

**Ulrich Zachau – Opening Remarks**  
**Fiscal Policy and the Role of Parliaments**  
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Saygıdeğer Katılımcılar:

- It is great honor for me to participate in the Symposium on the “Fiscal Policy and the Role of Parliaments,” jointly hosted by the Grand National Assembly of Turkey and Sivas Cumhuriyet University. Thank you for the opportunity to be here with you, in the famous city of Sivas.
- Fiscal policies lie at the heart of government’s responsibilities to citizens.
  - Fiscal policies are put into action through budgets.
  - And budgets reflect the overall policy stance of governments and Parliaments, from a taxation, and revenue perspective, and also in terms of expenditures priorities and debt management.
  - To achieve the goals of a government, it is important that budgets be realistic and implemented as planned or passed. Only then we can talk about the credibility of budgets and fiscal policies.
- Governments aim to deliver high quality services to the people. For example family health care here in Sivas, expanding early childhood programs, clean water, roads and local public transport.
  - Fiscal policies, medium-term fiscal plans, and budgets are all tools with which government and Parliaments can bring good services to people.
  - And with these tools governments and Parliaments can provide services with fiscal discipline, effective resource utilization consistent with policy priorities, and efficient, prudent use of these resources.
  - Turkey has demonstrated remarkable progress in these areas and the country is on a par with many developed countries. Key reforms include the recent social security reform, which is currently being implemented - which is essential and very welcome. Of course, the

long run financial sustainability of **social security will remain** a challenge, as in many countries.

- A recent study undertaken by the Bank in collaboration with the Turkish Government, the Public Financial Management Performance benchmarking, has confirmed Turkey's progress. It has also identified a few areas for further attention, such as arrears monitoring and the oversight of risk from state enterprise.
- One way to observe the credibility of a country's fiscal institutions is to look at the market's reaction to planning and budgetary announcements.
  - For example, Turkish and international markets reacted positively to the recent announcement of the 2011-13 Medium Term Fiscal Plan recently announced by the Government. This means that the market believes the targets in the medium-term plan are reasonable – and the Government is likely to stay close to these announcements.
  - So Turkey's medium-term planning framework is important. Not only for the Government's purposes of predictability and continuity, but also for the private sector, for investors.
  - The relationship between government's own consumption, saving, and investment decisions and those of the private sector is also something we are exploring in greater depth in an upcoming study of national saving in partnership with the State Planning Organization, the Central Bank, and the Treasury.
- Of course Turkey still faces some remaining challenges to bring its institutions up to the very best of global practice.
  - Some reforms have been identified. For example, as parliamentarians you have on your legislative agenda changes to the laws governing State Aid and the Turkish Court of Accounts... these are important reforms.
  - Other areas for reform are “in the air” in Turkey, with the debate over the best way forward not yet settled. For example, there is wide agreement on the desirability of changing the tax structure, moving towards a higher proportion of direct taxation and a fairer revenue raising effort.
  - This consideration of the structure with other work we have undertaken in partnership with the Revenue Administration, on informality in Turkey and a strategy to reduce it.
- More generally, today an ever increasing number of countries are assigning more active roles to legislatures in the budget process.

- As a result of these changes, the quality of the budget discussions in many parliaments has improved.
- The Grand National Assembly of Turkey, through the Planning and Budget Committee, has taken several steps to improve its own technical capacity and we believe that these improvements will have a direct impact on budget discussions.
- The World Bank welcomes these initiatives and moreover we support them through our collaboration with the Parliament under the “Capacity Building for the Parliament and the Parliamentary Budget Office Project.”
- I would also like to take this opportunity to highlight the particular importance of the Turkish Court of Accounts as a cornerstone of accountability within the Turkish public financial management system.
  - The discussion of the TCA Law at the General Assembly is very good news indeed and we fully support the enactment of this law. We believe the law can help TCA fulfill its role, including the important function of supporting Parliamentary oversight within the public financial management framework.
- These two days will allow us to think about ways to further strengthen the roles of parliamentary institutions in fiscal planning and budgeting here in Turkey.
  - We will hear from Turkish speakers, who know best the local details here, and also from international practitioners, who can bring the wisdom of experience from around the world.
- Finally, let me say on behalf of the Bank how pleased we are to be continuing our support to the process of strengthening parliamentary oversight in Turkey.
  - This is not something the Bank commonly works on in many countries.
  - I hope I am right in saying that it is a measure of the strength of our relationship with the Turkey – the solid trust that we have built up over the years – that we are able to collaborate with you on such a central and important topic.
  - I wish you well in your work over the next two days.
- Teşekkürler.