emphasis. Strong internal audit, integrated financial and non-financial performance reporting and external performance auditing are the instruments within the accountability framework that balance the reduced emphasis on ex-ante inputs control.

Because of the difficulty of moving to such significant reshaping of the budgeting system, other countries have opted for hybrid or intermediary measures, using a variety of programme budgeting approaches. The functional classifications in the GFS classifications may be adapted for this purpose, to provide aggregations of expenditure that are closer to programme budgeting formulations. The nature and level of Parliamentary appropriations is also important. For example, when appropriations are made at a higher level of (aggregated) classifications and where accounting and FMIS systems will allow, allocations can be appropriated to output-based categories of expenditure linked to more strategic programme-based planning, without disturbing the basic elements and requirements of the existing arrangement of classifications for budget execution. The latter approach has been developed for Pakistan under a DFID-funded project that introduced a Medium-Term Budgeting Framework in 2008-10. The Swedish government changed the structure of its budget to reflect government priorities in the mid-1990s, but there is still a frustrating separation between the financial and performance aspects. Some countries, including Canada and the USA have opted to keep their 'traditional' Budget structures for inputs allocations and control, but added performance information in additional supplementary documents presented to the Parliament. Some countries in the Caucasus and former Soviet Union are following a similar approach, with additional budget information provided to the Parliament in a programme budgeting format, alongside the traditional line-item inputs-based Budget.

Other countries that have tried these hybrid approaches have in many cases found difficulties. These include:

- the difficulty of accurately relating the categories in the two sets of information directly one to the other;
- the onerous and cumbersome production and presentation of two sets of budget documentation; and
- the problem that Parliamentarians are not interested or not educated in how to make sense of the output/results-based information and performance specification for delivery of services and are instead used to focusing on inputs expenditure. This latter is a problem demonstrated in many countries, including in the USA where Congressional budget analysts and politicians still pore over line-item budgets and make decisions about inputs such as staffing numbers in public administrations.

Other hybrid or intermediary approaches include examples such as the UK, where Budgets still include inputs classifications, but parallel service-level agreements are put in place at the institutional level. These broadly relate to high-level allocations of Budget expenditure (usually at the Ministry or Department level) relating to key areas of service delivery - for which outcome and output-based performance measures are developed to specify the performance required for the services delivered.

As discussed in Section 3 above, in **reforming the strategic planning and budgeting cycle**, key parts of the system that are both problematic but also critical include integration of the 'ex-ante planning and budget formulation part of the strategic management process and cycle with the 'ex-post' budget execution and performance reporting/assessment stages. The key parts of the performance/accountability framework must be embedded in all parts of the cycle.

Where strategic planning has become routinized and embedded, some countries update their strategic plans more frequently than just at the end of the medium-term 3-5 year period

identified in the plan. Many strategic plans are formally reviewed at the mid-point of the specified planning period, and adjustments made for the remainder of the period. In other jurisdictions, strategic plans are produced within a rolling framework, where the plans are medium term but are revised every year to keep the projections current. This keeps the strategic framework in place as the 'umbrella' but provides the basis for accurate translation of strategic priorities to the detailed one-year plans and budget proposals. This is done either formally with the publication of an updated strategic plan each year, as some jurisdictions do, or informally with strategic plan revisions going into the annual stage of policy/strategy review in advance of the Budget round, or translated into medium-term sectoral expenditure plans and budgets. Medium-term expenditure frameworks (MTEFs) provide a mechanism that can be utilised effectively as the strategic front-end of the annual Budget process, particularly where there is a sectoral component and where the MTEF can be used to identify sectoral strategic priorities in advance of the detailed annual Budget submissions.

## **5.2 Integration of the Strategic Management and Performance Budgeting Cycle**

### **5.2.1 Gap Analysis of the Preparatory Stage (Ex-Ante)**

As noted earlier, the model chosen for the strategic management and performance budgeting system in Turkey is in line with international standards. The model reflected in the Law 5018 corresponds to an integrated strategic management and budgeting system focused on results.. Together the PFMC Law 5018 and several supporting regulations provide a general framework with requirements relating to strategic plans and performance programmes, monitor execution, provide reporting and carrying out financial control.

This framework provides a widely recognised ideal to pursue and the conceptual logic is clear. However, it is important to be aware of the challenges experienced by many countries in moving away from traditional public administration and budgeting towards this model. The application of this type of management and budgeting model in many advanced OECD countries has required continuous on-going reform effort. Challenges and obstacles encountered during implementation, specifically during the initial years of reform, should not discourage those responsible for the reform and its stakeholders. (Refer Sections 3.2 and 5.1.2 above).

The previous sections described initial advances and noted that this is specifically true in terms of initial compliance with the normative framework and guiding instructions set by the MoD. However, in Turkey, the system is still in its initial years and needs more time in deepening and expanding its application.

#### **Understanding the role of strategic plans in the Budget process**

A recurrent theme expressed in a number of interviews conducted by the project was about the usefulness or otherwise of strategic plans in relation to the Budget process. At the beginning of strategic planning implementation, the plans were seen as something that had to be done for compliance reasons, but increasingly many managers are reporting that they enjoyed the strategic planning process and that they are finding the strategic plans useful. This is a positive development. However, it was also clear that the strategic plans are still not having an effective impact on the budget process and officials do not seem to readily consider or find them relevant in budget negotiations.



In addition, there is clearly some confusion amongst the officials and institutions about the role and priority of strategic plans in the budgeting process. A plaintive plea was frequently encountered in the interviews and meetings conducted by the project team – ‘Which comes first, the plan or the Budget?’ Some officials complained that the MoF had cut the budgets that they thought their strategic plan should entitle them to and they clearly felt that this had made them lose confidence in the strategic planning process – or confounded their understanding of what the strategic plans were for. Some officials of sector ministries and institutions said that they find it confusing and difficult to satisfy both the MoF and MoD requirements. An example comment from one official was:

*"Strategic plans are the responsibility of the MoD and the performance programmes are the responsibility of the MoF. MoD and MoF have different methods. In thorough discussions we involved lots of stakeholders and with their help we prepared our strategic objectives and related indicators for 5 years that we thought were good. However, when we tried translating these to annual objectives for performance programmes then the MoF simply told us that the budget ceilings will not allow us to achieve our aims in the strategic plan. Hence - while the MoD approved our plan, the MoF did not approve the annual programmes. As a result - our first strategic plan has just remained on paper"*

### **Divergent guidelines and confusion of basic strategic management concepts**

Strategic plans, while ‘similar’ to the annual performance programmes which public institutions are required to produce, do not consistently align with the performance programmes, for which the budgeting of resources relates to the (economic) classifications in the annual Budget.

This is in part a manifestation of the gaps between results-based specification of goals, objectives and performance programmes and the inputs-based budget classifications. However, it is also a result of the ‘contest of frameworks’ presented in current guidelines. The guidelines for preparation of strategic plans developed by the MoD and the guideline for preparation of performance programmes developed by the MoF contain different definitions of key terms and concepts and are not aligned in presentation of requirements. In addition, as noted in the previous section, the regulation on preparation of activity reports, although specifying requirements for performance information, does not provide a format that encourages integrated financial and non-financial performance reporting.

Key strategic management terms are defined differently in the two guidelines and some of the definitions appear to come from different theoretical frameworks. For example, the term ‘outputs’ is defined in the MoF guideline as ‘goods and services’ while the MoD guideline provides a definition of ‘outputs’ as simple volume or quantitative indicators. The importance of ‘outcomes’ is mentioned in the MoD guideline, but examples that attempt to indicate the relationship between goals, objectives, outputs and outcomes are somewhat unclear in indicating how the conceptual framework for the presentation of these aspects, and the indicators that relate to them, should appear in strategic plans. The framework used in the guideline for the specification of objectives (SMART) dates from early applications of results-based-management (‘Management by Objectives’) and tends to drive institutions towards identification of detailed objectives linked to activities, since detailed objectives are easier to set specific measures for according to the framework.



According to Law No 5018, a strategic plan is defined as '*a plan which includes medium and long term goals, basic principles and policies, objectives and priorities and performance indicators of public administrations, as well as the methods and the resource distribution to achieve these*'. The law stipulates not only that public organizations prepare strategic plans, but also that they take strategic plans, annual goals and objectives and performance indicators as the basis when identifying allocations from the budget to programmes and projects. The Bylaw on Strategic Planning, Article 12 (2) prepared by MoD states : '*In preparation of their strategic plans, taking goals, policies and macro aggregates in medium term program as well as proposal ceilings specified in medium term fiscal plan into account, public agencies make forecasts for allocation of resources by years on the bases of goals and objectives*'. The MoF guideline on performance programmes states: '*Performance programs include the annual objectives regarding medium and long term aims and objectives within the strategic plans, the activities determined so as to achieve these objectives and the resource needs. Moreover, performance indicators which are identified in order to measure, monitor and evaluate the level of achievement of the performance objectives are also included in these programs*'.

While the above definitions are reasonably clear in themselves, in putting it all together at the operational level it takes experience in working with these concepts to be able to apply them clearly in the presentation of strategic plans and performance programmes, and in their implementation for monitoring, reporting and evaluation. A lot depends on the capacity of staff in the SDUs to operationalize and clarify the concepts and work with the relevant instruments within their institutions.

Some SDUs are large and professionally capable in their policy sector. In some institutions interviewed, it was apparent that technical experts who participate in strategic planning within the SDU participated in preparatory performance budgeting meetings. In others, it was clear that even some departments or units within the SDU are on the margins of the strategic planning process, including those with budgeting or investment planning responsibilities. The project team interviewed officials who are characteristically focused on their own activities and do not really see the strategic planning, monitoring and reporting activities as their concern.

Some SDUs are small and are resourced by legal staff, accountants/finance clerks and administrative staff. According to one official interviewed:

*"They (the finance and accounting staff) are not very willing to participate in strategic planning".*

### **Outcome and output costing is missing or poorly done**

There are major problems in costing of strategic plans. Some institutions have become overwhelmed in the process of strategic planning for its own sake and forgotten one of the key purposes of the legislation, which is to effectively cost the resources required to carry out government policies and strategies – of which the services and programmes produced by institutions are among the key means to achieve the Government's objectives. Some institutional plans contain no costs at all and in others there is either no or weak explanation of how the performance objectives, strategies and services have been costed, leaving the reader with no information about whether these costs represent all or just selected costs of the institution.

The existing budgeting, accounting and FMIS systems of government cannot cope with output-based costing mechanisms necessary to cost the policies and priorities outlined in results-based strategic plans. There is no system for allocation of personnel costs that cannot be ring-fenced as direct costs against particular activities or for allocation of indirect costs to results-based programme categories. Large allocations of personnel costs and indirect costs remain in general administrative classifications – so consequently it is difficult to accurately and fully cost government policies and services, or to calculate the total cost of goals and objectives in strategic plans.

Consequently, public administrations do not present and treat financial and performance information simultaneously. Neither at the budgeting stage nor in other strategic management documents does there appear to be significant attempts to provide information on what is actually delivered as the ‘products’ of the institutions (the services provided) and their costs. Some efforts are made to allocate budget information by departmental spending by main objectives at aggregate level. But full costing is missing or poorly done. No real cost is calculated per unit of public service or output. Extra-budgetary funds are often not considered (e.g. EU funds, current costs, special revenues, etc). These limitations might be causing:

- Inefficient allocation of resources available
- ‘Cost unconscious’ management behaviour and decision-making
- Weak sense of financial responsibility when managing public resources.

### **Separation of the strategic planning, public investment planning and budgeting process**

Kraan, Bervall and Hawkesworth (2007) refer to the budget system in Turkey as being centralised and fragmented simultaneously, with a strong “top down’ budget process from the centre and fragmented central guidance by two different ministries – MoF and MoD. Financial management is highly centralised with strong decision-making power at these central coordinating ministries but the allocation of resources is split into two parts – the investment budget and current (operational) budget. The budget preparation arrangements distinguish specifically between operational budget and investment budget processes and managers of public institutions negotiate their budget requests separately with the MoD for investments (capital budgeting for projects) and with the MoF for recurrent expenditure.

The two processes are widely perceived to take place without sufficient cooperation or connection between them and there seems to be a differentiated track for procedures. In fact, separated meetings take place for preparation and processes for co-ordination are informal. The process is interactive and negotiation-based but coordination processes are perceived to be insufficiently institutionalised.

Central budget responsibility is not only fragmented but simultaneously over-centralised to the extent that public managers in line institutions do not feel much responsibility for financial management. The MoF take almost all main decisions on budget execution and the MoD has the authority to approve or reject investment projects.

The separate formulation of the budget for investment planning and the annual Budget for recurrent expenditure finds its way into the strategic planning process as well. Strategic planning and other related strategic management documents are prepared by different institutions at different times, as part of different processes and with different procedures.

At the high level, the National Development Plan, the Medium-Term Programme and regional development plans are prepared or overseen by the MoD. The MoF prepares the Medium-Term Fiscal Plan. These processes take place mostly or partly in parallel, but as separate streams with different processes and points of reference. Integration in these processes is not systematic and these processes operate to different timetables and deadlines.

The Medium-Term Programme (prepared by MoD) and the Medium-Term Fiscal Plan (prepared by MoF) are prepared annually but articulate a medium-term perspective, as part of an intended medium-term context for the annual investment plan and recurrent budget. An important flaw in current practice is that instead of being prepared as 'strategic' documents at the beginning of the cycle, to provide the strategic framework context and guidance to institutions in their annual planning and budgeting activities, these medium-term documents are prepared as consolidations, after the detailed one-year performance programmes and budgets are negotiated and decided. This practice is an adaptation of Law 5018 that has developed as accepted practice. Ideally, ceilings for expenditure management would be issued together with the Budget instructions relating to an MTEF or the relevant parts of it (i.e. the forward forecasts to accompany a Medium-term Fiscal Framework), in order to set the strategic context and fiscal boundaries for the development of one-year budget submissions at the institutional level. However in this case, the ceilings for investment planning and recurrent expenditure are notified separately in the relevant circulars issued by MoD and MoF in conjunction with the annual investment planning and budgeting processes, and the MTP and MTFP come together as consolidated plans just before the overall investment and recurrent budget is decided and presented to the Parliament.

Consequently some officials told the project team that the medium-term fiscal plans and programmes are prepared merely as a formalistic exercise for compliance with the law. According to one of the officials interviewed:

*"Once these plans are developed they are hardly used or referred to ..."*

Thus apart from this compliance step in the process, most of the focus in the planning and budgeting cycle continues to be on the annual investment planning process and annual budgeting process.

At the institutional level, the development of strategic plans and performance programs and budgets also follow independent preparation procedures without overall co-ordination in the annual cycle. Vertical connections or cascading of information within each of the two planning tracks seems not to work well. While managers interviewed spoke positively about how the plans are prepared in a participative way with the inclusion of numerous stakeholders, there is widespread recognition of a lack of overall coherence among these plans or vague connection among their elements (objectives, measures, indicators, and financial information). The same message came from several interviewees:

*"Strategic plans are insufficiently related to national policies or government priorities and with performance programmes."*

MoF officials complained in addition that institutional strategic plans do not always contain major priorities or define performance indicators for these major priorities – for example, goals, objectives and performance indicators might not mention either major investment programmes or major areas of on-going baseline expenditure for delivery of major government services.

In addition to the gaps identified in the lack of linkages between and separation of the strategic planning, performance programming and budgeting process generally, officials in public institutions commented about decision-making processes and outcomes relating to the process for investment planning and budgeting, and the lack of integration of these processes in the overall strategic management system.

According to the diagnosis presented in the "Preparation of Investment Programme" (PB 2.1 MoD for 2014), the following problems in investment planning are identified:

- Data acquired through monitoring is not used at the programming phase
- Lack of project prioritization and selection criteria at identification and preparation phases and lack of sector-based feasibility analysis criteria;
- Resources are not considered within a holistic perspective at the financing stage;
- Field visits are not conducted regularly at the implementation phase;
- Evaluation activities are not placed within the implementation or the operation phases.

According to the above, a factor identified as relevant to these problems is the lack of a written regulation defining the project cycle phases and the processes regarding these phases.

The diagnosis above was reinforced in interviews with officials during the gap assessment. It appears that there are some key difficulties related to the preparation and approval of investment projects. Officials indicated that there is no adequate formal method of prioritization for projects available. The selection and evaluation of the major initiatives are not based on formal scoring procedures. It is perceived that main government initiatives are frequently driven and mandated politically, sometimes without detailed analysis. MoD has significant capacity and capability in analytical techniques, as do many sector ministries but it is perceived that nevertheless there are gaps in the assessment of investment projects, linked to overall whole-of-government strategic priorities. Sector staff at MoD and institutions perceive that projects are selected largely according to sector expert opinions on the feasibility and opportunity analysis presented by the institutions. The criteria used are often derived from their own expertise, as are the principles and procedures used. However, in several interviews the team heard that these might be largely discretionary:

*"They have to convince us to put their investment projects in the list".*

Common sense criteria are often used as the default factor – the priority being to finish old/existing projects, guarantee the continuity of the service (e.g. energy supply, renewal energy).

Other perceived problems relating to the investment planning procedures are:

- MoD has developed guidelines including the requirement for submitting project proposals with feasibility analysis and templates. However, the capacity of administrations for project preparation and assessment is weak. This was verified by MoD sector experts and other donor project assessments (e.g. Ecorys)
- Normally, managers do not present the required Regularity Impact Assessment, including a systematic analysis of alternative approaches to an investment project, for choosing the best choice and most efficient allocation
- Some managers break projects down into small parts to avoid special procedures and conditions in presentation to MoD. If a project's financial needs are below 5 million TL then the requirement for a feasibility analysis is avoided

- Ex-post assessment of project achievements is not sufficiently defined and carried out. It is not clear who is responsible for ex-post assessment.
- Some large investment projects are not obliged to be subjected to ex-ante external control (e.g. scrutiny of the Court of Accounts or the Programme and Budget Committee at the Parliament).

Interviews with sector specialists in the MoD yielded the following anecdotal comments:

*"It is important to consider that some sectors are very complex. There are many policy actors with different interests. In case of disagreement, decisions on investment are finally taken by the MoD. A ready-made list of projects is already prepared in previous years to avoid time pressure during Budget investment preparation. Strategic plans include information on big projects, not on small ones. "*

## 5.2.2 Gap Analysis of the Performance Monitoring, Reporting, Evaluation and Accountability Stage (Ex-Post)

Despite the gaps and issues identified in the previous section, the initiative of strategic management in Turkey has been more successful in implementation of 'front end' processes of mandated strategic planning than in bringing in the other aspects of the 'ex-post' end of the strategic management and performance/accountability framework. The performance monitoring, reporting, evaluation and performance auditing parts of the overall strategic management framework are some way behind the implementation of strategic planning. The following gaps have been identified during the assessment.

### Insufficient and fragmented performance information systems

The Ministry of Finance has introduced an internal system of performance monitoring – the SGB system. This system is one of three central systems which 'do not relate to each other' – the other two being the central accounting system (KBS) and the E-Budget system allowing budget submissions to be made on-line - but there is a data trade-off between these systems. Internal processes for collection and utilisation of performance information are still fragmented.

Main information systems related to performance management, budgeting (current and investment) and accounting functions are currently in phases of construction or development. At this stage, they are not sufficiently integrated. At this stage they are also more likely to be focused on the need of the central co-ordinating ministries, rather than the concerns of spending managers in other institutions. Each ministry does have their own management information systems (MIS). In fact, there is a multiplicity of management information systems being introduced or reformed simultaneously, by different institutions with different aims and insufficiently coordinated reform processes. These weaknesses may have negative effects for operational management and for strategic planning and performance programme monitoring capacity (e.g. duplication of effort in handling and transmitting information; difficulty of connecting and translating information and data etc.).

For instance, the Ministry of Education (MoED) has a MIS system which is not effectively used for monitoring strategic plans and performance programmes. Annual activity reports are presented but 'nobody responds or uses the report'. MoED uses the e-School System, which provides some information but which is not sufficient for strategic management performance monitoring purposes. On the other hand, other ministries in the sample did demonstrate 'good practice' connections between the performance programme and the activity report.



Financial and non-financial information is presented in a separate form without integrated connection, except at the overall levels. As noted earlier, the existing budgeting system, accounting and FMIS systems of government are not geared to output-based costing. However, improved costing methodologies are important to better reflect the real costs of the policies and priorities outlined in results-based strategic plans – and the performance of the institutions in delivery.

At the moment, there are some basic mechanisms for calculating both estimated and real costs of services and outputs of administrations but these need to be improved. Some loose criteria have been proposed by the MoF to distribute personnel costs. Those that are fully dedicated to a specific programme or service can be allocated, based on an allocation of staff salaries that can be ring-fenced to particular units of management and financial accountability. However, if personnel time is dedicated to more than one programme or service then the costs are allocated to general administration or support activities. In general, there is insufficient in the way of templates or tables in the guidance materials available, to provide adequate guidance on the distribution of personnel costs among different services, for ex-ante purposes (budget estimation and proposals) and ex-post purposes (real costs), for monitoring and evaluation. Gathering information on the real cost of personnel related to outputs is missing or poorly done (e.g. no timesheets are used in all centres visited in the gap analysis period. Where attempts at costing of strategic plans and outputs/services delivered has been attempted for costing of strategic plans, it is largely left behind in those plans and not adequately monitored for performance assessment in execution.

Finally, it is important that central guiding administration enhance the information and knowledge they have on the capacity of the network of strategic planning entities. This might allow better monitoring and assessment of their capacity to contribute to strategic planning and management evolution, guaranteeing the relevance of the information available, and developing knowledge on potential for improvement or risk of deterioration. If central departments do not have basic descriptive information on the resources and capacity of their network they could create a systematic institutional information data base on the actual roles, full competences, personnel, resources, planning and internal control systems, etc... This would allow for comparative information on categories of organizations, their main limitations and lines of improvements in relation to strategic planning and coordination capacity within their jurisdiction. This information is relevant for assessing strategic management capacity in SDUs and overall functioning of the system. Without consolidating central information and knowledge at the centre on the overall system, it will be difficult to assess and guide improvements.

#### **Limited internal monitoring, reporting and performance assessment systems.**

As noted in previous sections, public institutions prepare annual activity reports and a consolidated Annual Activity Report prepared by MoF is tabled at the Parliament. Officials at the Court of Accounts told the project team that activity reports at the institutional level vary widely in consistency and quality.

Annual reporting seems to be largely detached from the interest of public managers. Annual activity reports are perceived as an additional external compliance request by the MoF, mainly oriented to control rather than to cover performance management needs. This is mainly due to the low degree of financial and management autonomy and the weak ownership and feeling of responsibility of public managers for financial performance and results achievement.



Problems in reporting also relate to the way that strategic plans are constructed and the incompatibility of results-based plans and programming with current management systems. Setting crosscutting goals and objectives in strategic plans and performance programmes that cut across units of management accountability and financial control creates problems not only with planning and costing but also with monitoring and accountability for performance. Managers of SDUs that the project team met with described the complicated accountability impacts of trying to determine performance monitoring and evaluation across leading and contributing departments in the organisations.

Financial control and accounting systems at public administrations are oriented to provide information that respond to the needs of the DG of Accounting of the MoF. Internal audit is currently moving from the stage of focus on compliance auditing to financial auditing.

According to the Head of the Association of Public Internal Auditors, the situation of the internal audits has not changed since the 1960s – “the negative perception is still there”. Effective internal audit should enable the institution to work within a discipline, to manage better and prevent systemic mistakes. The activity reports prepared by administrations have become documents full of numbers where the activities of the previous year are just listed. In these reports, there is no information on the risks that the administration faces and the measures taken to address these risks. An important problem regarding the activity reports is that (some) administrations keep providing declaration of internal auditing assurance although the internal auditing system has not been established yet. These declarations do not reflect reality. (Fatih Sezer (2012) "The Role of Internal Audits in Making Turkish Public Management Transparent and Accountable: Where Do We Stand and Where Are We Heading?" Paper presented in the Transparent and Accountable Public Administration Symposium (25 June 2012). Additionally, the results of internal audits are not mentioned in the activity reports.

Capacity will need to be further developed and extended in order to make the mechanisms and systems for internal performance reporting, and assessment and evaluation of public administration functional and effective.

### **Absence of performance accountability – the role of the Court of Accounts**

In general, performance results are not externally supervised and audited. As noted earlier, the CoA is making a transition from traditional "compliance auditing" to more modern financial auditing. The progress towards taking on the functions of performance auditing is at a very early stage, focusing on piloting and developing approaches. Furthermore, the TCA's capacity for doing performance audit and managing an activity reporting system is not yet established. According to interviews, the intention of the CoA is that the same staff now doing financial audit will be responsible for performance auditing. While this is possible, it should be borne in mind that introducing performance audit is not just a question of learning a new audit methodology but also applying a different control approach and audit style. The CoA's internal capacity will need to be further developed in order to become an effective body for external performance auditing and assessment of public administrations.

The CoA has been working for 2 years on the audit aspects of strategic management. Since 2011 the TCA collaborated with MoF and MoD in the development of a performance auditing guideline and manual and the audit methodology for performance reporting. To date the CoA, when interviewed by the project, had only conducted one trial performance audit, but the

intention is to move ahead by introducing a phased programme of implementation with an increasing number of performance audits to be undertaken each year.

In the opinion of the CoA experts interviewed, "Administrations are not ready for the new strategic management system." There are few discernible connections between high-level plans and strategic plans, problems between strategic plans and performance programmes and the translation to reporting with a performance focus is currently very weak. SDUs in many instances are not competent in strategic management practice and their focus is clerical and administrative work.

Officials Interviewed at the CoA considered that the performance audit approach will need to be positive, oriented to provide recommendations for programme development. They perceive their role as performance auditors to be supportive of managers. This will be included in their manual. However, the managers' perception of CoA as a judgement-oriented institution will need time to change.

Currently, the role of the Court of Accounts in the overall government system is still focused on the 'rules and regulations' of compliance auditing and the focus of the bureaucracy is on strict adherence to the system of rigid permissions and approvals within government and the control of minutiae, rather than a results and performance-focused system. The Court of Accounts reports, even within the existing system, are often ignored at the Parliament and there is a lack of institutional follow-up to those reports that are presented to the Parliament. Consequently, there are weak systems for assessment of institutional-level performance, as well as for departmental performance within organisations. The hope for a transition to effective performance auditing in this climate is not encouraging.

### **Evaluation of strategic plans**

In the previous round of preparation of strategic plans, public institutions preparing their second strategic plan sent their strategic plans to the MoD. The MoD had 3 months to review them. The DGSM checks technical conditions of the plans and sector experts in other directorates of the MoD review the plans from a substantive policy point of view. The DGSM final decision is time bound and receiving the sector experts' assessment in time is essential for DGSM analysts. Sometimes there are postponements for providing the assessment up to the last minute. As explained in meetings, there is a perception that some sector experts do not pay sufficient attention to the strategic planning initiative. One official commented: "They are not very interested in doing this (reviewing) work. They have other tasks and interest". According to MoD memorandum (guidelines), they have to do the reviews but they might not have ownership of strategic planning results.

### **Wider programme evaluation for 'effectiveness and efficiency'**

For several decades, most advanced OECD countries have made continuous efforts to develop and consolidate the application of results-based evaluation and performance budgeting systems in public sector management. During the first waves of results-based public management integrated with performance budgeting in OECD countries during the late 1980s and 1990s, there was a key emphasis on assessment of the cost of government goods and services and 'value for money' audits during the 1990s. Since then, the emphasis in evaluation methodologies has shifted more to outcome-based assessment of performance in the delivery

of public programmes, services and the application of government policy. Since 2009, in response to the global crisis, renewed efforts have been made in this domain. Recent experiences in advanced countries show that they are again reinforcing reforms in line with the performance budgeting model (i.e. improving efficiency and identifying cuts for reducing public deficits over the medium term).

In theory, evaluation is conceptualised in a similar manner to an internationally accepted definition. For instance, in Canada's reporting system evaluation is explicitly defined as 'the systematic collection and analysis of evidence on the outcomes of programs with the aim of judging policy or programme relevance, performance and assessing alternative ways of intervention to achieve with same results'. In the USA, performance monitoring and assessments are differentiated from evaluation that is aimed to determine outcome-based results – e.g. whether programmes have produced outcomes superior to alternative policy choices or whether a change of policy is needed. In some countries, e.g. the Netherlands, it is stipulated that every evaluation tool used within central government for budgets and reports should meet the quality requirements applicable to social-scientific study methods and techniques used for policy evaluation - in particular: validity of design, reliability, accuracy of measuring methods used, and usefulness of the outcomes. In theory, it is clear that this kind of evaluation is considered different from performance measurement and reporting, which tracks output-related achievement and progress toward intended programme outcomes, but does not compare outcomes to alternative programs or the status quo (US).

There are various indications that countries studied have made noteworthy progress in institutionalizing evaluation systems and applying performance monitoring and evaluation to decision-making and budgeting.

In Turkey, central institutions are making relevant efforts to develop performance monitoring and evaluation information systems. These systems are focusing at this stage mainly on output follow up and reporting – which is highly appropriate and relevant, and the correct focus, at this stage of the implementation of strategic management and performance budgeting in the Turkish Administration. However, systematic programme evaluation is missing at the present stage of strategic management implementation and reform strategies will need to be developed to make progress in this area of evaluation.

Currently, some level of project assessment and analysis takes place in the approval procedures of investment projects. This is mainly based on professional expertise of sector analysts in the MoD. However, a more systematic and broader approach to programme evaluation is needed within the overall strategic management system and cycle. The lack of a programme evaluation system may have important consequences, such as weak prioritisation and implementation of government priorities in the strategic management and performance programming cycle, potential inefficient allocation of resources and the potential for unnecessary duplication of effort from institutions, in providing budget information relevant to both investment planning and recurrent budgeting processes.

### 5.3 Summary of Integration Factors

The objective of this section is to present the key points arising from the analysis provided in the previous sections within a theoretical framework that provides a useful methodology for

categorising and thinking about the integration factors and development of recommendations. This utilises the model earlier introduced in this Section.

This framework uses four dimensions of integration: 1) functional 2) organisational 3) informational and 4) cultural. The focus of the analysis in this section of the report focuses on the first two. The other two are addressed in Section Six of this report.

The following table helps to synthesize and visualize the result of the analysis.

Type of integration	Evidence of Insufficient Integration in Strategic Management in Turkey
<b>1. Functional - Logical</b> Mutual consistency and relevance-usefulness of the product of one function for another function of the strategic management cycle	<ul style="list-style-type: none"> <li>- Contents of strategic plans, performance programmes, budgets and reporting documents frequently does not match or align with each other, to make possible a cascading framework of outcomes, goals, objectives, interventions, targets and costs presented in the chain of documents.</li> <li>- The connection of one document to the other is often difficult to establish. Their approaches frequently do not follow a well-developed or articulated logic</li> <li>- The intervention logic for choice of strategies and interventions is often not apparent or well articulated in the strategic documents</li> <li>- The scope, content and elements of plans are not clearly sequenced or complementary</li> <li>- There is no easily identifiable tool for translating or cross checking the sequence of main elements</li> </ul>
<b>2. Organizational - procedural</b> Effective connection of procedures and structural arrangement dealing with Strategic management	<ul style="list-style-type: none"> <li>- Existing fragmentation of central guidance institutions and their associated processes</li> <li>- Important systemic and structural coordination weaknesses. Authority at the top is scattered.</li> <li>- The strategic management norms have not helped to create a common understanding and approach to elements such as outcomes, strategic goals, objectives, outputs, performance measures, indicators, etc</li> <li>- The preparation of the investment budget and the current budget, including the corresponding negotiation procedures, take place in different forums between sector ministries and the MoD or the MoF respectively.</li> </ul>
<b>3. Informational</b> Sharing data, the processes by which they become information and knowledge, and the dissemination	<ul style="list-style-type: none"> <li>- The three central systems (SGB-net, E-Budget, and KBS) are not compatible and 'do not relate to each other'.</li> <li>- Internal processes for collection and utilisation of performance and financial information are not sufficiently interrelated</li> </ul>
<b>4. Social or Cultural</b> Homogeneity of values and background or training of officials who deal with strategic planning and strategic management functions	<ul style="list-style-type: none"> <li>- There may be natural pressures associated with different interests among sector Ministries, MoD, and MoF. Current practice has evolved in relation to these.</li> <li>- SDUs in some institutions are perceived as more of an obstacle than a support for policy planning and management.</li> <li>- There is no performance culture linked to strategic management in the public service. Existing culture focuses on bureaucratic compliance rather than outcome, programme or service-related results.</li> </ul>

### Functional- logical integration

The difficulty of integration affects key strategic planning and management documents and related functions. Often, these documents are either not well interrelated or not connected.

According to information gathered in the gap assessment, the functional integration of national development plans, sector plans, strategic plans, performance programmes and activity reports is improving after one or two rounds of strategic plan preparation, but the summary conclusions is that systems are weak and need further development. Key points are summarised in the table above. Additional points to note include:

- Sector plans often have more detail than strategic plans and are constructed from the point of view of managers at administrations.
- The lack of functional integration affects the relations between the investment budget and the current budget.

- Strategic plans tend to be very detailed, providing information that substantially overlap and pre-empt the performance programme content;
- The content of activity reports often do not clearly correspond with issues and information presented in strategic plans and performance programmes and frequently do not have a performance focus.

According to interviews carried out by the project team, managers and professionals preparing strategic plans are aware of the importance of coherence among them and try to consider their relation as far as possible. However, there seems to be no formal system or procedure to review and approximate these documents each other and their related functions and officials are working against systemic failure of integration.

### **Organisational integration (institutions, norms, and procedures)**

Part of the explanation of weak functional integration is the existing fragmentation of central guidance institutions. Important systemic and structural coordination weaknesses have been identified during the gap assessment and consequently institutionalised coordination capacity is weak. Interaction and voluntary cooperation at personal and informal level seems to work well. Meetings and working groups are organised for planning and strategic decision-making. However, there is a need for institutionalising and ensuring cooperation among public organizations in the course of the strategic management cycle, including implementation. The lack of a single overall central coordination authority, fully recognised by institutions, with sufficient credibility and capacity to lead the system prevents the conformation of solid relationship between the strategic planning and management instruments and processes.

Other factors explaining the disconnection among plans and other strategic documents may be flaws found in the normative framework. Legislation and several regulations, provide a general frame of reference but ambiguities and open interpretation of important concepts have created a certain level of confusion.

### **Informational integration**

The three existing SPM and performance information systems (SGB-net, KBS, and e-Budget) are not related and connection with other central and sector MI systems is weak.

Internal processes for collection and utilisation of performance and financial information are not sufficiently interrelated. There is a lack of systems in place to make performance information important within the system.

### **Cultural integration**

Currently the existing culture of the civil service in Turkey does not support strategic management implementation sufficiently well for significant further progress to be made in an efficient time-scale. Overall the existing civil service culture emphasises and supports bureaucracy, compliance and control, and there is a lack of a performance culture.

In some occasions, the lack of cultural integration is a perception problem. According to interviews, SDU in some institutions are considered more as an obstacle than a support for policy, planning and management.



Integration Types	Ideas for better strategic planning and strategic management systemic integration
<b>1. Functional - Logical integration</b>	<ul style="list-style-type: none"> <li>- Incorporate sections in SP with formats for setting links (e.g. using some linking codes for main objectives and interventions, tables with cross check references, tools for making and presenting connections (e.g. conversion matrix of national priorities – broad government policy objectives policy sector strategic lines and SP objectives).</li> <li>- But avoid expectations of universal and automatic linear connection</li> <li>- Agree on content, level of aggregation and scope of SP and PP and framework for presentation of outcomes, outputs, objectives and indicators</li> <li>- Accept a flexible connection among plans and other documents but develop formats</li> <li>- Lower expectations of linear planning connections of the whole system</li> </ul>
<b>2. Organizational - procedural integration</b>	<ul style="list-style-type: none"> <li>- Establish formal procedures with clear steps to assess coherence</li> <li>- Identify responsible units for review of desired connections</li> <li>- Prescribe basic subjects for coherence e.g. relation between the intervention logic, expected outcomes and programmes, services, activities.</li> <li>- Identify main procedures that could and should be approached and, as far as possible, integrated (e.g. NDP and SPs, investment and current budget procedures). Start with priority/easier ones.</li> <li>- study alternative measures to improve coordination, particularly considering pros and cons of preparing and presenting a single unified set of guidelines for the 3 documents (SP, PP and AR) or 3 different guidelines but with systematic links.</li> <li>- Present common definition of main basic terms (i.e. strategic and operative objectives, outcomes, outputs)</li> <li>- Agree on the boundaries and scope of the content and approach of SP, PP and AR documents</li> <li>- Set specific connection codes to be included in templates &amp; classifications of main elements (programs, projects, objectives, activities, expenditures, etc..)</li> <li>- identify specific interim tools and procedures (e.g. responsible units, working groups at SDU and central departments to review the connection of the documents during the SPM cycles)</li> <li>- Set up integration quality assurance institution &amp; mechanisms. For instance, the CoA could assess the quality of the 3 documents, with particular attention to coherence &amp; interconnectivity.</li> <li>- Merge or unify institutions, documents and processes (e.g. MTP and MTFP)</li> <li>- Adapt guidelines with clear cross checks to make sure that related plans connect</li> <li>- Set up new coordination institutions and procedures with clear and strict top down imposed coordination from highest central level (e.g. PM office)</li> </ul>
<b>3. Informational integration</b>	<ul style="list-style-type: none"> <li>- Share experiences and knowledge on MIS systems in institutions, technology</li> <li>- Exchange information on development of respective reform initiatives and progress</li> <li>- Agree on aims, scope, beneficiaries, etc.... of each MIS</li> <li>- Search for overlaps, unnecessary duplication of efforts in collecting information.</li> <li>- Identify potential synergies in the production and diffusion of information</li> </ul>
<b>4. Social or Cultural integration</b>	<ul style="list-style-type: none"> <li>- Hold regular meetings of counterparts from DGSM and sector experts focused on specific issues: e.g. identifying incentives for joint work on sector policies and SPs</li> <li>- Manage expectations</li> <li>- Take steps to address gaps in civil service culture – ‘management f change’ and measures to foster a performance culture</li> <li>-</li> </ul>

## 5.4 Coordination at the Centre

### 5.4.1 Whole-of-government co-ordination of strategic management and budgeting

The information gathered during the gap assessment is not sufficient to allow a definitive measurement or judgement on coordination and integration capacity for the whole of the Turkish Administration. More data and information would be necessary to do this. However, key points arising from the analysis are presented herewith, to identify coordination and integration gaps and issues that need to be addressed, to improve the overall capacity of the strategic management system to function in an integrated manner.

In Turkey the formal distribution of responsibilities at the centre of government for strategic planning, development of performance programmes, and for investment/capital and recurrent



budgeting and reporting seems to be clear and are well specified in Law 5018. However in interviews a common theme expressed among officials was that some of these functions should be redistributed or merged in order to avoid current overlaps and contradictions.

The Turkish Administration presents its priorities in several high level planning documents. At the level of overall policy, there is a multiple set of national and government plans - NDP, EU Accession Plan, sector plans, regional development plans and annually the Annual Government Plan, MTFP, MTP etc. Defining and specifying clear relations among these plans is not easy. Comments made during the interviews indicating the opinions of expert civil servants refer to weak connections and coherence of strategic management documents at the level of these overall strategic policies and plans. In the opinion of some civil servants interviewed, the objectives presented in these plans are perceived as too broad and not effectively providing the foundation to guide the subsequent planning of the administrations. They are not sufficiently considered or taken into account by institutions in their planning, and not effectively carried into the budget process.

Several civil servants in meetings with the project team referred to the ultimate role played by the Council of Ministers in the planning process. This role is appropriate to driving political issues and also to the responsibility for setting key fiscal and strategic socio-economic objectives. In the opinion of some officials expressed during interviews, the Council of Ministers prefers to leave the setting of priorities to its informal discretion, and priorities are not necessarily made transparent to civil servants or translated into high-level documents – *‘Perhaps the government even has its priorities in place but these are not reflected fully in the high-level planning documents’*.

The translation of strategic priorities from the political level into the relevant parts of the Administration is one part of the strategic management system but the operation of the system overall needs to ensure proper central coordination capacity for the proper functioning of the strategic management system.

In the Turkish Administration, there is no top central guidance unit but instead several ministries with loosely coupled coordination responsibilities. No one body has overall coordination and guidance of the strategic management system above the ministerial level. At the beginning, the Prime Ministry played an important leading role, but now this office is not dealing with any real further coordination of the strategic management reform. (Only a department of the Prime Ministry deals with public service reforms and currently these reforms are not related to strategic management arrangements and procedures.)

The information gathered during the inception period and the gap assessment shows some weaknesses at central guiding and coordination administrations. Several Ministries share the role of coordination and integration of different phases of the strategic planning, performance management and budgeting cycle. As identified in the above sections of this report, different demands from MoD and MoF separately guide strategic management and performance programming/budgeting.

Capital budget and current budget negotiation on submissions and other associated planning and budgeting processes largely reflect a two-track budget process without apparent formal mechanisms to approach the identification and selection of key government priorities and ensure co-ordination and integration of the overall whole-of-government planning and budgeting

process. Informal mechanisms are followed to resolve conflicts and trade-offs between investment and other spending. Existing practice does include a lot of negotiation to manage this two-track process and indeed the overall annual budgeting process seems to take place as an extended negotiation exercise – not necessarily the best method of ensuring strategic co-ordination or results focused on overall government priorities..

The Budget Circular is required to be issued by September 15, including total spending limits. The MoD also communicates spending limits for investment projects - some general criteria are agreed and specific spending limits are set on the basis of the previous year's base plus GDP increments, minus completed projects, plus new projects. But institutions still propose investment projects beyond the incremental limits that have been set. It seems that limits and criteria are not regarded as firm ceilings on which the rest of the investment planning and budget calculations are calculated and from which the detailed budgeting flows, but instead are set in an indicative way as a starting point, and then adapted as the negotiations proceed. They can be adjusted again after the Parliamentary debate.

The MTFP is prepared and presented by MoF and approved by the High Planning Council. However, the MTP is prepared via a different track and approved by the Council of Ministers. In several interviews, clear messages were stated about the perceived loose connection between the two plans.

The MTFP is approved by 15<sup>th</sup> of October before sending the draft Budget to the Parliament, and after Parliamentary debate there may be further final changes. This might happen because of last minute political changes or because the process is not managed well enough or there may be a deliberate practice of postponement in order to retain the flexibility of either the budget authority or at the political level. In any case the MTFP parameters do not work as true 'ceilings' or boundaries.

The Turkish Administration overall demonstrates a well-oiled but traditional political and bureaucratic machinery in relation to planning and budgeting. Financial control is exercised through a traditional system with the emphasis on detailed ex ante restrictions and approvals. The budgeting process at political and institutional levels depends on negotiation, and preserving discretion and flexibility in decision-making.

Formal strategic management coordination and integration capacity, characteristic of the principles of transparency, fiscal responsibility and prudence and accountability in resource allocation and performance is in its early stages of development. Performance management and performance information systems are in construction. Interaction and voluntary cooperation seems to work well at personal levels and at institutional level, meetings and working group are often organised for planning and strategic decision-making. However, there is a need for institutionalising and ensuring more effective cooperation and co-ordination among public organisations in the course of the strategic management cycle. Gaps in proper distribution of responsibilities and the lack of a single overall co-ordinating central authority, fully recognised by institutions and with sufficient credibility and capacity to lead the system, currently inhibits improvements in the development of improved integration between strategic plans, performance programmes and the Budget – and in improved integration of the associated processes.

Currently it appears that there are no regular formal or informal meetings among coordinating administrations aiming at identifying common interest or solving controversies in strategic

management issues and practice, or channels to co-ordinate improvements in strategic management on a voluntary basis.

### Evaluation of strategic plans and the strategic management system

In review and evaluation of strategic plans and strategic planning/management processes across government, responsibilities and authorities at the centre are mixed and so is capacity. Some central coordinating institutions collect strategic planning data, review what has been put forward in strategic documents and sometimes comment, but follow-up accountability of both the co-ordinating institutions and other institutions is limited in enforcement of a response from administrations in compliance with strategic planning and management requirements.

Some co-ordinating central institutions have oversight responsibilities but limited accountability for active co-ordination or evaluation, as the following comments illustrate:

*'The Ministry of Interior cannot impose our views on local municipalities, because those are independent bodies. We are even not trying to review all the strategies because of lack of our capacity. However, if a municipality does not have a strategic plan they are in trouble'*

*'The Council for Higher Education is not actively imposing any changes to Universities' strategies and plans'.* (Note that the CHE is not charged with a defined legal obligation for review and oversight of university strategic management or planning processes. It would like to play more of a role in assisting the sector in this respect but this is a guidance and advisory role, not a defined co-ordination role.)

Resourcing also plays a part. For example, the co-ordinating department for oversight of local government in the MoI noted that it does not have sufficient resources to review all local government strategic plans, not to provide feedback. This tends to reinforce an attitude that basic compliance is adequate in local administrations and undermines incentives for improvement in strategic management.

Some concrete gaps reflect incomplete allocation of responsibilities:

- It is not clear who should be or is actually supervising and checking the connection between strategic plans and performance programmes - the MoD, the MoF, the CoA, each ministry?
- It is not clear who should be or actually is checking if strategic plans have been adapted or revised, after being affected by budget negotiations with the MoF (resulting in cuts to budgets or initiatives)? Each ministry has to make its own adjustments, but who is or should be in charge at the centre to follow up such required adaptations?

#### 5.4.2 Co-ordination capacity of SDUs

The formal distribution of responsibilities between planning, programming and budgeting in the SDUs also seems to be appropriate. The particular organogram of SDUs responds to the needs of each Ministry or administration. But due to their previous responsibilities, SDUs are biased towards budgeting and accounting functions and some SDUs are lagging behind in development of strategic management and performance programming/monitoring/reporting competencies. In general, staff resources (quantity and quality) of SDUs are imbalanced in relation to the responsibilities and workload that proper strategic management functionality demands.

The conditions for consultation and feedback within the system seem to allow for adequate achievement in these requirements in the Turkish Administration. Information flow, through both formal and informal procedures and consultation mechanisms, seems to take place through many different channels and technologies. However, from the interviews it seems there are gaps in the consultation and co-ordination processes – both within institutions and externally.

With regard to external participation of stakeholders in the strategic planning processes, many comments were made in interviews with Turkish civil servants and managers about activities in central institutions in organising meetings and conferences for participation of stakeholders in the preparation of strategic plans and sector policy development. Further information and analysis is necessary on the level of institutionalisation or the regularity and effectiveness of these meetings. At this stage, given the lack of connection and/or divergences between sector policies and strategic plans mentioned in a number of interviews, it seems that the meetings are not sufficiently effective.

According to the SWOT analysis of some ministries, there are ambiguities in the distribution of authorisations and responsibilities in some of the areas within the operation of the ministry and among other institutions. SDUs themselves are sometimes perceived as interfering in the internal affairs of other departments when they try to follow up on performance monitoring information. This perception or attitude undermines the co-ordination potential of the SDUs.

To be effective, any central co-ordinating unit needs a good balance of management capacity (qualified personnel, financial resources, information systems, etc) and relevant competencies. But overall this unit needs to have legitimacy and credibility. This requires not only having a legal status but also playing its role, taking into account the opinions and interests of all main actors and being aware of problems related to each decision, but acting in the interests of the organisation for overall co-ordination and efficiency of process.

## 6 Institutional Capacity and the Management of Change

### 6.1 Institutional and Public Service Culture

Sections Three, Four and Five of this report focused on many of the major systemic and institutional issues and gaps in the analysis of strategic planning and strategic management implementation in Turkey. The systemic issues largely related to legislative, procedural, and technical matters.

However, the assessment carried out by the project team has identified that there are also significant gaps in the 'people-related' side of strategic management reform implementation which are currently inhibiting progress in further implementation of strategic management and performance budgeting. This Section therefore relates to the human resources management and institutional capacity issues associated with the changes required, and to the culture of the public institutions and the wider culture of the public service as a whole.

As noted earlier in this report, introducing the changes that the Turkish Administration has put in place in strategic planning, strategic management and performance budgeting has been a significant achievement. However, now some years have passed since the initial 'push' of introductory reform implementation and the first enthusiasm for the new initiative. Although capacity and experience in strategic planning, strategic management and performance budgeting competencies are developing slowly, the integration of a strategic management culture within the public service has still not progressed significantly beyond a 'compliance mindset'. In addition, the project team's investigation for the gap assessment indicates that a level of 'reform fatigue' and inertia is now emerging. In some cases, even a level of boredom and cynicism has become apparent. As one official interviewed said:

*"We can do some more training sessions on how to fill in the blanks for annual reports, but when people come back from these training sessions and realize that they cannot put their learnings to practice - they will become more dissatisfied. No matter what you teach them, they will not have the opportunity to improve their work until we carry out structural change. In the present system, where the Ministry of Finance asks us one thing and the Ministry of Development a different thing we cannot get anywhere."*

While a gradual and incremental approach to reform has been appropriate during the last few years to allow the introduction of new processes and requirements to stabilise, however the current rate of reform change is now causing confusion and dissatisfaction. The Turkish Administration now sits uncomfortably positioned somewhere between old and new practice, with neither now working effectively - and not experiencing the full benefits of either. The public administration in Turkey has reached a junction where it is necessary to decide whether to continue with the current approach or to instigate active strategies to achieve further progress and build capacity. In any case, the next stage of the reform needs to shift from an incremental to a structural approach, where transformation of the behaviour and practice of leaders, public managers and professionals is one of the main priorities.

Successful strategies for implementing reform and in associated change management usually pay attention to the following key success factors:

- The importance of leadership
- Having a clear direction – so that everybody understands the purpose and reason for change
- Enrolling people in the change
- Getting the mandates in the form of policies, laws and delegations in place to authorise the change and require compliance with new requirements
- Getting the supporting technical systems right
- Keeping communication levels up, to keep everyone informed
- Ensuring follow-through and follow-up to monitor change progress, and to enforce the changes if required and
- On-going reinforcement of the change, including capacity building in new competencies, for sustainability of the change.

As identified in Sections 3, 4 and 5 of this report, some of the key institutional blockages and obstacles now relate to the following issues:

- Lack of a performance culture in the public service;
- Lack of compatibility between the existing culture within the public administration of Turkey and new requirements that have been drawn from other jurisdictions and do not necessarily fit easily with the existing culture of the public service in Turkey and
- The weight of the status quo – which has a momentum of its own and is calibrated to resist change.

## 6.2 Change Theory and Application to Turkey

The change process in any large country is a complex multi-level phenomenon. A number of studies have analysed change processes (Armenakis & Bedeian, 1999; Armenakis & Harris, 2009; By, 2005). Some studies and theories focus on planned and prescriptive approaches (French, Bell, & Zawacki, 2005); some focus on process (Pettigrew, 1992; Dawson, 2007), and some are leadership-driven (Kotter, 1995). The table below depicts the most important elements that influence change process:

Attribute	Internal factors	External factors
Context of Change	History, present structure, culture, human resources, technology, processes	Legal, social and technological aspects
Content of Change	Scale, character, timeframe, perceived (de)centrality of locus of control for change	External expectations towards change, change experience in other countries, best practices

Table 2 - Attributes of Change - adapted from (Dawson, 2007)

For this analysis, the project team has focused on a framework suggested by Huff et.al (1992) on strategic change and its linkages with inertia and stress. After this, the discussion progresses to the detail of assessing changing systems and behaviours in the reform context in Turkey.



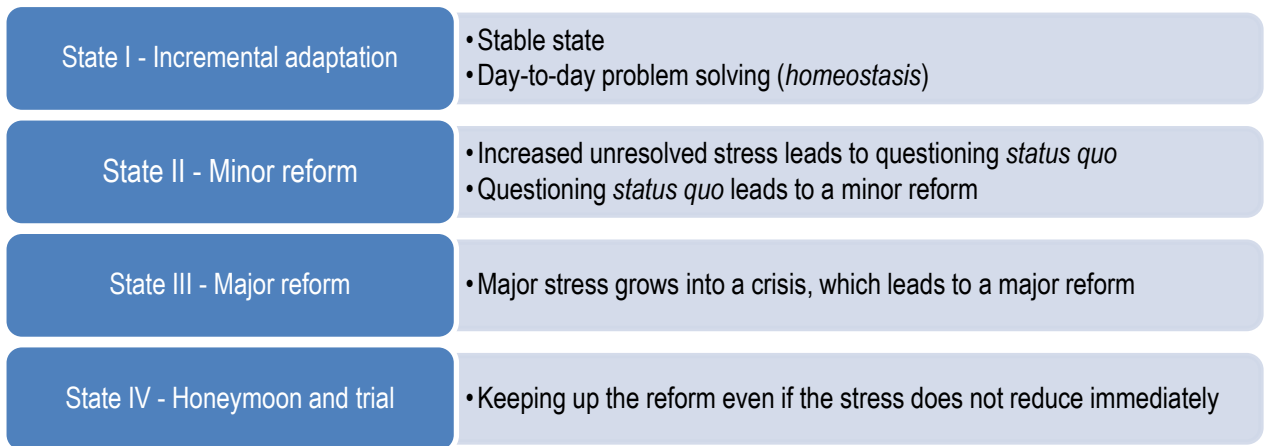


Figure 1 - Four States of Change, adapted from Huff et.al (1992)

### State I - Incremental adaptation within the framework of current strategy

The model of Huff et.al explains that any social system will eventually become outdated as time goes by and the gap grows between what the external environment requires and what the existing system is able to provide. The stress within the system starts to escalate. In practice, this means that people working inside the organizations who are using outdated processes will become more and more dissatisfied with the *status quo* and their stress levels will go up. Managers of the organization usually respond with incremental improvements through day-to-day problem solving (*homeostasis*), which while reducing the immediate dissatisfaction, still will not solve the deficiencies of the system.

This is considered to be a relatively stable state for organizational and strategic change and is mostly a first order effort (i.e. single-loop learning).

### State II - Deciding whether to consider a minor reform

When dissatisfaction grows larger and the day-to-day problem solving no longer works, more people will start questioning the present way of doing things. As a result, managers are obliged to tackle unresolved stress and consider the pluses and minuses of continuing with the *status quo*. If the stressor is not major then the result of this phase is to carry out a small reform that resolves the level of stress - two of those depicted on the below as pinnacles of grey areas in Figure 2 - Cumulative Stress Chart, adapted from Huff et.al below.

A minor reform means that while concerns are addressed, there is no substantial change of processes of work, which means that while a stressor has been solved, the work continues in the mode of the *status quo*.

### State III - Envisioning change alternatives and carrying out major reform

If the *status quo* no longer works and there is a real underlying crisis, then the next stage will focus on developing alternatives for the future. In this stage, the managers will select directions for change, developing a change plan and implementing a major reform (pink area of Figure 2 - Cumulative Stress Chart, adapted from Huff et.al below).

A major reform means substantially challenging and revising ways of operating.

## State IV - Period of honeymoon and trial

After the reforms start unfolding - the frustration with the situation continues because of uncertainty. This phase involves going through substantial steps in reform process and contains numerous stages of trial and error. There is a significant risk of reverting to the previous state, to continue searching for yet another alternative for the future because the chosen reform is difficult and success may be low.

The primary role of managers in this phase is to keep the change momentum going, via a series of small wins and handling the uncertainty. Success of the change events depends on the feeling of safety provided during this period.

What stage is the Turkish Administration at now?

What should the Turkish Administration do next in its reform and 'management of change' strategies?

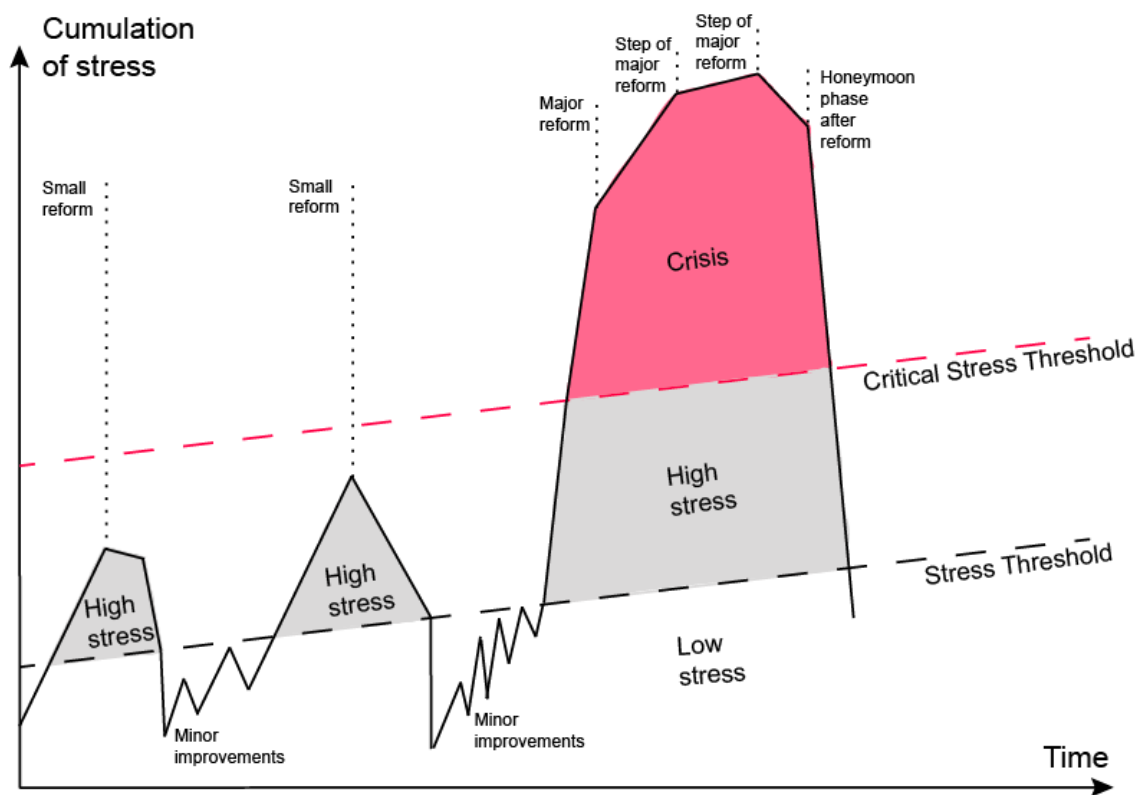
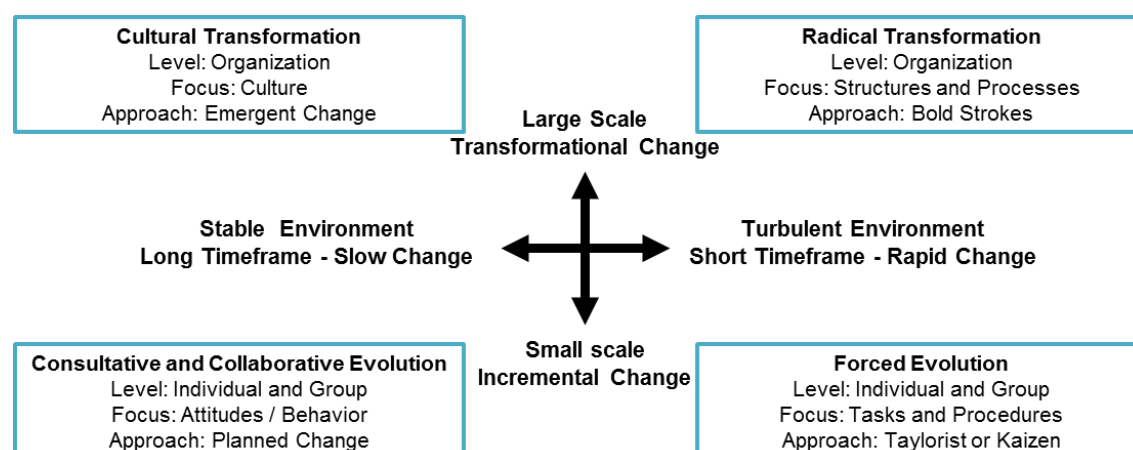


Figure 2 - Cumulative Stress Chart, adapted from Huff et.al (1992)

Based on Figure 2 - Cumulative Stress Chart, adapted from Huff et.al - it is possible to deduct that the process of handling the cumulative stress also helps the participants in the process to learn to cope with increasing levels of stress. In other words, the process of reform also increases readiness for reform in the future.

Regarding the last question – the second theoretical framework that the project team found useful in analysis relies on Burnes (2005) who elaborated based on Dunphy & Stace (1993) a model that differentiates between two types of transformation on two sets of continuum:

- Large-scale and transformational change or small scale and incremental change
- Slow change over a long timeframe or a rapid change over a short timeframe.



- **Figure 3 - Change Management Model - adapted from: (Dunphy & Stace, 1993; Burnes, 2005)**

The administration essentially has choices - whether to continue with slow change over a longer period (characterising the current state of the reform) or choose a further push for a more rapid change. It can also decide whether change should address a relatively minor part of the system and be incremental or it should be larger-scale effort that affects larger systems.

Four 'reform styles' are summarised in the table below:

Type of Reform	Description	Attributes	Issues to remember
Consultative evolution	Steady change in the form of planned improvements to the existing system, where it is possible to easily predict the future	The managers primarily focus on reactive and gradual changing of attitudes and behaviour of the employees	The risk is that the administration will not be ready for crises
Forced evolution	Radical and rapid change, primarily triggered as a reaction to external events, but resolves a current issue and does not reform the entire system	Managers issue prompt orders and deliver procedures to make sure that the employees will change the course	Occurs when countries in question cannot continue with their existing systems and they have to transform because of external pressure - e.g. due to crisis
Cultural transformation	Proactive radical change in stable environment over a longer period of time by countries who want to be 'at the forefront' of ongoing leading edge developments	Change, which primarily focuses on changing the culture - introducing 'the new way things are done here'	Gradual nature of the change means that some people grow tired of change unfolding over a long period
Radical transformation	Proactive radical change that takes place quickly and transforms the entire administration or country	Change, which often starts at the top and focuses on tackling a number of key attributes of change	This type of change initially creates resistance and confusion, but because the change is initiated over a short period, people adapt quickly and in the long run it is less painful and cheaper to implement

## 6.3 Strategies for Change in Turkey - Moving Forward

Based on the frameworks described, the Government of Turkey may choose to continue with the present approach of incremental improvement. However, this approach risks marginal achievement over time or possibly even going backwards, and raising the possibility that the public administration in Turkey will continue to remain behind the public administrations of comparable countries.

The Turkish Administration has carried out the reform by introducing the PFMC Law 5018, which was a major reform proposal considering that the legislation that it replaced was in force since the 1920s. However, in terms of reform implementation, since then the reform has been carried out in incremental steps and with piecemeal efforts. It has resolved some issues and thereby reduced some stresses within the system. However, as described in the previous sections, the major issues regarding the implementation of the reform are still inhibiting progress and/or somehow blocked or in a stalemate situation.

Hence, in order to make strategic management useful there is a need to open discussion about whether to initiate a further major reform effort or 'push', or to continue with incremental improvement knowing that this strategy is at the same time leading to increasing dissatisfaction and on-going unresolved stresses, and potential frustration of the reform itself.

There are two further risks associated with an incremental approach.

- Should external circumstances become unfavourable then the Government may be faced with the forced evolution option - as many similar examples in other jurisdictions have shown. However, in a crisis it is usually more difficult to implement the changes in a manner that would be optimal for the government.
- The slow approach of little change or no change will further alienate those civil servants currently working in the public administration who are interested in progressing with the performance improvements.

As the present economic situation in Turkey is favourable, the Government has the luxury of being able to consider two viable options for a more serious reform while there is enough time and resources. Therefore, both 'incremental transformation' and 'radical transformation' may be considered viable options.

### **Incremental Cultural Transformation**

Incremental cultural transformation of the Administration would provide the opportunity to start with a steady stream of incremental steps that are driven by a clear vision of the future reform situation. This reform approach allows 'learning by doing'. In other words, the Administration does not have to establish a detailed reform agenda from the outset and follow the plan. Instead, the reform approach provides the chance to review reform activities periodically.

This approach to reform would demand that the Administration in Turkey takes slightly different roles compared to present arrangements. The reform agenda would have to be vision-based and challenge-based. High-ranking civil servants would have to start primarily employing tools of inspiration and motivation. Experts in the civil service would have to take up the role to start responding to challenge.

In selecting this reform path, it is necessary to keep in mind that the basis of this approach would have to rely on introducing the following principles during the reform:

- Vision-based: Leading this transformation effort needs to start from identifying the long-term reform targets - the long-term vision of the 'transformation agenda'.
- Periodic review and learning systems: The Administration would have to introduce working groups to meet on a regular basis to review the progress of reform and take informed decisions to change the course of the reform.

- **Using appropriate tools:** This would have to focus primarily on leadership, introducing change aspects of the desired management culture, appropriate human resources management, leadership development, and a focus on motivation and empowerment of individuals

There are also obvious risks in this approach:

- While in the short term it will create less resistance, its main risk is on-going 'reform fatigue' that people involved in this may develop over a longer period
- As this transformation effort stretches out over a longer period, it is important to keep the vision in sight because there is a natural tendency to become side-tracked during the reform.

## Radical Transformation

Radical transformation would give the Administration the chance to substantially change ways of operating and provide people involved in the reform process the chance to become more quickly accustomed to new approaches. Radical transformation requires a longer preparation time than incremental cultural transformation, but after the primary analysis has been undertaken and the reform agenda put into place, the change process itself will be much faster than incremental cultural transformation. In the short run, radical transformation will create more turmoil and resistance, but in the longer term be a more viable option.

This approach demands the Administration work with a well-established and informed **central working group** who will spell out the reform principles, a general agenda, main reform steps and related legislation in a way that would provide avenues to carry out the reform in full effect.

When selecting this reform option then the role of high-ranking civil servants and the Administration changes during the different stages of reform process as an important driver of change events. In a similar manner, the other parts of the Administration should also be given the opportunity to provide their input.

Stage	Considering reform	Drafting reform alternatives	Carrying out the reform	Sustaining the reform
Role of high-ranking civil servants	Endorse and support or reject the suggestions	Discuss and support the suggestions	Provide clear direction, take decisions	Clarify that reform will not fall into the old track
Role of the central working group working on and leading the reform agenda	Weigh the positive and negative aspects of reform, filtering the issues provided by stakeholders	Active work on drafting the reform agenda and discussing alternatives with stakeholders	Review regularly the reform agenda, making sure that high-ranking civil servants are well informed about the progress	Take up feedback from the Administration to make sure that reform will be sustainable
Role of other parts of administration	Providing inputs, ideas for reform agenda	Providing ideas	Learn and improve upon the new ways	Learn and improve, provide feedback

As above - there are also risks with this approach including:

- Considering the radical nature of this reform effort, it is possible that resistance within the public administration will be too strong for the reform effort to succeed. To mitigate this risk, it is important that high-ranking civil servants remain focused throughout the reform process;
- Because of the faster pace of change, there is a likelihood that even after the reform has been carried out, public bodies and civil servants may be prone to fall back to the old ways.



### Taking the context Into account

Important contextual factors should be taken into account to examine and explain the current reform situation and in deciding how to make further progress:

- The scope of change has been and continues to be major. The reform effort is not just introducing new strategic management techniques and instruments but also adapting institutions and the administrative culture
- The dimension of the strategic planning and management initiative affects large networks of diverse and loosely coupled administrations (e.g. central institutions, local government, universities)
- The multiplicity of central guiding actors or institutions and/or affected by the strategic management reform do not necessarily have coinciding interests or vision on reform aims;
- Administrations in a policy sector and sometimes policy sectors themselves are interdependent, which means that reform progress depends on collective action rather than autonomous improvements
- There is still uncertainty about the outcome of the reform and the way the components and tools of strategic planning and management should be designed and applied in different institutions.

These contextual reform characteristics may make it difficult (and perhaps not advisable) to apply a 'one size fits all' approach or tightly programmed strategy (i.e. that can be imposed in a top-down mechanistic way with concrete rules and instructions and implemented on the basis of a compliance oriented approach). The programmed approach to the reform could work if the modifications are simple, or where there are not many actors or stakeholders involved, and where expertise on how to achieve reform goals is clear and not significantly questioned. But different approaches may need to be developed to allow for complexity.

An adaptive strategy to manage the reform means that the model and process of reform is considered adjustable or flexible enough to enrich the reform model (including rules, tools, procedures, organizational arrangements, etc.) and customise it to different sectors or contextual conditions and changing needs. The basic strategic management model chosen in Turkey enjoys broad support and is based on proven international experiences, well demonstrated over a long period. A basic normative framework has been put in place and is being improved. This background has been sufficient for the initial stages of the reform but the next stage of the reform requires a different, more sophisticated approach. For instance, the follow up and evaluation system of the reform itself may be used as a learning tool - i.e. not only questioning public managers compliance in implementing the strategic management model chosen but also adjusting this model to the different circumstances and organizational characteristic of the administrations.

## 6.4 Changing Systems

Once the reform choices have been made, whatever the options for reform progress are decided and whatever change management strategies are employed, there are two main aspects to making it all work. These include 1) changing systems and institutions and 2) changing behaviours.

In changing systems, three major aspects are critical:

- Get all the required mandates in place
- Get the supporting technical systems and processes right
- Put technical capacity building in place (e.g. supporting technology, training people in how to use the new systems and carry out requirements, and consistently building on-going competencies).

The gap assessment outlined in Section 3 and the analysis presented in Sections 4 and 5 provides extensive commentary to indicate that work is required on all three aspects above. There are still gaps in completing the legislative framework for full implementation of the strategic management system. Technical systems have been developed and put in place, but there are missing elements and the critical issues of co-ordination and integration of systems and processes require further development and additional improvements. Considerable effort in institutional capacity building is required - in structural reorganization, supporting the use of new approaches and techniques and the use of appropriate tools and mechanisms.

## 6.5 Changing Administrative Culture and Adapting Management Behaviour

In changing behaviours, several major aspects are critical:

- Leadership, accountability, ownership and leading through example are of primary importance.
- Incentives come into play when influencing behaviour.
- On-going capacity building is also vital to reinforce changes in behaviour, and build and develop competencies.

As discussed in earlier sections of this report, representatives of the central co-ordinating institutions reinforced an overall positive reaction to the introduction of strategic planning and strategic management implementation - particularly the inclusive nature of the workshop-based processes and participatory planning used in strategic plan preparation.

The officials noted how expertise and capacity is developing after the first few years of strategic management implementation and they are feeling more confident about the new processes and requirements. A number of SDU managers commented on how understandings of the required linkages between strategic plans, performance programmes and budgeting are developing, together with understandings of how performance information should be used. They commented extensively however about the frustration of lack of integration between strategic and performance planning and budgeting systems and the difficulties of performance specification and reporting, and linking to budget classifications and costing.

Many officials interviewed also commented honestly and openly about the issues of transition between traditional concepts of public service management and management practice, and the new concepts. Adapting institutional practice in this kind of situation takes time and officials are adjusting, but frustrations about incompatibility of approaches and concepts remain. Some officials commented that the idea of long range planning and being committed to follow a plan are in themselves not 'traditional' in the public service context, where the emphasis has been on centralised decision-making at the top but also on preserving political flexibility. In addition, the existing civil service reinforces the notion that civil servants should not or do not make mistakes or wrong decisions. Existing practice demands that permissions are delayed and decisions are

put off until the last minute so that forecasts are ensured to be accurate, wrong decisions are not made and civil servants are not perceived to be wrong. One official commented:

*"We like to pack our baggage on the train"*

### 6.5.1 From a concern with formal procedures to focusing on strategic results

The lack of a performance culture as it relates to results-based management is a key issue discussed in earlier sections of this report. That is not to say that there are not strong concepts of what good performance is in the existing context and culture within the Administration and the civil service. But in a traditional civil service context, concepts of 'performance' are related more to diligent compliance with bureaucratic requirements, formal procedures, process and the application of policies through rules and protocols. Results-based management and modern strategic governance and public management emphasises strategic planning and programme budgeting in the use of government resources. Concepts related to defining the choices of what government services should be delivered as 'policy or strategy interventions' to achieve government or community outcomes, with performance specified in terms of output-based results, may be perceived as foreign concepts.

Managers and staff at all levels of the institutions the project team met with had appreciated the 'new' mechanisms for working collaboratively as a 'corporate collective' in strategy workshops. However, as noted earlier, the fact that these experiences are still being recounted as 'new and that managers are still commenting on them indicates that strategic management is still in early stages of implementation and the public service is still making a transition in these practices.

Consequently, it is evident that the Turkish Administration is still in the transition stage where strategic management and performance requirements still tend to be regarded as something 'extra' to ordinary daily activities and not yet fully integrated into institutional management as a routine part of how organisations are run.

It is also evident that not only are the systems not yet fully in place to support the transition to a strategic management and performance culture, but institutional and personnel mind-sets are still in transition. All officials interviewed by the project team were extremely well intentioned and earnest in wanting to do their best with the new requirements. Clearly, there is a lot of pride in being a part of the public service in Turkey and in 'doing a good job'. However, there is a level of stress, frustration, cynicism and even resignation that what is intended does not work. Many officials expressed some exasperation that there has been a lot of formal training, but training has not changed the practice much. One official commented:

*"Either people do not understand the new concepts and system, or it doesn't work in practice".*

The Turkish Administration has already made an extensive and important initial investment in strategic management. But further quality improvements and investment in capacity building is needed. The next steps will require more effort and different types of effort to ensure that decision makers and managers improve the use of strategic and performance information in management practice and take into account and use strategic and performance information for decision-making. This will require substantial systemic and institutional improvements: from setting effective monitoring and control mechanisms to adapting the role and played at central

coordinating institutions and departments within institutions and the behaviour of public managers in general.

One of the main roles of the key central co-ordinating administrations is to guide other public institutions to behave in a strategic manner. Strategic plans are **more the result of strategic management behaviour than vice versa**. Managers have to prepare their plans according to certain standards and conditions set by the central coordinating institutions. But compliance with these conditions is not an end in itself, no more than the production of a document is. Plans and strategic documents might be completed but still manager's behaviour may not be appropriate to the principles or practice of strategic management and performance management. It may be neither strategic nor innovative, nor even 'compliant' in following strategic management practice. For instance, if a full complying strategic plan has been prepared in a very strict, top-down non participative way or in a non-realistic way, lacking credibility or not being financially realistic or feasible, most likely it will not be used by operative managers and/or by budget authorities.

Preparing strategic plan documents is a must, but the documents themselves are not the end products. They are more the results of strategic management behaviour than vice versa.

Problems emerge when these (strategic management) mechanisms and procedures are not compatible with daily operational management and even if fully installed their application or use is rejected ...

... as if a strange body has been artificially inserted in the administration, and/or simply bureaucratized.

This idea is also applicable to the aim of integrating strategic planning with other functions of the Administration e.g. with performance programming and budgeting (capital and recurrent). The connection between strategic plans, performance programs and budgets does not only depend on technical instructions, procedural guidelines, standardized templates and IT information systems. Of course, these tools need to be improved and are essential for the integration of strategic planning with other functions of the strategic management cycle as instruments in capacity building. However, problems emerge when these mechanisms and procedures are not compatible with daily operational management. One of the main objectives of the strategic management initiative is to consider and connect strategic management and financial decision-making. The application of instruments and tools of the strategic management system (e.g. feasibility studies, CBA, costing) contribute to this objective but they are not the objective themselves, but taking decisions on the basis of the new strategic and financial information is. Modifying decision-making and working styles also requires other complementary measures oriented to acceptance and ownership of strategic management mechanisms and tools.

Full introduction of new values for driving strategic decision-making is a long term issue, requiring prolonged and sustained effort in communication and interaction among central institutions (PM, MoD, MoF, CoA, and the Parliament) and with all institutions. Along with applying enforcement measures, it will also be necessary to send continuous reinforcing messages about desired behaviour and provide positive feedback on strategic decisions. Effort on both systems and techniques and values should support each other.

The debate of which comes first - the introduction of the techniques (strategic management documents, procedures, new formats, performance indicators, analytical tools and methodologies, etc) or the behavioural adaptation (modifying decision-making styles and criteria) is pretty much a “chicken or egg’ discussion. Both approaches need to be tackled simultaneously or in a gradually related sequence.

**Further improvements in the ‘systems’ side of the reform now must be matched with attention to the ‘people-related’ side**

Further improvement in the quality of documents, specification of strategies and services, performance measures, costing, strategy techniques etc. are vital next steps. But efforts in capacity building including encouraging higher level of management motivation in adapting decision-making styles, information sharing, consultation and collaborative behaviour also requires significant effort. Simultaneously this requires both enhancing structural changes in institutional capacity building (e.g.coordination, enforcement and control mechanisms properly designed to encourage joint action, avoid deviations and promote improvements in strategic management), as well as educative methods through training, personnel development and leadership.

### **6.5.2 From a concern with line item financial control to cost consciousness and efficiency**

One domain in which there is a clear need for changing management behaviour is that of financial and spending management in sector policy decision-making. Awakening and stimulating values about resource constraints, cost consciousness and awareness raising about the real cost of government services to the public (through proper output specification and costing) should be one of the main priorities of the strategic management reform. Interviews indicate that there is a poor level of cost consciousness across the Administration. For example:

- MTFP is the last document approved in the budgeting cycle and is perceived more as a formality done for external presentational purposes. In many other jurisdictions, this mechanism (publishing the medium-term fiscal framework) is intended as the start of the annual planning and budgeting process and provides the strategic foundation for the subsequent development of the one-year budget proposals
- Budget limits are set at the end rather than at the beginning of the budget process.
- There seems to be no effective practice within the system to reinforce messages from central departments that cost and financial constraints are strategically important
- In several interviews, comments were made about not having paid attention to financial resources (cost) constraints when preparing strategic plans and performance programmes. Bids and proposals for investment projects and performance programmes are frequently in excess of ceilings indicated, and negotiations to exceed ceilings succeed at political level, undermining examples or aspirations for fiscal discipline
- One interviewee complained about the lack of awareness of the real cost of departments, perceived due to the fact that there was no pressure because there was no budget deficit and the Government is not under pressure in relation to revenue and funds.
- In fact, in the analysis of strategic plans undertaken by the project, it appeared that few administrations properly explain cost allocation in their strategic plans.
- Officials of several institutions provided evidence in the interviews conducted of poor follow-up and accountability on results in expenditures allocated. As an example, one ministry



official described a situation where funds provided to a local administration for building a school were diverted instead to building a park. The official concerned noted:

*"[The municipality] had in their performance programme that they will build a school in 2012. But it was not built. In their draft annual report they even reported that this was not done. However, when this annual report went to [the manager of the municipality] then he deleted this part. [The official in the municipality] had to write that they opened a new green area. And then they invited all these photographers who did lots of pictures of the park and they publish their annual report like a marketing brochure."*

Solving the problem of lack of attention to financial implications of poor performance requires:

- 1) the gradual and sequential introduction of modern (output) costing and related analytical techniques
- 2) implementation of incentives for costing information to be systematically used by managers for decision-making (e.g. evaluation and auditing based on principles of efficiency and effectiveness in the use of resources) and
- 3) follow-up incentives and sanctions consequent on positive and poor performance.

### 6.5.3 Incentives to enhance performance and strategic results-focused behaviour

One of the recurrent problems or issues mentioned in the interviews as important to take into account for better strategic management is the 'lack of ownership' of decision-makers, managers and professionals. Quite often references were made to the lack of and need for effective incentives to ensure changes in values and behaviour. Many interviewees indicated that officials understand what is required, which the following example comments illustrate:

*"Public sector culture must be changed";*

*"Civil servants need to be more responsible for providing or delivering results"*

*"Institutional targets should cascade down to individual targets and make them responsible for results at all levels".*

The question of introducing appropriate incentives to change values and behaviours in the public service is a complex topic. In a traditional public service environment, where there are rigid pay scales and limited options for financial incentives, there is a need to think more widely about appropriate incentives for performance. Managers talked about 'name and shame' practices or of peer pressure as options. Some interviewees called for the need to introduce competition among public institutions.

But the questions arose: How to introduce competition? Is this value sufficient, or even always opportune? Positive competition might be good for some aspects of the Turkish Administration, but only under some conditions. Competition incentives are more likely to work when the context is market-related like (e.g. where public values reinforce independent and transparent decision-making). Some examples were debated in an interview with the Council of Higher Education (CHE). Consideration may be given to make universities compete for finance by comparing their teaching quality. However, it was recognised that this would require sophisticated and credible performance assessment and effective monitoring and evaluation systems, which are currently not available or very weak in the Turkish Administration.

Furthermore, this might discourage collaborative behaviour. Cooperation is also an important strategic value in public administration. There is a need to search for a proper balance between competition and cooperation. In general, the use of 'stick and carrot' incentives depends on the context, culture of an administration, and the objectives to be pursued.

These issues deserve a cautious analysis. A more intensive review of international experience in the application of incentives would provide useful information for further recommendations for the Turkish Administration's consideration.

### **Incentives for producing and using performance information for management**

Encouraging the production and use of performance information for planning and budgeting is a crucial issue. Identifying and obtaining relevant and credible performance information is more difficult than officials had anticipated. Thus persuading them to use this information for performance evaluation is certainly a challenging task. Sometimes improving performance information to be sent by spending departments to the MoF is a question of applying clear directives or strengthening staff knowledge and skills to analyse policies, or allocating earmarked resources to provide requested evaluative information.

Some material incentives have been applied in other jurisdictions before the world-wide economic crisis, such as partial or complete recovery or carry-over of savings, the possibility of internal redeployment of resources, special funds rewarding joint projects, etc. These monetary-related incentives have lost their popularity during economic crises. More subtle incentives are being used for improving performance, such as 'name and shame' approaches.

In general, the application of a 'punishment or blame' control strategy does not seem to be very relevant in a situation where few sanctions are currently available within the system. In the EU, the evaluation of a policy instrument such as the OMC (open method coordination) concluded that this governance instrument has not operated as expected on the basis of a 'name and shame' approach, but instead in sharing knowledge and supporting national reforms (Toulemonde, 2010). In France, one of the obstacles identified with this control approach is that underperformers are set under a series of measures to enhance their performance but their budgets are not reduced (Trosa, 2012).

New performance budget incentives for identification of concrete cutback proposals from agencies are emerging in the current environment of global economic crisis. For instance, in the USA, rather than presenting short-term 'incremental savings' (horizontal percentage of spending reductions), agencies were expected to identify selected programmes that could either operate with half their current resources or be fully eliminated, presenting a coherent justification. If agencies do not voluntarily present proposals with 5 % or more total reduction in its overall budget request, a 5% cut is imposed across the board, and the agency is not then able to choose what programs will be targeted in the spending cuts. South Korea has adopted a similar approach in demanding that agencies offer up percentage programme cuts. Other types of incentives in the USA are focused on strengthening agency performance evaluation capacity through a voluntary competition to receive support for specific projects. In fiscal year 2011, 17 agencies were included in this exercise. Seven out of the 36 evaluations funded were for building agency-wide evaluation capacity.

Monitoring the use of reports and evaluation recommendations is an important incentive for encouraging the use of performance information. This approach has been applied in

international organizations such as the EU, by using the so-called 'fiche contradictoire' in which all recommendations presented by a programme evaluation are accompanied by an action plan, including units responsible for implementation explaining consequent action or justification for non-action. According to Van der Knaap, the Netherlands' NCA has demonstrated the importance of knowing what happens with audit recommendations after reports have been published - were recommendations followed and did that really help? To find the answers, the NCA actively monitors the Ministers' follow-up to its audit recommendations and whether they fulfil their undertakings over a long period. In New Zealand (which has consistently rated as No 1 internationally on Transparency International's index of countries), evaluations by the Office of the Auditor General are extensively reported to the Parliament, actions followed up and reviewed by Select Committees and receive extensive coverage in the media. A recent performance improvement initiative, undertaken as a joint effort of the Ministry of Finance (The Treasury), Office of the Auditor General and the State Services Commission is a programme of extensive voluntary external reviews of government ministries, departments and other government entities. These reviews are undertaken as a collaborative assessment effort between the institutions and the review team, which is made up of representatives of the three mentioned central agencies and staff of the institution involved, and led by an independent external reviewer. The review covers all aspects of strategic and operational management, service delivery and analysis of the organisational capability of the institution.

Increasing transparency is often claimed as one of the best ways to facilitate the identification, use and quality of performance information. However, there are limitations with regard to politically sensitive information. Sometimes transparency of performance information may encourage agencies towards reporting behaviour that damages information credibility. This seems to be the assumption of the USA Office of Management and Budget's new approach to collecting information from agencies. In 2011, US agencies had to use specific criteria and their strategic plans to explain how their programs contributed to the agency's mission. These criteria were similar to previous experience but with the important difference that the underlying rationale and supporting evidence were not made public, as they had been with the Programme Assessment Rating Tool (PART). Once again, the incentive is not a panacea.

In the Turkish Administration, in addition to weak systems for performance assessment, there is a lack of internal incentives or sanctions to encourage accountability for performance failures and there is no effective performance management system for staff performance planning, assessment or appraisal in the civil service in Turkey. There was a 'traditional' system of performance appraisal, which was abolished two years ago. A new system is being developed but it is not yet completed and approved for implementation. Directors from the SDUs commented that in monitoring performance data and reporting performance by using the SBG system, they have no methods other than encouragement in instances of performance failure or where variances are occurring. The concept of the public service in Turkey is 'a job for life' and promotion and seniority is not linked to performance.

### **Accountability and evaluation as incentives to promote strategic policy making**

In making a shift to results-based management and particularly in complex contexts (where the administrative environment is unstable and uncertain), it is essential that evaluation and performance audit systems (particularly performance evaluation) do not have a single or excessive focus on inspection and identification of irregularities and errors, or deviation from

norms. They also need to be used to stimulate strategically desirable management behaviours. Two approaches or styles of accountability should be taken into account in public management. First, a 'negative' approach - which focuses on avoiding mismanagement by correcting or taking action to address variances when they appear. Second, a 'positive approach in guiding managers and staff with proactive and continuous transmission of messages and signals aimed to ensure that values and behavioural norms move in the desired direction. While the feedback provided by the first approach tries to avoid deviation from plans and planned levels of performance, the second provides strategic guidance in adapting plans and management behaviours to contextual changes (Metcalf & Richards, Improving Public Management, 1990). The positive side is oriented to policy and structural learning. Inspection and rigid control of undesired spending behaviour does not guarantee the improvement of expenditure management. For example, in a situation that is changing or unpredictable or was not well known in the programming phase, rigid and negative spending controls can actually incentivise dysfunctional behaviour ('creative accounting', fictitious budgeting, deformed information, tactical spending games with statistical data, camouflage of results, unproductive competition, etc.). On the contrary, positive oriented control systems may facilitate internalization of appropriate management values coherent with complex environments. The excessive emphasis on inspection and correction of undesired spending behaviour acts as a block on innovation and adaptation. Accountability should be understood not only as an exercise of external responsibility, but also as an opportunity for providing feedback aimed at learning.

Clarifying the real aim of performance evaluation and accountability systems is essential. Is it to know if a policy works well? To identify and recommend areas for improving public service strategy and delivery? Or to identify and punish who is responsible for failure? These aims should not be blurred since confusion can induce public managers to hide what they do and block feedback rather than provide information. The constructive face of accountability systems is an effective incentive for improving strategic management practice. Several examples of Audit institutions' experiences in countries studied show a clear orientation towards providing feedback for improving evaluation and public expenditure management. For instance, in the Netherlands, management progress towards performance budgeting is monitored by the Ministry of Finance and the Court of Audit by comparing ministries' scores. The Court uses them with a bias towards rewarding rather than blaming (e.g. the creation of the National State Accountability Day, in the presentation of the State's Annual Account). The third Wednesday in May is the day in which the National Financial Annual Report and ministerial annual reports are presented by the MoF to the House of Representatives with the active participation of 'winners' (good performing public servants and politicians) who are invited to exhibit their success with lectures and articles.

### **Creating a collective understanding and interest in strategic management reform**

Perhaps the most important factor in incentivizing a shift in staff values and attitudes towards more focused strategic management behaviour is the creation of a collective view on further implementation of strategic management reform. A commitment to strategic management as part of a commitment to national needs, the ultimate economic welfare of Turkey as a nation, and the obligation of the public service as part of overall government responsibility to increase national competitiveness, standards of wellbeing, poverty reduction etc. are very important altruistic responsibilities within the wider 'strategic' context of the public service.



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# 7

## Capacity Building Strategies for Reform Success

Strategic management and performance management are important components of modernizing public management and governance in all countries. However, unrealistic expectations and purely formal 'blunt' compliance-based approaches may lead to issues such as low relevance of strategic or performance documents produced, little use of the information they provide, and eventually to frustration with the reform, lack of confidence in the model, dissipation of further reform efforts and sliding into a partial or marginal implementation.

The conclusions from the previous Sections 3, 4, 5 and 6 of this report have indicated that a combination of further systems-related interventions and people-focused approaches are required, to make further progress. Relevant to both of these elements, there are now two critical aspects for the Turkish Administration in being able to advance further in strategic management reform implementation.

- The first of these is technical and institutional **capacity building**, which should be the watchword for all further reform efforts
- The second is finding ways to **speed up strategic management implementation further** and move future reform progress away from dependence on an ad hoc, un-coordinated, incremental approach, to a more deliberate strategy for further reform.

The following sections suggest a range of short term and medium term measures, to address the current risk of reform implementation leading to the kind of marginal results identified above.

### 7.1 Short-Term Capacity Building Measures

The EuropeAid project 'Technical Assistance in Improved Strategic Management Capacity' has been set up to provide a number of capacity-building interventions to support further strategic management implementation. A number of these interventions will help to address some of the gaps identified in this report. These capacity-building interventions include:

- A training programme for central co-ordinating ministries and other selected central public institutions, which will be developed to reinforce strategic management concepts and applications and provide training on strategic management topics, and which will be customised to provide practical training assistance
- Development of a range of methodologies and guidance materials including: guidelines on strategic planning and implementation for central institutions, local government and universities; a methodology on evaluation of strategic plans; and methodologies for improving consistency and coherence between high-level planning documents and strategies, sector plans and policies and institutional strategic plans
- Information dissemination seminars
- Study tours to investigate international 'best practice' examples and
- A programme of direct coaching assistance for ten selected pilot central institutions.

These interventions will provide mechanisms to address the following requirements:

- The need for improved guidelines formulated to address:
  - Improved integration of strategic plans, performance programmes and budgets
  - Improved relevance of the content of strategic plans and improved quality.

- The need for reinforcement of strategic management and results-based management concepts, together with the need to raise awareness of the intention of the strategic management model that the Turkish Administration has put into effect via Law 5018. This can be addressed through 1) the training programme and 2) the programme of direct coaching assistance for pilot institutions, where project experts will work alongside civil servants to assist in improving institutional capacity in strategic management
- The need practical tools to assist with strategic management requirements, and facilitate the transition to making these requirements part of routine management practice.

### 7.1.1 Training Programme

The training programme to be provided by the SMC project will provide formal but customised and targeted training modules for central co-ordinating ministries and other selected central public institutions. The training will reinforce strategic management concepts and application and provide training on reform concepts in public management, strategic planning and strategic management, integrated planning and budgeting (systems and cycle), results-based management, performance management and co-ordination.

The training programme includes a 'Train the Trainers' component and will be supported by distance learning mechanisms and use of a website information-sharing tool.

### 7.1.2 Strategic Planning and Implementation Guidelines

It is anticipated that in order to improve the quality and relevance of strategic plans, it will be important to focus the content of plans on outcomes, with improved demonstration of the use of intervention logic in the choice of strategies and programmes/services to address outcomes. Further it will be important to focus on improved definition of 'outputs' (goods and services at the programme level), and related performance specification.

In addition, to solve the problem of costing of strategic plans in a way that can be related to performance programmes and budgets, a costing template providing detailed instructions should be used.

**It is critical to achieve a guideline that integrates the MoD and MoF instructions and avoids the contest of definitions, frameworks and approaches that characterise the existing guidelines.**

It is anticipated that the guideline will include guidance on strategic plan content as well as guidance on process for plan preparation. The latter would include planning techniques for strategy development, scenario development, risk assessment, CBA and prioritisation linked to strategic priorities and policies, and use of analytical tools such as SWOT, STEEP and PESTLE analysis, etc. Guidance would be provided on definition of outcomes, outputs, goals, objectives, how to apply intervention logic and the specification of appropriate performance indicators. The guideline is intended to be comprehensive and should provide guidance on how to present both the 'services/programmes' part of the plan that are focused on external delivery and the components of the plan that relate to internal organisational capability. It is anticipated that the guideline will contain a number of templates, checklists, formats and guidance on tools for practical application.

The project envisages that a joint working group could be set up consisting of MoF and MoD officials, which could be supported by this project to ensure that the guidelines produced are a

fully consistent and coherent product. MoF and MoD involvement and liaison is essential to address current critical problems arising from the lack of integration between strategic plans, performance programmes and budgets.

In addition, similar collaborative and inter-agency working groups could be set up for collaborative development of the guidelines for local government - with involvement of the MoD, MoF and Mol - and similarly for the guideline for universities.

### 7.1.3 Programme of Institutional Capacity Support

The assistance in capacity building which the project can support in relation to the provision of guidance material and training can be reinforced with the activities to be undertaken with the ten selected pilot institutions. The intention of this intervention is not only to help these institutions to improve their internal processes, systems and expertise through coaching support, but also to ensure customisation of the capacity-building tools developed, and support with their implementation. Consequently, draft templates and guidance materials and tools can be 'tested' and customised with the pilot institutions before committing them to use, and the selected pilot institutions may receive support and assistance in their implementation.

**As part of this intervention, it is envisaged that a number of selected particular initiatives aimed to focus on specific areas of strategic management would be undertaken with particular pilots. For example, two-three pilots might be involved in a special initiative on improved output specification and associated costing, in support of development of the guideline. Others might focus on the linkages between performance specification and performance reporting, and focus on improved methodologies for reporting. Others might work with project assistance to develop a 'standard' set of internal circulars or to improve stakeholder engagement processes.**

### 7.1.4 Limitations of the SMC Project Support

Through the above short-term capacity-building measures, the project can assist the co-ordinating central institutions with improvements needed in strategic management in the following areas:

- Guidance and instructional materials;
- Solutions to address the integration gap between strategic plans, performance programmes and budgets;
- The expertise and capacity of SDUs to lead strategic management processes in their institutions;
- Raising the level of awareness of strategic management in public institutions and
- Raising the level of awareness of the importance of civil service practice in the transition to a 'performance culture'.

However, the project is not a "policy" project. The project of itself cannot facilitate other key interventions that are needed to address existing gaps in the strategic management system. These relate to matters which the project can make recommendations on but which can not be addressed by project interventions. These matters include:

- Assisting the Administration to put in place missing pieces of legislation, or drafting of required amendments to existing regulations

- Resolving the structural and institutional gaps in integration between the separation of investment planning and budgeting
- Assisting the Administration to put in place key missing elements in the accountability and performance management framework (such as the development of the Court of Auditors approach to performance auditing, or development of a new performance management system).

These and other policy issues will need to be addressed by other projects.

## 7.2 Medium Term Capacity Building Measures and Sustaining the Reform

In addition to the short-term capacity-building assistance that the project can support over the next two years, it will be critical for the Government of Turkey to implement longer-term strategies to maintain and progress reforms in strategic management.

### Need for high-level working group for the next stage of reform

In the gap assessment, the project has identified that one important gap is the lack of an apparent overall strategy to drive through the next stages of strategic management reform. One aspect of this is the lack of overall high-level 'energy' and impetus in the form of a co-ordinating group that has the role of leadership of the next stage of the reform and driving through an implementation plan.

The project suggests that a high-level inter-institutional working group be set up to take this role. This worked very well in the previous stage of reform development and preparation in the early 2000s, culminating in the success of implementation of Law 5018. The project suggests that this high-level working group should concern itself with the following key issues:

- Developing a strategy or 'roadmap' for the next stage of reform implementation, with identification of sequencing and timing to include some of the key steps identified throughout this report, including enactment of missing pieces of legislation, deadlines for resolution of key technical problems, and timetables for putting key requirements into effect
- Strategies for gaining the ownership and interest of the Parliament
- The roles of key co-ordinating agencies in resolving integration gaps
- An overall 'change management' plan to ensure a mix of approaches to the next stage of strategic management implementation. A key aspect of this is addressing the issues of the transition in public service culture and practice and the need to address the issues of performance incentives and the translation from strategic planning to accountability.

The project suggests that the high-level "reforming" group could be supported by sub-level additional inter-agency working groups which are assigned particular tasks. One could be the collaborative working group to develop the new guidelines, as mentioned above. Another group could be set up to provide an inter-institutional 'review' to undertake on-going monitoring of strategic management progress. A further group could carry out sample evaluations of different institutions, as per the performance improvement initiative in New Zealand mentioned earlier in this report. Further recommendations are included in Section 7 of the report (See recommendations on sustainability of the reform efforts).

## Ownership of the Parliament

The ownership by the Parliament is essential. Ministers and top managers are to be accountable also in term of strategic management. However, currently strategic documents are often filled information often thought irrelevant for institutional stakeholders. Performance programming and accountability reports frequently present low level or low quality performance information. Members of the Standing Budget Committee, who obviously deal with political and strategic issues, do not ask questions of Ministers on the basis of information provided in strategic management documents or processes. How should ownership be encouraged at the Parliamentary level? One of the major challenges of the strategic management initiative in its next stages is to identify the performance information needs of Parliamentarians and top managers and work towards proving this in relevant documentation.

The strategic plans and Budget documents should include performance and financial related information. Currently the budget and performance information is sent to Parliament in a separate manner. Members of the Parliament are very busy and normally do not have time for reading long strategic planning or performance reports so strategic plan documents and performance programs are generally not taken into account. This is probably due to several factors: insufficient quality or relevance of the information presented in some strategic plans; extension of these documents and the lack of presentation of executive summaries; etc). The strategic plans and Budget documents should include inter-related performance and financial information relevant to decision makers.

A paper presented by the Head of the Budget Committee in the Grand National Assembly of Turkey in a recent Symposium on 'Transparent and Accountable Public Administration' reflects important problematic areas and solutions for performance programming and budgeting relating to the Parliamentary level (Koçak, 2012):

- 'There is no relation between performance programs and budgeting. A performance based budgeting approach must be set. Budget items are classified as only institutional, economic and functional. The scope must be extended'.
- 'The Budget preparation time is not sufficient. The length of the preparation process should be longer. The Budget discussion calendar is so short. There must be enough time for the discussions. Only the Budget and Planning Commission is responsible for the budget preparation. This causes inefficiency. Therefore, other Commissions should also be a part of budgeting process'
- 'In the discussions, the future projection is limited to just the next year, but not for the following years.'
- 'The Budget Reporting system is very difficult to understand, it should be as simple as possible. It is difficult for Parliament Members to analyse all the budgeting issues. Therefore, a "Research and Analysis Commission" must be established'.

In this respect, it would be advisable that:

- All strategic management plans should include executive summaries containing the most relevant information (priorities, logic synthesis, achievements, policy proposals, etc)
- The Court of Accounts could prepare special briefings on the 'highlights' from Activity Reports.



- Budgets presented by MoF and strategic documents on strategic planning and activity reports sent by sector ministries need to present summaries.

Managers and professionals in the public service demonstrate weak awareness or agnosticism, and thus lack of commitment, of the need to introduce a strategic approach relevant to the Parliamentary level and for high-level institutional purposes within the Turkish Administration. Strategic plans are perceived as a formal compliance condition. There seems to be little commitment to produce plans which focus on useful information for political purposes – for Ministers to be able to understand and utilise these plans in driving priorities – and plans that are useful for ministries at an organisational level and useful for senior managers as a framework reference for implementation, monitoring and control of the executing organizations. Public managers and professional civil servants have not yet fully accepted the strategic management initiative.

### **Need for evaluation of the strategic management initiative, for learning and change**

Building and maintaining commitment from public managers and professionals is a vital element of ongoing reform progress and achievement.

The project sees a need for a secondary inter-agency working group to be constituted as a collaborative 'review and evaluation' mechanism.

Apart from the role played by analysts of the DGMS, there are few other mechanisms to gather information, monitor and improve the quality of strategic plans, performance programs and activity reports. The MoD maintains an on-going responsibility to review and provide feedback on individual institutions' strategic plans. The MoD has also undertaken a range of specific evaluation and review exercises. These have included research on strategic planning implementation undertaken in 2006 and the quite extensive research project undertaken with Sabancı University in 2010. Experts of the DSGM and SDUs of other ministries have conducted relevant research – for example, a quality review made on the reaction of administrations to comments sent by MoD to improve their strategic plans and theses undertaken by SDU officials on strategic management reform. But according to meetings at the MoD, apart from these initiatives and a quality review carried out by the MoD of the content of about 30 strategic plans, few other systematic assessment exercises or studies or meetings have taken place since the start of the strategic management initiative in 2006.

Evaluation is a very important tool for on-going adaptation of the strategic management reform and its improvement.

The project suggests that an inter-ministerial working group could be formed to prepare a proposal with measures to create mechanisms and initiatives for inter-agency review and evaluation of strategic management progress on a regular basis.

As mentioned in the previous section the difficulty of the strategic management and performance budgeting reform requires an adaptive strategy to manage it. The model and process of reform has to be customised and enriched in response to different sector or organizational conditions and needs. The next stage of the reform will require active follow up and evaluation of the reform itself. An inter-agency collaborative working group to play the role of evaluator will be important. This group should not be the 'inspector' of reform compliance or

progress, but a facilitator and constant developer of the system. Further recommendations are included in Section 7 of the report (see recommendations on sustainability of the reform efforts).

### **Centralization vs. decentralization – a question of sequencing**

In several interviews during the gap analysis, references were made to the excessive centralization of the Turkish public administration. But while there is a high level of centralised control exercised by individual ministries in their particular fields, there is also a lack of an overall co-ordinated approach and integrated leadership of strategic management, performance monitoring and financial management from the central coordinating institutions.

In line with concerns and trends in other European administrations, there seems to be a wide spread interest in decentralizing some management functions. During recent decades, the trend in some European countries and UK public management reform is to separate operative departments from central services and create 'executive agencies' as legally autonomous entities. Earlier examples of strategic management reform utilising the model that Turkey has now put in place, such as New Zealand, have taken place as part of a tandem move in decentralisation.

Existing documentation refers to the simultaneous fragmentation and high centralization of financial management. Budget experts are authorised to determine figures but they are not responsible for the budget execution. There seems to be a need for some level of decentralization if sector Ministries are expected to take responsibility and feel ownership of the functioning and outcomes of the budget. Decentralization is an incentive for managers in effective implementation of strategic management. However, to avoid the risks of potential loss of control associated with decentralization, performance accountability and financial audit and control systems have to be adapted and operate diligently. Decentralisation changes the role and focus of central co-ordinating institutions, but does not eliminate the need for a strong foundation of co-ordination, guidance, oversight and scrutiny of those institutions at the centre of government.

The strategic planning and performance budgeting and monitoring initiative led by the MoD and MoF may be considered a step forward in encouraging government institutions towards more autonomy in the direction of their own organisations. The type of information to be gathered via strategic plans and performance programmes, once properly improved, may become the essential tool for central coordinating ministries to move from centralized first order controls (direct instructions and norms on decision-making procedures) towards second order controls based on performance results. This allows the delegation of certain flexibility (i.e. more authority for decision-making with regard to personnel and financial management, within limits set by corresponding central authority and broader freedom to allocate and use resources, within the limits of the department or program). This tends to have positive effects such as: reducing workload of central departments, faster reactions to emerging local needs and problems, and motivating operational managers. But before moves towards increased decentralisation can take place it is very important FIRST that new central control mechanisms (performance information systems, result oriented monitoring, evaluation and audit procedures, etc.) are well consolidated and effectively functioning. The creation of autonomous executive agencies in the UK and other countries has required a learning period of adaptation in heavily centralised administrations. This is particularly so if the central Administration has several loosely coupled guiding institutions for different management functions.

In order to create a results-oriented civil service and increase motivation of public managers and civil servants, some ministerial policy departments could delegate authority for performance management to their executive administrations (hospitals, schools, universities, research centres, provincial units, local services, etc.). This initiative would also need to reinforce co-ordination at the Ministry with monitoring of policy execution through performance information systems and result oriented evaluation and internal audit procedures. This would facilitate the development of a results-oriented culture in the administration at all levels and finally will increase the efficiency and effectiveness in the delivery of public services.

Decentralization never works unless the central guidance ministries request a different role and the use of more sophisticated management tools and instruments, to move to an evaluation and scrutiny role rather than a command and control mode.

### **Reconsidering the role of central co-ordinating institutions - In search of the identity of co-ordinating and guiding agencies**

It is important to clarify the roles of central guiding and coordinating institutions. The issue is how to co-ordinate and manage an overall strategic planning and management system.

Given the size and complexity of the Turkish Administration, central guiding institutions cannot control the functioning and improvement of the system only through hierarchical or formal tools (direct orders, instructions, guidelines, and inspections or control on compliance with prescribed procedures and conditions). These tools are necessary and need updating and improving, but they are not sufficient. Other types of instruments are necessary to encourage other institutions and their managers to think and work in a more strategic and innovative way.

For example, monitoring and evaluation of strategic management cannot be effectively done in a centralised way. The MoD has anticipated the need to develop and implement a system of comprehensive (IT-based) central monitoring and evaluation. This will likely produce more information than can be managed, and it is often difficult to determine defined results. Achievements in terms of output performance are relatively easy to assess if performance expectations have been clearly specified, but evaluation of results at outcome level is a challenge that tests even those countries that have sophisticated strategic management systems. . The MoD may guide, coordinate and promote the development at institutions' own monitoring and evaluation systems, within their own institutional strategic management system.

If a centralised IT system for monitoring and evaluation is imposed and institutions are obliged to comply with requirements for standardised information, it will further increase the nature and level of bureaucracy.

The EU Commission has set up an evaluation system which is decentralised, but has been established with aims to integrate the parts of the system. The system includes evaluation community meetings and working groups, with central guidance on basic minimum standards and methodologies, certain reporting instructions, quality assessment, etc. but with freedom for institutions to go beyond the basic framework. The MoD could set up its own system modelled on this kind of compromise between centralised and decentralised monitoring and evaluation approaches.

## Guidance and co-ordination capacity of the SDUs

The role of SDUs and similar co-ordinating units within institutions always sets up an issue of the balance between actual preparation of strategic plans and other strategic management documents (such as performance reports) versus the challenge of co-ordinating other managers in the organisation to do it. To what extent is the system decentralised within the institution? This has implications for training and development of competencies. In addition, SDUs in the institutions interviewed by the project team differ in how they are structured and operate. Capacity building interventions such as training will need to provide for customisation in support to SDUs.

Earlier in this report, it was discussed that there is some perception of a decline in status of the SDUs. According to some interviewees, this reflects on and affects the image and authority of the SDU with other departments, in carrying out its co-ordination role, particularly performance monitoring and evaluation functions. Further reform efforts need to focus on and reinforce the identity, importance and key roles of the SDU.

Capacity building efforts in providing training and direct coaching assistance to the SDUs also need to take account of this issue.

## The acceptance of a new management culture and terminology

In Section 6 of this report, the commentary focused on issues of public service and institutional culture, including issues such as lack of incentives to enrol managers and staff in strategic management and in the transition to a performance culture. Many interviews referred the project team to the importance of clarifying strategic management concepts and terminology that originate from other international jurisdictions and contexts - and the need to clarify, explain and customise the application of these concepts by central co-ordinating institutions and line ministries in the Turkish Administration.

Comments from officials in a number of the interviews conducted by the project illustrated the extent to which some officials do not interpret these concepts in the manner in which they are understood in other jurisdictions:

- *"The Plan is not necessarily to be implemented - the plan may be approved but without much thought about how information will be gathered or how it should be implemented"*
- *"Management terms are expressed and understood in different ways. They are defined in the law and in working documents 'but in a very broad manner, with some overlaps and no examples'"*
- Annual reports have been prepared for many years. *"Traditionally they have included everything"*, so it is not surprising that the strategic management Activity Reports now produced are detailed and in some cases described as resembling more of a 'promotional' document, rather than a performance report.
- The need for planning is not well rooted in the civil service. Muddling through and improvisation is not necessarily considered as dysfunctional behaviour. The Turkish saying mentioned previously by one of the participants in a project team meeting - *"We like to pack our luggage on the train"* - is a good illustration of this idea. Similarly – *"Decisions are taken once the problems appear"*. This demonstrates reactive, not preventive or preparatory culture. *"If you ask in the ministry about the existence of the strategic plan, probably they would not know"*

- *"Strategic planning can work in the military domain. Strategic management cannot work in civil administrations"*
- *"We do not have the word 'leadership' in our culture"*
- *"Strategic plans do not have standards – they are just like a list of promises"*

The comments expressed above illustrate issues that can in part be addressed by improved instructional materials, with guidance in terms of explanations and the use of specific formats etc, but in the long term these are educative issues that demonstrate the need for on-going training and awareness-raising.

### **Managing expectations about performance management and performance budgeting**

The appeal of more than half a century of integrated planning, programing and performance budgeting initiatives in public management in other jurisdictions has created expectations about introducing this model in other countries. But expectations need to be matched with reality in relation to the level of attention paid to the conditions present in other jurisdictions for successful implementation and the measures that such implementation requires. Various studies on the presentation of performance information in budget documentation in advanced countries show that performance budgeting reforms have required consistent and prolonged efforts and their results have been lower than expected in some countries. Some countries have been very successful (e.g. New Zealand and Australia), compared to others. What is most important is that every country has approached the design and application of a performance based budgeting model in accordance with its own administrative tradition and culture. In many countries, programme budgeting has been practiced mainly for presentational (formal) and for informative (back up) reasons, and in a few occasions for deterministic (direct allocation of resources) reasons. It is important to emphasise that performance based budgeting and having performance information in budget documentation does not substitute empirically based decision-making or de-politicise Budget decisions in any country.

Early budget reform expectations in some countries may have been linked to expectations of the possibility of simplifying financial management decisions, once budget classification and information systems allow the incorporation and monitoring of performance information along with financial estimates. However, using performance information for allocating resources and getting value for money has proven to be more complex than this. Among other things, there is a need for specific institutional, cultural and systems arrangements to be made before reaching advanced stages in the integration and use of performance information for planning and budgeting.

Efforts to introduce performance management and performance budgeting in the public sector are essential and without dispute are beneficial for developing a culture of efficiency in the public sector (e.g. cost awareness). However, full implementation of performance budgeting will not result in completely rational planning and budgeting and the elimination of political and administrative judgement and discretion in making strategic and financial decisions. Performance budgeting does not reduce the need for innovative management, budget negotiations, conflict management, etc.

The search for perfection in performance specification also reflects expectations about rationality in management culture. Not everything can be reduced to succinct, meaningful performance indicators that provide total measurability of performance. The expectation is that



there is little that can be done in terms of efficient allocation of resources or applying accountability mechanisms without the plethora of plans, specification of detailed objectives and performance indicators etc. However, it may be a better and more flexible approach to settle for indicative measures rather than to strive for 'perfect' ones for strict monitoring and control. And in fact, notions of strict monitoring and control is a distortion of the aims of results-based management.

Experiences in advanced countries show some relevant risks attached to a strict approach to performance monitoring and assessment. As pointed out in a report of the Dutch MoF: 'There is a risk that the development of objectives and indicators and the on-going monitoring of implementation and results demand so much attention that unexpected effects or changing public preferences are simply overlooked provoking a "blinding effect" '. A similar effect can occur if policy evaluations are tailored too strictly to existing policy objectives and/or performance indicators. The evaluation research focuses exclusively upon the fixed policy and theory and its associated goals and performance data' (Knaap, 2012)

To anticipate to this problem, strategic management reform needs to focus on what is worthwhile and useful in the application of the core concepts of the reform. Awareness-raising could also include measures to encourage realistic expectations of this management approach and avoid a wrong and naïve application that creates a burden of compliance that outweighs the effort. Emphasis should be placed on what will create clear benefits through the use of performance information and related strategic management and performance budgeting components.

Particularly important for the Turkish Administration is that it is now moving towards implementation of improvements and introduction of requirements in the ex-post accountability framework such as the introduction of performance auditing and improved ex-post performance assessment. In doing so, it will be important that the Administration does not develop these requirements within a context of 'inspection and control'. Already, the Turkish Administration's implementation of strategic management and performance budgeting has problems in that these concepts have been super-imposed on a system that is still largely continuing its 'traditional' approach to public administration. Performance auditing is not a panacea for the problems that currently exist in the system relating to gaps in performance management and strategic management implementation. It would be a great pity if the result of the introduction of performance auditing is just to introduce another layer of bureaucracy.

## 8 Recommendations

The purpose of this report was to identify the gaps in the strategic management system and make recommendations to address the gaps.

The gaps were summarised in the Overview in Section 3.3.2 and further expanded and explained in Sections 4, 5 and 6 of this report. For the sake of reducing complexity, the recommendations to address the gaps are set out below in the five main categories identified in Section 3.3.2. Several issues may appear in two or more groups but with different perspectives.

The main categories of gaps identified were:

1. Gaps relating to missing elements in the legislative architecture of the system
2. Gaps relating to integration of the cycle and processes of the strategic management system performance budgeting systems
3. Gaps relating to the performance management and accountability framework
4. Gaps relating to current public service and institutional capacity, culture and practice
5. Gaps relating to the lack of an overall reform strategy for further implementation.

The recommendations are set out in two categories – short-term measures which the SMC project can support the MoD to implement and medium-term recommendations that are outside the scope and life of this project.

### 8.1 Missing Elements in the Legislative Architecture

#### 8.1.1 Short-term recommendation which the SMC project can support

- 1 Identify all requirements for legislative/regulatory changes and amendments required.

#### 8.1.2 Medium-longer term recommendations

- 2 Create an inter-institutional working group to prepare amendment proposals to change existing legislation and regulations, including the need to address:
  - Clarification and consistency of generic definitions to supplement those contained in Law 5018
  - Introduction of a formal review period at the mid-point of the five-year period for strategic plans, with requirement for institutions to issue an update following the review
  - Any supplementary legislation and regulations required to ensure effective and timely implementation of performance auditing
  - Amendment to the Regulation on Activity Reports to repeal the requirement for separate chapters on financial information and performance information, and replace with a requirement for integrated financial and non-financial reporting.

## **8.2 Integration of Strategic Management and Performance Budgeting Cycle and Systems**

### **8.2.1 Short-term recommendations which the SMC project can support**

- 3 Develop a revised strategic management guideline, which addresses:
  - The need for a unified single guideline or unified package of guidelines that ensure consistency in MoD and MoF requirements for strategic plans, performance programmes and activity reports
  - Guidance on strategic plan content and process for preparation of strategic plans
  - The need for common terms and definitions
  - Identified steps to assess the internal and external coherence of strategic plans
  - A revised format and approach to strategic plans, focused at outcomes level with identification of the main services and programmes of the institution, and performance information focused at this level; explanation of intervention logic in the relation between outcomes and services/programmes/activities and
  - Supporting checklists and templates, including a costing template and other relevant guidance formats.
- 4 Provide training to reinforce integrated strategic management and performance budgeting and concepts of results-based management, supported with practical tools and techniques

### **8.2.2 Medium-longer term recommendations**

#### **Recommendations on integrating and improving strategic planning, investment planning and recurrent budgeting processes**

- 5 Identify some main planning procedures and processes that could be integrated in the overall strategic management process (e.g. National Development Plan, sector and institutional strategic plans)
- 6 Identify tools and mechanisms (e.g. responsible units, working groups at SDU and central departments) to review the connection of the planning and reporting documents during relevant strategic management cycles
- 7 Create a working group of expert officials from the MoF and MoD with the assistance of external advisers to assess the obstacles and benefits to create a unified planning and budgeting process. Consider:
  - Merging the investment planning and budgeting process
  - Merging the MTP and MTFP into one medium-term document
  - Merge of Directorates dealing with strategic plans, performance programmes, performance budgeting and activity reporting cycle into a single ministry
  - Set procedures to integrate investment projects in strategic plans and performance programmes, including current expenditures and investment projections
  - Return to established norms on the discipline of ceilings - fix budget limits at the outset and early in the strategic budgeting cycle and identify measures to ensure institutions stick to these ceilings when preparing their investment plans and budget submissions

- Giving more autonomy and responsibility to institutions for the internal allocation and management of resources
- Broadening or grouping budget line items for higher levels of appropriation and applying more flexible financial control during budget execution, while reinforcing management performance responsibility for achieving goals in an efficient manner
- Preparation of customised policy evaluation guidelines for different sectors
- Providing training to agencies on programme evaluation and related techniques and consider independent external programme evaluation.

### **Recommendations on management information systems**

8 Create teams to co-ordinate the overall design and functioning of interrelated MIS reform, using a policy sector or network of organizations as pilots.

9 Organise regular exploratory meetings of central MIS representatives, to exchange knowledge on initiatives and advances made. Focus on:

- Existing MIS functioning or in construction
- Their main beneficiaries
- Degree of overlap and connectedness and potential for merging.

## **8.3 Performance Management and Accountability**

### **8.3.1 Short-term recommendations which the SMC project can support**

10 Integrate requirements on performance programmes, activity/performance reporting and performance auditing with guidelines on strategic planning/management

11 Provide training to reinforce integrated strategic management and performance budgeting and concepts of results-based management, supported with practical tools and techniques.

### **8.3.2 Medium-longer term recommendations**

#### **Recommendations on performance management**

12 Address regulations on activity reporting to ensure integration of financial and non-financial performance reporting

13 Step up the timetable for development and introduction of a new performance management system for the public service

14 Investigate and put in place systems of incentives and sanctions relating to performance (set up a working group to investigate incentives – see below)

15 Set up a working group to investigate inter-institutional networking mechanisms to share information and approaches on improvements in strategic management and performance

16 Set up a working group to investigate options for a (voluntary) external review process, for institutional assessment and performance improvement.

#### **Recommendations on external performance audit**

17 Ensure appropriate reallocation of financial and human resources for the CoA and public institutions to prepare for performance auditing and ensure implementation. Consider:

- Specific training for auditors to shift the control focus and style from inspection of accounts to auditing of performance
- Attention to relevant information systems development – for both CoA and institutions
- Adoption of measures such as an ‘accountability day’.

#### **Recommendations on evaluation**

18 Create a working group of civil servants and external experts to prepare guidelines and institutional capacity to introduce systematic programme evaluation. (This is not related to performance auditing but is aimed at wider outcome-based evaluation of the effectiveness of government policies, choice of interventions and programme achievements.)

### **8.4 Current Public Service and Institutional Capacity, Culture and Practice**

#### **8.4.1 Short-term recommendations which the SMC project can support**

- 19 Provide training to reinforce integrated strategic management and performance budgeting and concepts of results-based management, supported with practical tools and techniques
- 20 Provide capacity building assistance and coaching support to pilot institutions, in developing institutional capacity in strategic management and performance budgeting.
- 21 Work with the pilot institutions, including ‘Train the Trainers’ group and other nominated officials of pilot central institutions, to help support capacity-building in strategic management encourage and support capacity-building initiatives in the pilot institutions.

#### **8.4.2 Medium-longer term recommendations**

##### **Recommendations on co-ordination capacity**

- 22 Clarify meaning and operationalisation of overall policy priorities and national development objectives and their translation to sector and institutional strategic plans
- 23 Organise regular meetings of the central co-ordinating institutions to identify common interests and priorities in reform implementation and priorities for further developments
- 24 Set up a working team to look at customised modifications to standardised strategic management implementation. Consider the need to:
- Assess the need for policy changes, and reallocating resources from non-priority to priority programs
  - Arrange structural reorganisation and increase policy coordination capacity to deal with conflicts stemming from change
  - Select a few policy priorities and focus on them with more in-depth performance monitoring and evaluation. Chose main performance outcomes and related output measures for relevant services/programmes
  - Focus on the intervention logic of policies and plans. Disclose information on main connections of government priorities with relevant policy activities and estimated need for resources for the short-medium term.
  - Focus on setting and monitoring a selected number of institutional and departmental initiatives and assess actual alignment with government priorities
  - Use the same selective approach to ex-post evaluation.



25 Pay more attention to cross-cutting policy management, coordination and assessment (similar to joined up government initiatives in other jurisdictions). Even if this is not feasible or not a priority in the short-term, cross-sector evaluation of main policies and developing a participatory approach to performance auditing should be considered for future stages of the reform.

26 Start considering inter-ministerial issues in strategic planning. Introduce sections on partnership commitments, values and positions, induced effects on other sector plans, etc. Government and central coordinating institutions (PM, MoD, MoF) could closely lead the preparation of strategic plans for a few selected government priorities, and directly monitor and control achievements.

27 Involve the Parliament (Planning and Budget Commission) in the use of the government priority inter-ministerial strategic plans for debate during budget preparation and the debate on the MTP/MTFP and the Consolidated Annual Activity report and final accounts.

### **Recommendations relating to the management of change**

28 Organize a workshop on creating awareness and debating and identifying current incentives for performance that are actually working in the Turkish Administration (i.e. actual criteria of success) and their effects.

29 Create a working group of senior civil servants and experts to follow up findings in the workshop and report on measures to:

- Adapt current criteria to encourage the shift in values to a performance culture, drawing on current success & actual values used in the Administration
- Enhance and adapt traditional control focus on administration of laws and rules and enforcement and sanction systems, and how to adapt and target these to a results-based performance focus
- Introduce mechanisms to put more emphasis on strategic values and incentives (e.g. positive oriented controls from assessment units, internal audit and CoA; designing criteria and indicators of success utilising experiences of strategic reform in other countries
- Assess the potential of internationally used incentives for performance and test in Turkey (e.g. earmarking resources for effectiveness or efficiency gains; name and shame/reward; the use of performance monitoring, activity reports and recommendations and performance transparency.

## **8.5 Lack of an Overall Reform Strategy**

### **8.5.1 Short-term recommendation which the SMC project can support**

30 Define the key requirements for a reform strategy or 'action plan' for further reform implementation.

### **8.5.2 Medium-longer term recommendations**

#### **Recommendations on getting political support**

31 Look for support from the Members of relevant Parliamentary Committees/Commissions and the CoA to improve understanding of strategic management at the political level.

32 Provide training for Parliamentarians and Parliamentary support staff in strategic management and performance budgeting and how to interpret and use results-based performance information in budget analysis and policy evaluation.

### **Recommendations for further progress in reform implementation and sustainability of the reform**

33 Establish a high-level committee or working group to lead on overall reform strategy and provide upper-level guidance to the Administration on strategic management, performance budgeting, performance management and accountability. Its members would be those ministers with logical responsibility for roles in co-ordinating current aspects of the strategic management and performance budgeting system. The focus of its work would be on development of an overall strategic management reform strategy, and co-ordination and leadership of the next stage of reform implementation.

34 Establish a technical level group, under the coordination of a central coordinating institution or the Prime Ministry, to support the high-level working group.

35 Create a strategic management policy community or network of institutions or community of managers and professionals dealing with strategic management and performance budgeting. This network or strategic management policy community would organise regular plenary meetings and create working groups for:

- Inter-institutional exchange of information
- Combining manuals of strategic plans and performance programmes
- Setting and developing standards for strategic plans and performance management
- Keeping alive the improvement and further customisation of instructions and methodologies of related functions (planning, programming, reporting, evaluation)
- Debating issues on operative and strategic management coordination
- Sharing knowledge and building common views and understanding on strategic management terms, tools, procedures, etc.
- Advising on on-going training requirements in strategic management
- Organise strategic management and performance days (special speakers, presentation of good strategic management cases for recognition and sharing knowledge).

36 Investigate the use of performance contracts (at organisational levels, and between administrations and central guidance ministries (e.g. MoD and MoF vis a vis administrations in relation to plan and budget achievements in exchange for more management autonomy).

**In working with the project beneficiaries and co-beneficiaries, the project will be pleased to further discuss all the above recommendations and to assist the co-ordinating institutions to develop them into an action plan to address all gaps in strategic management, for the on-going development, sustainability and success of the strategic management reform application in Turkey.**

## 9 Annexes

### 9.1 Overview of Meetings Held during Gap Assessment

Time	Place	Participants	- Topics
30.01.2013	Ministry of Finance Floor 5, room no. G-514	Mr. Hüseyin Işık, MoF, Head of DG of of Budget and Fiscal Control Department Ms. Melahat Kutlu, MoD Mr. Fatih Yıldırım, MoD Ms. Kathryn Ennis-Carter, NWF Mr. Marko Rillo, NWF	- Information collection on budget preparation, budget classification, linkages of budget and strategic planning, - Use of management information systems in budget preparation and monitoring
30.01.2013	Ministry of Finance Floor 3	Mr. Ali Mercan Aydın, MoF, Strategy Development Unit Ms. Melahat Kutlu, MoD Mr. Fatih Yıldırım, MoD Ms. Kathryn Ennis-Carter, NWF Mr. Marko Rillo, NWF	- Information collection on strategy process in the Ministry of Finance
31.01.2013	Prime Minister's Office	Mr. Muhsin Sezgi, Head of PM Strategy Development Unit Ms. Sibel Özmert, Expert of the PM Office Ms. Yasemin Tellal, Expert of the PM Office Ms. Melahat Kutlu, MoD Mr. Fatih Yıldırım, MoD Ms. Kathryn Ennis-Carter, NWF Mr. Marko Rillo, NWF	- Information collection on strategy process at the Prime Minister's Office
01.02.2013	Ministry of Interior	Mr. İlker Haktançmaz, Ministry of Interior, Head of Department of Local Administration, Dr. İlker Gunduzoz, Ministry of Interior, Head of Department of Activity Reporting and Statistics Ms. Melahat Kutlu, MoD Mr. Fatih Yıldırım, MoD Ms. Kathryn Ennis-Carter, NWF Mr. Marko Rillo, NWF Ms. Seda Kurt, NWF	- Information collection on strategy process at the Ministry of Interior
04.02.2013	Treasury	Mr. Mustafa Akmaz, Under-Secretariat of the Treasury -Head of the Strategy Development Department Ms. Melahat Kutlu, MoD Mr. Fatih Yıldırım, MoD Ms. Kathryn Ennis-Carter, NWF Mr. Marko Rillo, NWF Ms. Seda Kurt, NWF	- Information collection on strategy process at the Treasury
06.02.2013	Ministry of Development, SDU	Mr. Hasan Gölcük, Head of the Department of SDU, MoD Ms. Melahat Kutlu, MoD Mr. Fatih Yıldırım, MoD Ms. Kathryn Ennis-Carter, NWF Mr. Marko Rillo, NWF	- Information collection on strategy process at the Ministry of Development
07.02.2013	Ministry of Development	Mr. Osman Yılmaz, MoD Ms. Kathryn Ennis-Carter, NWF Mr. Marko Rillo, NWF	- Information collection on public administration in Turkey: rights, roles and responsibilities of civil servants, on individual and collective performance assessment in administration
08.02.2013	Higher Education Council, SDU	Prof. Dr. Nihat Erdoğan, Chairman Advisor of the HEC Ms. Melahat Kutlu, MoD Mr. Fatih Yıldırım, MoD Ms. Kathryn Ennis-Carter, NWF Mr. Marko Rillo, NWF Ms. Seda Kurt, NWF	- Information collection on strategy process at the Higher Education Council
25.02.2013	Ministry of Development	Mr. Kutluhan Taşkın, MoD Ms. Melahat Kutlu, MoD Mr. Osman Yılmaz, MoD Ms. Kathryn Ennis-Carter, NWF Mr. Marko Rillo, NWF Mr. Eduardo Zapico, NWF	- Information collection about macro and micro issues on strategic management, discussion on the necessity of making a good gap assessment as well as the customization issues and welcome to Mr. Eduardo Zapico.
02.03.2013	Ecorys	Mr. Berk Babila, Ecorys Mr. Marko Rillo, NWF Mr. Eduardo Zapico, NWF	- Collection of information about the settlement of the Ecorys office in ankara as well as their current projects.



05.03.2013	Ecorys and Ministry of Finance	Mr. Nusret Güçlü, Team Leader of the Decision-making in Public Finance Project - <a href="http://www.stratek.com.tr">www.stratek.com.tr</a> Mr. Berk Babila, ECORYS Ms. Arinc Atak, ECORYS Ms. Kathryn Ennis-Carter, NWF Mr. Eduardo Zapico, NWF Mr. Kadir Deniz, NWF Mr. Marko Rillo, NWF	- Introduction of decision-making projects, discussion regarding the programme budgeting, software and performance audits.
08.03.2013	Ministry of Development	Ms. Melahat Kutlu, MoD Mr. Erhan Karacan, MoD Mr. Fatih Yildirim, MoD Mrs. Kathryn Ennis-Carter, NWF Mr. Marko Rillo, NWF Mr. Eduardo Zapico, NWF	- Identification of the problems regarding the Strategic Plans, discussion made about the preparation and quality of the SPs.
11.03.2013	Ministry of Development	Mr. Erhan Karacan, MoD Mr. Eduardo Zapico, NWF	- Discussion about the SPs that are sent to the PAs, collection of information regarding the distribution of roles and responsibilities in SPSM as well as the main actors and reform learning processes.
21.03.2013	Ministry of Development, Floor 15	Mr. Ahmet Alper Ege, MoD Mrs. Kathryn Ennis-Carter, NWF Mr. Marko Rillo, NWF Mr. Eduardo Zapico, NWF Ms. Gözde Damla Çitler, NWF Ms. Seda Kurt, NWF Mrs. Duygu Demir Saygili, MoD	- Collected information on what the department is responsible for within the MoD (education-, culture- and sports-related issues) - Discussion about the process regarding the Strategic Plans the department overviews.
21.03.2013	Ministry of Development, Floor 15	Mr. Fatih Turkmen, MoD Mrs. Kathryn Ennis-Carter, NWF Mr. Marko Rillo, NWF Mr. Eduardo Zapico, NWF Ms. Gözde Damla Çitler, NWF Ms. Seda Kurt, NWF Mrs. Duygu Demir Saygili, MoD	- Collected information on what the department is responsible for within the MoD (health- and social security-related issues) - Discussion about the process regarding the Strategic Plans the department overviews.
22.03.2013	Ministry of Development, Floor 13	Mr. Serdinc Yilmaz, MoD Mrs. Kathryn Ennis-Carter, NWF Mr. Marko Rillo, NWF Mr. Eduardo Zapico, NWF Ms. Gözde Damla Çitler, NWF Ms. Seda Kurt, NWF Mrs. Gamze Okur Yagiz, NWF	- Collected information on what the department is responsible for within the MoD (energy-related issues) - Discussion about the process regarding the Strategic Plans the department overviews.
25.03.2013	Ministry of National Education	Mr. Musa Sahin, MoNE Mr. Emre Tas, MoNE Mrs. Kathryn Ennis-Carter, NWF Mr. Marko Rillo, NWF Mr. Eduardo Zapico, NWF Ms. Gözde Damla Çitler, NWF Ms. Seda Kurt, NWF Mrs. Duygu Demir Saygili, MoD	- Gathered information regarding the preparation of the SPs of the MoNE. - Discussion on the strenghts and weaknesses about the process - Discussion on what the project can offer to this institution
25.03.2013	Ministry of Finance	Mr. Huseyin Işık, Ms. Sibel Yilmaz, Mrs. Kathryn Ennis-Carter, NWF Mr. Marko Rillo, NWF Mr. Eduardo Zapico, NWF Ms. Gözde Damla Çitler, NWF Ms. Seda Kurt, NWF Mrs. Duygu Demir Saygili, MoD	- Exchanged views about the inception report and the preparation of the SPs. - Collected further information about what BUMKO does - Collected information about the involvement, responsibilities and the management over the budgeting of the SPs.
26.03.2013	Ministry of Development, Floor 12	Mr. Umut Gür, Mrs. Kathryn Ennis-Carter, NWF Mr. Marko Rillo, NWF Mr. Eduardo Zapico, NWF Ms. Gözde Damla Çitler, NWF Mrs. Duygu Demir Saygili, MoD	- Collected information on what the department is responsible for within the MoD (industry-related issues) - Discussion about the process regarding the Strategic Plans the department overviews.
26.03.2013	KOSGEB	Mr. Ahmet Karakoc, Mrs. Kathryn Ennis-Carter, NWF Mr. Marko Rillo, NWF Mr. Eduardo Zapico, NWF Ms. Gözde Damla Çitler, NWF Mrs. Duygu Demir Saygili, MoD	- Gathered information regarding the preparation of the SPs of the KOSGEB. - Discussion on the strenghts and weaknesses about the process - Analyzed problems about the M&E processes. - Collected information on budgetary issues.
27.03.2013	Turkish Court of Accounts	Mr. Fevzi Girgin, TCA Ms. Çiğdem Aslankara, TCA Mrs. Kathryn Ennis-Carter, NWF, Mr. Marko	- Collected information about the performance auditing, the auditing process of the TCA.

28.03.2013	Undersecretariat of Treasury, SDU	Rillo, NWF, Mr. Eduardo Zapico, NWF, Ms. Gözde Damla Çitler, NWF Mrs. Gamze Okur Yagiz, NWF Mrs. Duygu Demir Saygili, MoD Mustafa Akmaz, Undersec. of Treasury Mrs. Kathryn Ennis-Carter, NWF Mr. Marko Rillo, NWF Mr. Eduardo Zapico, NWF Mr. Kadir Deniz, NWF Mrs. Gamze Okur Yagiz, NWF Mrs. Duygu Demir Saygili, MoD	- Gathered information about the 2013 plans of the management with regards to conducting performance auditing - Information collection on strategy process in the Treasury. - Information collection on Training Needs Analysis
28.03.2013	Higher Education Council	Ms. Özgül Ünlü, HEC Mrs. Kathryn Ennis-Carter, NWF Mr. Marko Rillo, NWF Mr. Eduardo Zapico, NWF Mr. Kadir Deniz Mrs. Gamze Okur Yagiz, NWF	- Collected information on strategy process at the Council of Higher Education
01.04.2013	Social Security Institution	Mr. Tahsin Şimşek- Head of Strategic Management Directorate, SSI Mr. Gökhan Yamankale- Head of the Budget Department, SSI, Mr. Ahmet Yılmaz, Şube Müdürü, Ms. Banu Baydar- Social Security Expert, Mr. Erkan Ağıralan- Social Security Junior Expert, Ms. Atiye Seda İntepe – Social Security Junior Expert Mrs. Kathryn Ennis Carter, NWF Ms. Eduardo Zapico, NWF Ms. Melahat Kutlu, MoD Mr. Kadir Deniz, NWF Ms. Seda Kurt, NWF	- Information collection on strategy process in the Social Security Institution - Budgeting and performance management practices of the institution.
01.04.2013	Ministry of Interior, General Directorate of Local Authorities, External Affairs and Projects Department (3rd Floor)	Mr. İlker Haktankaçmaz, Head of the External Affairs and Projects Department Mr. Üzeyir Aziz Özeren, Deputy Head of the External Affairs and Projects Department Mr. Ahmet İnan, MoD, Mr. Eduardo Zapico, NWF Mrs. Kathryn Ennis Carter, NWF Mr. Kadir Deniz, NWF Ms. Gamze Okur Yağiz, NWF	- Information collection on strategy process in the Mol and in the Directorate - Information collection on coordinating role of the department and local government system - Information collection on TNA
02.04.2013	State Hydraulic Works	Mr. Murat Tercanlıoğlu Mrs. Kathryn Ennis-Carter, NWF Mr. Eduardo Zapico, NWF Ms. Gözde Damla Çitler, NWF Mrs. Gamze Okur Yagiz, NWF	- Collected information on the work of the State Hydraulic Works: how the SPs are prepared, what were the weaknesses in the previous one and what will be addressed in the current one. - Gathered information on how this project can be beneficial for the SHW in particular.
03.04.2013	Ministry of Interior, 4th Floor	Ms. Esin Ozdemir, Mol Ms. Gülsüm Belge, Mol Mrs. Kathryn Ennis Carter, NWF Mr. Eduardo Zapico, NWF Ms. Gözde Damla Çitler, NWF Mrs. Gamze Okur Yagiz, NWF Mr. Ahmet İnan, MoD	- Collected information on how the SPs are prepared in the department that is responsible for the local authorities. - Analyzed the problems concerning the preparation of the SPs and monitoring&evaluating process. - Gathered information on what can be provided through the meetings for this specific department and the other institutions in general.

## 9.2 Documents Reviewed during Gap Assessment

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- 2008 Governance Overview for Turkey, "Turkey 2008 Progress Report, {COM(2008) 674}, 5/11/2008"
- Abuzer Pinar, Role of Transparent and Accountable Public Management in The Development in "Transparent and Accountable Public Administration Symposium", (25 June 2012)
- Assessment Turkey 2011: Public Procurement, Support for Improvement in Governance and Management Project (March, 2012)
- Assessment Turkey, Support for Improvement in Governance and Management Project (March, 2012)
- Country Administration Profile: Republic of Turkey, Division for Public Administration and Development Management (United Nations, 2004)
- Erol Akbulut, Transparency and Accountability in the Context of External Audit, in "Transparent and Accountable Public Administration Symposium", (25 June 2012)



- Fatih Sezer, The Role of Internal Audits in Making Turkish Public Management Transparent and Accountable: Where Do We Stand and Where Are We Heading?, in "Transparent and Accountable Public Administration Symposium", (25 June 2012)
- Ingrid Priken and Emre Koyuncu, Scoping Study Report of Improved Stakeholder Engagement in Strategic Planning Project (Ankara, 2012)
- İ. İlhan Hatipoğlu, Public Financial Management Reform in the Context Of Transparency And Accountability in "Transparent and Accountable Public Administration Symposium", (25 June 2012)
- İsmail Ceritli, Positive Transformation in Turkish Public Management Towards Accountability And Transparency, Resistance And Weaknesses: Dance of the Future With Tradition in "Transparent and Accountable Public Administration Symposium", (25 June 2012)
- Karamollaoğlu et al. (eds.), Law No. 6085 on Turkish Court of Accounts
- Karacan, Erhan. Performans Esaslı Bütçeleme Sistemi ve Türkiye Uygulaması. DPT. Uzmanlık Tezleri. Ankara 2010
- Levent Koçcak, Right to Budget in the New Public Financial Management System, in "Transparent and Accountable Public Administration Symposium", (25 June 2012)
- Ministry of Development, 2012-2014 Medium Term Programme (October 2011)
- Ministry of Development, 2013-2015 Medium Term Program: Main Macroeconomic and Fiscal Targets (October 2012)
- Ministry of Development, Pre-Accession Economic Programme 2012-2014 (Ankara, December 2011)
- Mustafa Akmaz, How Can We Make Public Financial Management and Control System in Turkey Excellent in "Transparent and Accountable Public Administration Symposium", (25 June 2012)
- Republic of Turkey Ministry of Development, Activity Report 2011
- Republic of Turkey Ministry of Education, Activity Report 2011
- Republic of Turkey Ministry of Finance Strategy Development Unit, Public Financial Management and Control Law No. 5018 (Ankara, April 2012)
- Republic of Turkey Ministry of Finance, 2012 Year Performance Program,
- Republic of Turkey Ministry of Finance, Activity Report 2011
- Republic of Turkey Ministry of Finance, Strategic Plan (2008-2012)
- Republic of Turkey Ministry of Finance, Strategy Development Unit, Maliye SGB.net System
- Republic of Turkey Ministry of Finance, The Performance Programme Preparation Guideline
- Republic of Turkey Ministry of Interior, Activity Report 2011
- Republic of Turkey Ministry of Interior, Strategic Plan (2010-2014)
- Republic of Turkey Ministry of Labor and Social Security, Strategic Plan (2009-2013)
- Republic of Turkey Ministry of Transport, Maritime Affairs and Communication, General Directorate of State Highways Strategic Plan (2012-2016)
- Republic of Turkey Prime Ministry, Activity Report 2011
- Republic of Turkey Prime Ministry, State Planning Organization, Ninth Development Plan (2007-2012)
- Republic of Turkey Prime Ministry, Strategic Plan (2011-2015)
- Republic of Turkey Prime Ministry, Undersecretariat of State Planning Organization Strategic Plan 2013
- Republic of Turkey Prime Ministry, Undersecretary of Treasury Strategic Plan (2009-2013)
- Sevil Çatak and Canan Çilingir, "Performance Budgeting in Turkey", OECD Journal on Budgeting (Volume 2010/3)
- Technical Assistance for Decision-making and Performance Management in Public Finance Project, Gap Analysis Report
- Technical Assistance for Decision-making and Performance Management in Public Finance Project, Preliminary Analysis Report
- Undersecretariat of State Planning Organization, 2011-2013 Medium Term Programme (September 2010)
- Undersecretariat of State Planning Organization, Bylaw on Principles and Procedures for Strategic Planning in Public Administrations
- Undersecretariat of State Planning Organization, Research on Strategic Management in the Public Sector: Report of Main Findings (2006)
- World Bank Report No. 36764-TR, Turkey Public Expenditure Review, (December, 2006)

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