



Turkish Experience with Costing Strategies as a Strategic Planning Element

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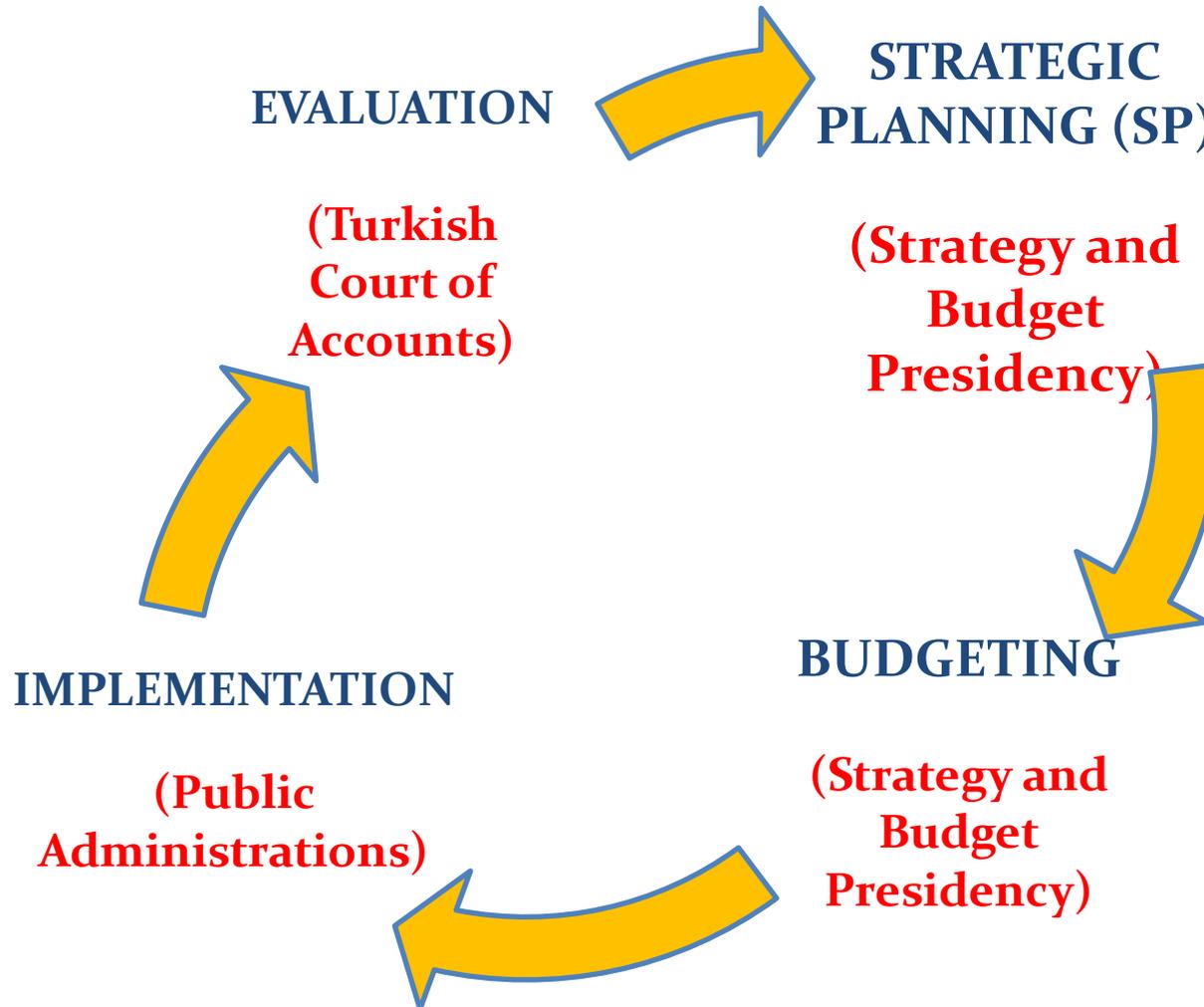
Short history: Strategic planning

- Strategic planning in Turkish public sector has found life as part of **the public financial management system in 2006.**
- Good governance pocket includes:
 - Strategic plan (medium-long term plans)
 - Performance programme (Annual implementation part of SP)
 - Activity Report (Annual accountability)
 - Internal audit (consultancy to top management)
 - Performance audit (Turkish Court of Accounts)

Why Strategic Planning?

- Improving linkages **between budgets and plans/programmes/policies**
- Improving capacity **for policy formulation**
- Focus on **outcomes and performance**
- Support **participation, transparency and accountability**

Strategic Management Cycle and Responsible Institutions



The Role of Strategy and Budget Presidency

- Performing **central harmonization unit**
- **Consulting** to public administrations
- Conducting **capacity building projects**
- Preparing **assessment report** for draft strategic plans

Strategic Planning Model

0. Planning to plan

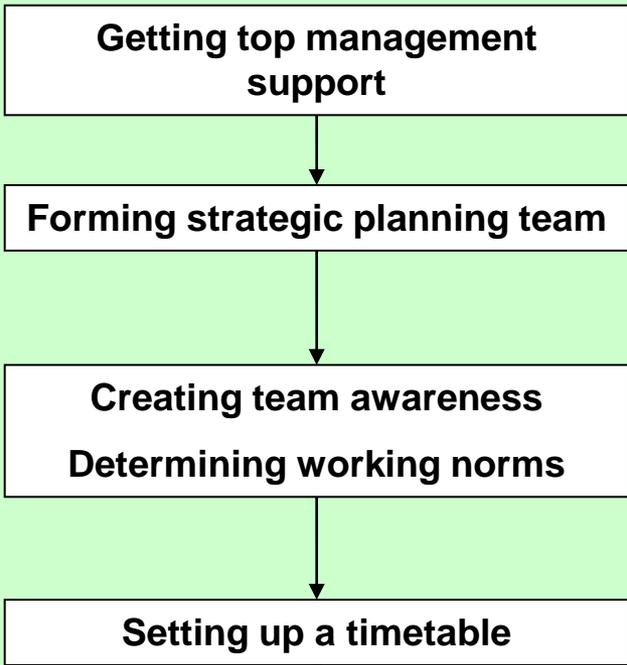
1. Where are we ?

2. Where do we want to go?

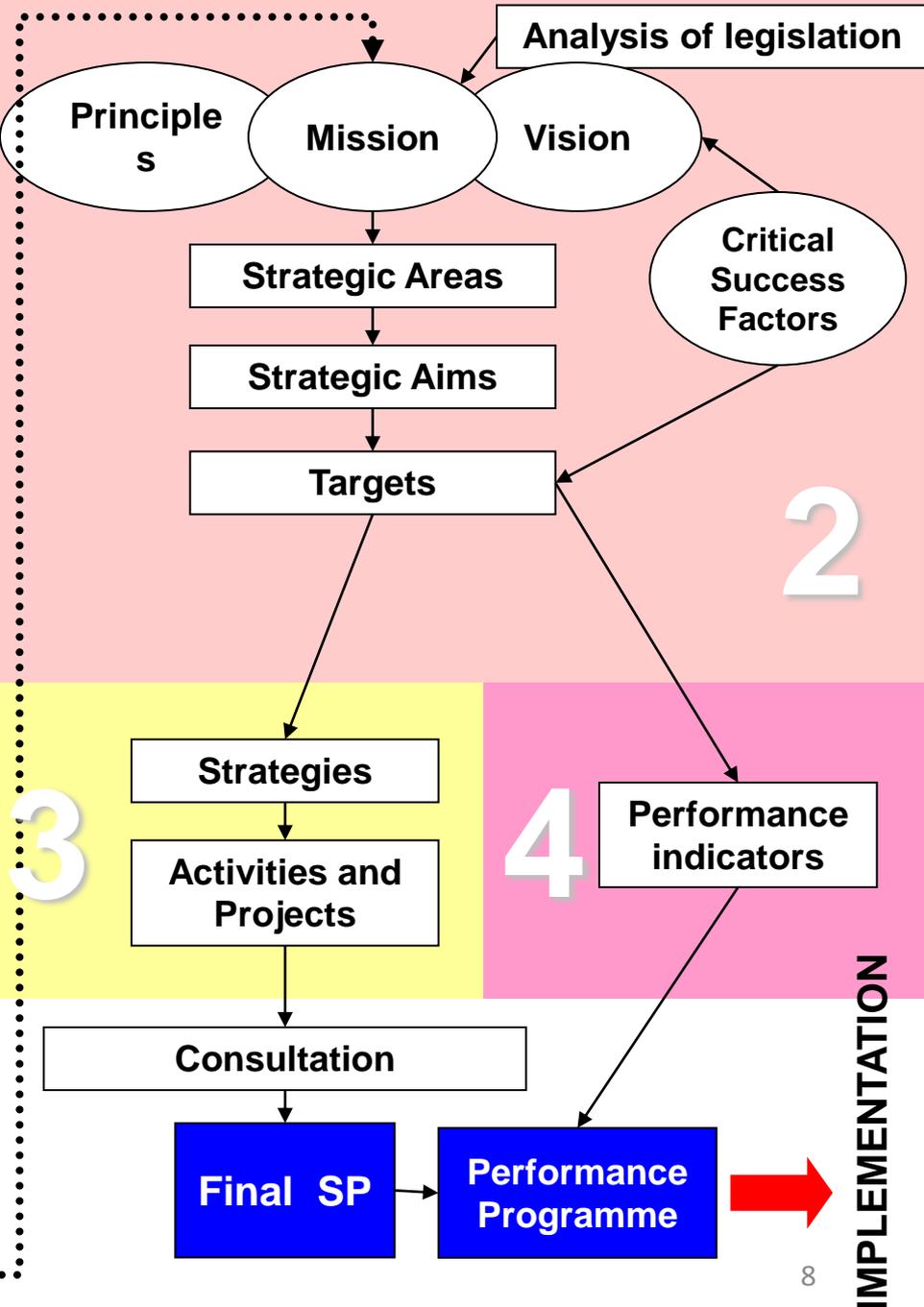
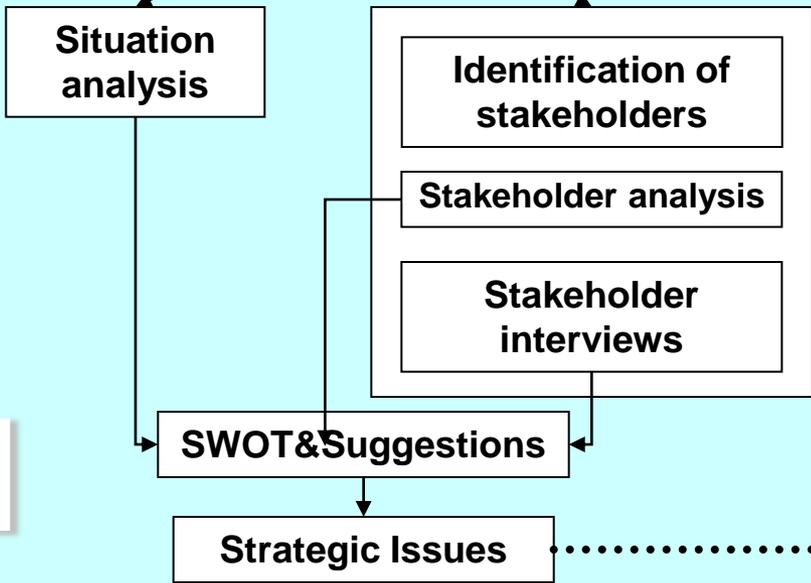
3. How can we go there?

4. How can we measure it?

0



1



2

3

4

Experiences

Experiences (1)

SP is expected to be...

- **Not only a document** but also a process and an approach
- **Participation and ownership** in every stage of strategic management
- Guide for **resource allocations**
- **Measurements of results**
- Flexibility and **accountability**

Experiences (2)

But...

- Time consuming
- “Agencies”: **DIFFERENT**
- Capacity building.
- Lack of data
- Managerial culture

Costing

Methods for costing in case of exceeding

- If the estimated costs exceed the allocated resources, **the following methods are considered:**
- **The lower cost target or strategy** can be selected.
- **Timing of** target or strategy can be changed.
- **The scope of** target or strategy can be reduced.
- **Some of them can be dispensed** with prioritization.

Costing Strategy 1

- If a **target is associated with only one unit**, the unit manager directly manages the costing process.
- When a **target is associated with more than one unit**, the Strategy Development Unit, as a coordination unit, manages the costing process with the units.

Costing Strategy 2

- In the case of personnel expenditures, state contributions to social security institutions, expenditures on purchase of goods and services and capital expenditures **directly related to a single target**,
 - **all related expenses are included in the cost of that target.**
- In the case of personnel expenses, state contributions to social security institutions, purchase expenses of goods and services and capital expenditures **are linked to more than one target**,
 - **the related expenses are weighted between targets.**

Sample table: Cost of Target 1.1

Activities for Target 1.1		Resource (for next year) (thousand TL)		
		Budget	Out of Budget	Total
1	Activity X	200	100	300
2	Activity Y	400	0	400
3	Activity Z	500	200	700
4	Activity T	300	0	300
5	Activity K	1500	200	1700
Total Cost of Target 1.1		2900	500	3400

Costing Strategy 3

- Some expenses of the service buildings, which are not specific to any target or activity, **such as heating, electricity, cleaning and maintenance are included in the general administrative expenditures.**
 - **They are Not included in target costing.**

Sample Table for Estimated Cost of 5 years Strategic Plan

	Plan's 1. Year	Plan's 2. Year	Plan's 3.year	Plan's 4.year	Plan's 5.year	Total Cost
Aim 1	100	110	90	110	90	500
Target 1.1						
Target 1.2						
Aim 2	200	200	230	220	250	1100
Target 2.1						
...						
General Management Expenditures (heating, maintenance, electricity cost etc.)	50	50	70	70	80	320
Total Cost	XXX	XXXX	XXX	XXX	XXXX	YYY

Thanks