



# **FINANCIAL CIRCUIT FOR PAYMENT OF AGRICULTURAL SUBSIDIES**



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# I. LEGAL BASE OF AGRICULTURAL SUPPORTS



1- Budget Law : defines the amount of payments

2- Related Primary and Secondary Legislation : defines the scope of payments

**Primary Legislation:**

Laws No: 4733 (related to Tobacco and Agricultural Supports)  
2090 (related to Supports for Natural Disasters)  
233 (SEEs)

**Secondary Legislation:**

- Decrees of Council of Ministers
- Money-Credit Coordination Council (MCCC) Decisions
- High Planning Council (HPC) Decisions



## **II- BUDGET CYCLE FOR AGRICULTURAL PAYMENTS**





## AGRICULTURAL PAYMENTS UNDER THE BUDGET

- Almost all agricultural payments including;
  - Payments for General Services
  - Operating Expenses
  - Investments
  - Agricultural Support Payments (Subsidies)are covered from Central Government Budget

Exceptions (Payments from Funds): Support Price Stabilisation Fund (SPSF)  
Social Aid and Solidarity Fund (SASF)

- Budget is prepared for 3 years in accordance with the economic program and revised each year according to the realizations
- General principles of budget cycle are valid for agricultural payments
- Investments should be inserted in the Annual Investment Programme



## **PREPARATION AND APPROVAL OF THE BUDGET-I**

- Fiscal Year (1 January - 31 December)**
- Medium Term Economic Program and Macroeconomic Indicators adopted by the Council of Ministers (End 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 June)**
- SPO's Investment Circular and Investment Program Preparation Guide (End June)**
- Public administrations submit their budget proposals to MoF (End July)**



## **PREPARATION AND APPROVAL OF THE BUDGET-II**

- HPC finalizes the Draft Budget Law  
(Oct. first week)**
- Draft Budget Law is submitted to the Parliament  
(17 October)**
- Parliament's plenary debate and budget approval  
(December)**
- Budget Law is published in the Official Gazette  
(End December)**





## **III- RELATED INSTITUTIONS**



## EXECUTION & CONTROL

- Ministry of Finance (MoF):  
Prepares and executes the fiscal budget, submits the final accounts of previous year's budget to the Parliament for approval
- Undersecretariat of State Planning Organization (SPO):  
Prepares Investment Budget, monitors budget execution, acts as the secretariat of MCCC and HPC
- Undersecretariat of Treasury (Treasury):  
Controls cash related activities
- Turkish Court of Accounts (CoA):  
Audits the budget accounts



Money-Credit and Coordination Council (MCCC):

Members:

- Chairman: Deputy Prime Minister
- Minister of Finance,
- Minister of State for Treasury,
- Minister of State for Foreign Trade
- Undersecretaries of SPO, MoF, Treasury, Foreign Trade
- Governor of the Central Bank of Turkey



- Money-Credit and Coordination Council (MCCC):
  - Coordinating the implementation of economic, monetary, credit and fiscal policies
  - Determining the basis of support policies
  - Giving advice to the cabinet about support prices
  - Determining the current year expenditure of export refunds
  - Monitoring the balance of payment



High Planning Council (HPC): Economic sub-cabinet

Members:

- Chairman: Prime Minister or Deputy Prime Minister
- Minister of Finance
- Minister of Transport
- Minister of Industry and Trade
- Minister of Energy and Natural Sources
- Minister of Public Works and Settlement
- Minister of State for Treasury
- Undersecretary of SPO





- High Planning Council (HPC): Economic sub-cabinet
  - Taking high level macroeconomic decisions
  - Setting macroeconomic indicators and budgetary ceilings
  - Determining the basis of investment and export incentives
  - Approving the capital injections of SEEs.



## IMPLEMENTING & SPENDING

- Ministry of Agriculture and Rural Affairs (MARA):  
All agricultural transfer payments, soft loans for Agricultural Cooperatives
  
- Ministry of Environment and Forestry (MEF):  
Individual and Cooperative Based Loans provided for Forest Villagers
  
- Undersecretariat of Treasury (Treasury):  
Transfers to SEEs, export refunds, soft loans from SPSF, Interest Subsidies



# IV- SPENDING FROM THE BUDGET



## GENERAL RULES

- Implementing agencies prepare their plan for monthly installments
- Budget appropriation is compulsory for each expenditure item
- Spending is limited to appropriation
- MoF, Treasury and each implementing agency agree on the annual cash flow plan
- MoF releases agreed portion of the budget appropriation
- Treasury transfers the cash directly or through intermediaries
- Intermediary (an agent bank) pays to the final beneficiaries



## TIMING

- Implementing institutions receive applications, run necessary controls or have the applications examined, and calculate the due payments.
- Controls and examinations generally take 4-6 months
- If budget allocations fall short or controls take longer payments can be deferred to the following year





# V- EXAMPLES OF DIFFERENT MECHANISMS



## 1- DIRECT INCOME SUPPORT SCHEME (DIS)

### Definition:

- Per hectare based payments to the users of land either cultivated or otherwise sustained for agricultural use.

### Scope:

- Basic DIS, Additional DIS, DIS for Diesel and Fertilizer

### Institution:

- Ministry of Agriculture and Rural Affairs (MARA)

### Legal Basis:

- Law no. 4733, decrees and communiques



## **Implementation:**

- MARA District Offices collect applications, run necessary controls, and register related information into the NFRS (May-September)
- MARA calculates the entitlements, and prepares the payment program (October-November)
- MARA sends a copy of the list of entitlements to Ziraat Bank (agent) (December-January)
- Treasury transfers monthly installments to Ziraat Bank and Ziraat Bank pays to beneficiaries (February-April)



## 2- EXPORT REFUNDS PAYMENT SCHEME

### **Definition:**

- Payments to agricultural producer/exporters or exporters from Support Price Stabilisation Fund (SPSF)

### **Scope:**

- Fresh or processed vegetables and fruits, some food and animal products, floriculture products

### **Institution:**

- Undersecretariat of Treasury (Payments from the Budget)
- Undersecretariat for Foreign Trade-UFT (Implementing Body)

### **Legal Basis:**

- Decree No. 94/6401, MCCC Decisions

## **Implementation:**

- Exporters apply to UFT for refunds with necessary documents (M)
- UFT runs necessary controls and sends the entitlements to Central Bank (M+1)
- Central Bank sends the list of entitlements to Treasury (M+2)
- Treasury transfers cash to Central Bank according to the monthly payment plan (M+2/3)
- Central Bank transfers the funds to related institutions to deduct the debts of exporters (for taxes, social insurance premium costs, energy costs, telecommunication costs)





### 3- SUBSIDIZED CREDIT SCHEME FOR AGRICULTURAL SALES COOPERATIVES ASSOCIATIONS

#### **Definition:**

- Credit allocation to Agricultural Sales Cooperatives Associations (ASCAs) through Support and Price Stabilization Fund

#### **Scope :**

- The credit is provided for the financing of crop purchases from members

#### **Institution:**

- Restructuring Board for ASCAs (advisory body)
- Minister in charge of Treasury

#### **Legal Basis:**

- Decree no. 2005/8839



## **Implementation:**

- The ASCA applies for credit to Restructuring Board (Board) in accordance with their business plans (usually August-September)
- Board determines about the application and informs the Minister in charge of Treasury about its decision (September-October)
- Treasury receives the approval of Minister about Board's decision and orders Ziraat Bank to transfer the allocated amount of credit to ASCA's account (October-November)
- Ziraat Bank signs a credit agreement with the ASCA and transfers the funds to ASCA's account (October-November)



**THANK YOU FOR YOUR ATTENTION**