



Strengthening Turkey's public sector administration and regulatory environment

Overview

Supported by three in a proposed series of four IBRD development policy loans (DPL) and technical advice in 2006-11, Turkey reached almost universal health insurance coverage (from 86 percent), broadened the reach of pre-school, increased vocational training dramatically (from 30,000 beneficiaries in 2008 to more than 200,000 by 2010), and improved its Open Budget Index from 41 to 57 percent, as well as successfully navigated the global crisis in 2008-09.

Challenge

From 2002-06, Turkey had introduced wide-ranging financial, economic, and public sector reforms to recover from its 2001 banking crisis. By 2006, several years of sustained growth had improved public finances (public debt fell from 78 percent to 48 percent of GDP over 2002-06) and social indicators (poverty fell from 27 percent to 17 percent over 2003-07). But sustained progress was threatened by ballooning health and social security costs, implementation challenges to public financial management reforms, an investment climate clouded by outmoded codes and regulations, and persistent unemployment and a skills shortage in the labor market. Added to these challenges was the sharp deterioration in the global economic environment from 2008.



Approach

In 2006, the Bank responded through two loan series, one supporting public sector reforms, the other supporting private sector competitiveness and employment. In 2009, as Turkey faced the effects of the global economic crisis, the Government asked the Bank to merge these two series into one, "Restoring Equitable Growth and Employment" (REGE). This streamlined Bank support to Turkey at a critical juncture (GDP contracted by 4.7 percent in 2009; unemployment peaked at 16 percent) and allowed not only for flexible Bank advice and financing for crisis mitigation, but also continuity with earlier support for Turkey's longer-standing employment

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97%
health insurance coverage increased from 86 to 97 percent between 2006 and 2010.

200,000
enrollment in vocational training increased in response to the global crisis from 30,000 to 200,000 people (between 2008 and 2010).

and growth agenda. In 2011, the focus of the proposed final loan (under preparation) is to support continued public sector and regulatory reforms in pursuit of equitable growth and employment, with Turkey pushing forward with its modernization of institutions and comprehensive overhauling of the legal and regulatory codes governing commercial enterprise.

Results

The REGE-DPL series provided financing and technical support toward several outcomes:

- **Social security reform and universal health insurance:** a universal health insurance system was established in 2006 and a comprehensive social security reform enacted in 2008. The Bank assisted with detailed actuarial simulations and trained Turkish counterparts to update these models. Health insurance coverage increased from 86 percent to 97 percent, while the combined deficit of the two systems, which peaked at 4.2 percent of GDP in 2009 due to the crisis, was held in check and declined thereafter (to about 3.9 percent in 2010).
- **Investment in skills:** vocational training was ramped up (from 30,000 beneficiaries in 2008 to more than 200,000 in 2010) and a monitoring and evaluation system was instituted, with Bank technical assistance; the Government formally targeted universal pre-school education and in the 32 provinces targeted by the first phase of the program, enrollment of 5-year olds in kindergarten increased from 71 percent in 2008/09 to 92 percent in 2010/11.
- **Government efficiency:** a series of laws overhauled public financial management and control, external audit, and state aid, while systemic operational reforms introduced modern management methods, such as performance budgeting, on which the Bank organized a series of symposia and provided more detailed technical inputs. Turkey's Open Budget Index, a measure of budget transparency produced by the Open Budget Initiative, improved from 41 percent in 2006 to 57 percent by 2010.
- **An improved climate for private sector-led job creation:** the Bank and the Government held detailed consultations on the impact of the 2008-09 global crisis; financial and employment measures successfully protected employment (unemployment fell back to pre-crisis levels of around 10 percent by 2011); in 2011 the enactment of a new Commercial Code and a new Code of Obligations modernized the regulatory environment.

MORE INFORMATION

- » Restoring Equitable Growth and Employment Programmatic Development Policy Loan, Program Document (2010)
- » "Turkey's Equitable Growth and Employment Program Attracts World Bank Support"
- » For information about the World Bank in Turkey
- » Turkey - World Bank Partnership

Bank Contribution

IBRD has so far provided US\$2.2 billion in the first three operations of the series (PPDPL 1 and 2, and REGE-DPL). Individual loan amounts were EUR 403 million (PPDPL, 2006), EUR 255.4 million (PPDPL 2, 2008), and EUR 931 million (REGE-DPL, 2010). A fourth operation is proposed for 2011.

Partners

While IBRD is the sole financier under the REGE-DPL series, several partnerships have contributed to the knowledge base on which the operations are constructed. The Bank collaborated with UNICEF and TEPAV (a Turkish think tank) to field surveys measuring the impact of the 2008-09 global crises at the household level. Technical support to Turkey's public administration reforms has been financed by an Institutional Development Fund grant and a Governance Partnership Fund grant (financed by the UK, the Netherlands, and Norway). Bank staff also consults regularly with counterparts in the European Commission and the IMF on the

relevant policy areas.

Toward the Future

The REGE-DPL series is expected to close in 2011. World Bank support to continued public sector and regulatory reforms in pursuit of equitable growth and employment will be framed by discussions of the new World Bank-Turkey Country Partnership Strategy for 2012-15.

Beneficiaries

Policy measures to mitigate the global financial crisis helped Turkey's most vulnerable groups at risk of poverty: informal workers, children, and young workers. Economic analysis for the operation suggested that, in the absence of policy changes, the global crisis could have increased the poverty rate by about 5 percentage points. Universal health insurance system – one of the public administration reform areas supported by the project – expanded health insurance coverage to 97 percent of the population.

Tuğba Bozkurt, 47, has been earning her living as a cleaning lady for the past 25 years. Suffering from chronic asthma and short-breath, she frequently goes to hospital and admits that she never received good quality healthcare service ever since she started working – until this year. *“I used to take a couple of days off from work when I had to go to the hospital in the past as I had to go into line and wait literally for hours to receive health services from doctors. Now it only takes me one hour maximum, to get the services and prescription from my doctor.”*