



RURAL DEVELOPMENT: FINANCING



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I. GENERAL FRAMEWORK



I. GENERAL FRAMEWORK:

Sources of financing:

- National

Central Government Budget (CGB)

Local Administrations Budget

Fund for Social Aid and Solidarity

Co-financing of beneficiaries and other stakeholders

- International (in the form of grants and TA)

EU, UNDP, World Bank, IFAD, OPEC, IDB and others.



There is no single fund for rural development therefore no single financial management system.

There is no specific demarcation in national financing and expenditures to indicate rural-urban separation.

Specific rural development projects or activities have been implemented which are mentioned in the previous presentation.

A new implementation, financial management, monitoring and evaluation system shall be set up according to Rural Development Plan.



Preparation and Approval of the CGB

- Fiscal Year (1 January - 31 December)
- Medium Term Economic Program and Macroeconomic Indicators adopted by the Council of Ministers (End of May)
- Medium Term Fiscal Plan adopted by the High Planning Council (15 June)
- Prime Minister's Budget Call and MoF's Budget Preparation Guide (End of June)



- SPO's Investment Circular and Investment Program Preparation Guide (End of June)
- Public administrations submit their budget proposals to MoF (End of July)
- HPC finalizes the Draft Budget Law (Oct. first week)
- Draft Budget Law is submitted to the Parliament (17 October)
- Budget Law is published in the Official Gazette (End of December)



Law No. 5018 on Public Financial Management and Control (2003, transition period till 2007)

- Applies both for the central and local administrations
- Efficient, effective and economical resource allocation and utilization
- Elasticity, Accountability, Transparency
 - Strategic planning and performance oriented budgeting
(Transition period agenda shall be defined by SPO)
 - Transfer of responsibilities to line agencies
 - Strengthening financial management and control
 - Internal audit and financial control: Systematic, risk oriented,
according to international standards
 - External Audit: Court of Accounts, risk oriented, international standards
 - Reporting: Accrued based accounting,
annual accountability reports



II. FINANCING OF RURAL DEVELOPMENT



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Most of the rural development activities are financed by CGB and spent by central and local administrations.

In Agriculture Strategy Paper (2006-2010), rural development supports shall take an approximate share of 10 % from the total agricultural support budget.

1. Central Administration

2. Local Administration

- Own revenues
- Transfers from CGB



1. Central Administration

Main Actors:

- SPO: Responsible for fixed capital investments
- Treasury: Responsible for transfers
- MoF: Responsible for recurrent budget
- Line Ministries and Their Affiliates
- Regional and Provincial Directorates



Main activities:

- Soil and water resources (irrigation, on-farm activities, land consolidation, etc.)
- Environment (afforestation and erosion control, etc)
- Rural infrastructure (resettlement and renewal of villages, roads, electricity, public service facilities such as health and education facilities, etc.)
- Public Services (Health, education, training and extension services, etc.)
- Income generating activities (handicraft, beekeeping, rug weaving, food preserving, etc)



2. Local Administrations

- Special Provincial Administrations (SPA) (Law No. 5302),
- Municipalities (Law No. 5393)
 - Metropolitan (Law No. 5216)
 - Others
- Villages (Law No. 442)
- Unions of Local Administrations (Law No. 5355)

- Technical (e.g. Plan and project preparation, advisory and control services) and financial assistance (loans, transfers) of Provinces Bank to local administrations



Especially SPAs and Service Unions are involved in rural activities.

Services mainly include provision and maintenance of basic economic and social rural infrastructure, activities for agricultural development, and provision of basic social services.

Own revenues and transfers from the CGB.

The monitoring system for the rural development activities of the local administrations needs to be improved. That is why exact data about rural development expenditures of local administrations cannot be provided.



III. RECENT RESTRUCTURING IN RURAL DEVELOPMENT THROUGH FURTHER DECENTRALIZATION



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- Abolishment of GDRS and devolution of its local duties to SPAs (to Metropolitan Municipalities in İstanbul and Kocaeli): Law No: 5286.

Main duties devoluted to SPAs after abolishment of GDRS:

- Village roads,
- Tap water service,
- Sewerage system,
- Agricultural infrastructure
- Village settlement and land development plans
- Soil survey



Transfers from CGB of 2006 to Special Provincial Administrations for:

- Village roads,
- Tap water
- Sewerage system,
- Agricultural infrastructure.

Estimated transfer budget for 2006: approximately 1.1 Billion Euros

Transfers for each province shall be determined by HPC Decision.

Unions of Local Administrations shall play an important role within this context as implementing bodies.

A new monitoring system at the centre for these transfers shall be established.



IV. SOME EXAMPLES OF INTEGRATED ACTIVITIES



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1. Integrated Rural Development Projects

Sources of finance: Co-financed by National and international funds and beneficiaries contribution

Institutions: MARA, MEF and their affiliates, SPO, Undersecretariat of Treasury, local administrations



Financing Mechanism: The budget allocation procedure is the same as of CGB.

The expenditure procedure is according to CGB regulations and specific issues which are defined in loan agreements with the funding institutions.

In kind support (loan, grant, co-finance grant)
Either directly to farmers or through cooperatives

Audit: Court of Accounts, Undersecretariat of Treasury and Funding Institution



2. EU Supported Regional Development Programmes

Sources of Finance: EU-Turkey Financial Cooperation, National Co-finance, Beneficiary Co-finance

Institutions: DIS (Decentralized Implementation System)

- National Aid Coordinator (EU Secretariat General)
- National Authorizing Officer, National Fund (Treasury):
Proper utilization of funds
- CFCU: Contracting and tendering authority, project selection, payment,
- SPO: Implementing Authority
- Project Implementation Units (mostly within the Unions of Local Administrations)

Participative and cooperation with local stakeholders.



Financing Mechanism: The national co-finance allocation procedure is according to national budget procedures.

Second level (beneficiary) co-finance (in cash) changes according to type of project/beneficiary.

PRAG rules apply.

Mostly grant schemes: SMEs, local administrations, their unions, producer organizations, NGOs, etc.

And work, supply, service contracts for the provision of services, etc.

Audit: Court of Accounts, Undersecretariat of Treasury and EU



THANK YOU FOR YOUR ATTENTION