

Decentralization and Anticorruption Conference
TEPAV, December 5-6, 2007, Ankara

Opening Remarks by Mr. Zachau

Happy Birthday! İyi günler, distinguished guests and participants:

- I am very pleased to be here and would like to thank TEPAV for inviting me. I would also like to **commend TEPAV for their engagement in raising public awareness of the importance of decentralization and of fighting corruption.**
- I would like to start by sharing with you that that, from my point of view, fighting corruption is of great importance—of course!
- I feel, nonetheless, that **corruption is best treated in the context of the overall functioning and governance of the public sector.**
- Corruption is a universal malady. It is present in all countries I know. But it tends to be less pervasive and damaging in countries, in sectors, in regions, and in cities where the public sector is functioning well and efficiently.
- I have witnessed corruption decline in countries and cities where reforms made the public sector more effective. By contrast, after working with many countries over almost 20 years, I am yet to see credible instances where corruption has been substantially reduced by an anticorruption campaign.
- **What reforms do improve public sector effectiveness? Most of all it's the shining light of public information and transparency. In addition:**
 1. It's **competition**, to compete the rents away. Competitive compensation and employment bring meritocracy to the civil service. Public auctions increase privatization revenues. ICB lowers the costs of public procurement.
 2. It's **focused administrative steps & public reporting** in areas vulnerable to corruption—such as real estate, tax administration, customs, ports, business licensing. // Rotation of tax & customs inspectors // Public reporting of tax & customs revenues by district, asset declarations, etc.
 3. And it's **subsidiarity**, and decentralization of public services to bring public services closer to the beneficiaries who care about them—***if*** the beneficiaries

know about the services, the quality of services, and the framing of services which is why public information and transparency are so important.

- ***The Turkish people and government have a vision of a Turkey with an efficient and effective public sector.***
 - A capable and accountable state creates opportunities for poor people, provides better services, and improves development outcomes.
 - This is my understanding of the public sector reform agenda in the 9th Development plan and in the government's program.

- ***I would like to share with you some ideas about contributions that the Turkish state can make in my view to achieve this vision; and about key reforms to help the public sector deliver these contributions.***

- Turkey's Ninth Development Plan reflects well the commendably tall ambitions of the Turkish people. The plan aims at doubling per capita income to \$10,000 in only six years from now by 2013.

- Achieving this goal will require commensurate ambition in economic and institutional reform. Reform ambition will need to include the public sector--which is as a key element in sustaining growth at the levels required to double per capita income by 2013.

- Turkey has achieved a lot in modernizing its public sector and making delivery of public services more effective in the last five years. Still, the public sector reform agenda has not been exhausted, and important challenges remain.

- ***I would like to focus on three areas*** that I feel will be crucial for Turkey to realize fully its great potential for the benefit of all of its people:

- ***First, education is, from my point of view, an essential area for public sector reform.*** Improved education is crucial for better skills, more and better jobs, higher productivity, and higher incomes.
 - Turkey has raised enrolment rates and has modernized primary school curricula. These are important successes.
 - However, students' achievements remain low compared with other countries—the second lowest in the OECD.

And achievements remain low even while national education spending is high relative to national income, and even while teacher salaries compared with average salaries are high by OECD

I see several important directions for Turkey to achieve its vision of people with a good education, skilled jobs, and high incomes:

1. Increased education spending has improved, and continues improving, access to education for *all* children, including girls and children from low income families. This is a good thing. Further increasing access to *tertiary* education will be important.
 2. **The most important, yet perhaps also the most difficult, challenge now is the QUALITY of education—and I understand that the Ministry of National Education has identified this challenge.**
 - The **efficient and effective use education spending will be key for this—as critical as the level of spending, perhaps more so.**
 - Systematically measuring and widely publishing student achievement results can be an important first step—so teachers, parents, and students all see what works well and what works less well, and do more of what works well and do less of what works less well.
 - Other steps could be: modernizing secondary school curricula, strengthening teacher training, reviewing school leaving examinations, looking at the value of the Dershane system, and so on.
- **Second: Continued reform of the judicial sector** will significantly improve economic efficiency and the business environment.
 - Reforms began in 2002, and the performance of Turkish courts has improved significantly.
 - Further reforms are pending to deliver judicial services better & faster, help improve the business environment, and align practices with those in the EU.
 - I would like to highlight four specific challenges:
 - strengthening the independence of the judiciary,
 - building comprehensive training and strengthening human resources,
 - improving the structure of the courts and court management, and
 - establishing alternative dispute resolution mechanisms.
 - Economic growth and the resulting increase of contractual agreements among market participants will add pressure on the courts. Deepening judicial reform efforts can help Turkey stay ahead of these pressures. It can encourage

entrepreneurs to engage in contracts and financial institutions to provide credit with the confidence those contracts will be enforced and credits will be repaid.

- **A third critical public sector reform, in my view, is strengthening public accountability.**
- Turkey's **Public Financial Management Law has reformed its public financial management system.** This important law has introduced (a) medium term fiscal planning, and (b) strategic planning by ministries, and (c) it has expanded the coverage of the budget.
- **The enactment of the draft law on the Turkish Court of Accounts will complete the objectives and achievements of the PFMC reform.** Güven Bey mentioned this, and I agree this is important.
 - The framework of public accountability is incomplete with out the TCA law.
 - The law would empower the TCA to audit the general government. It will permit the TCA to conduct financial and performance audits. The TCA would be able to carry out audits in accordance with international standards.
- These are three examples of how public sector reform can assist Turkey reach her vision.
- **In closing, I would like to stress one single message: Turkey has a historically unique opportunity to achieve its vision of a better and more affluent life for her people.**
- The economy is not in a crisis. There has been a long period of high and sustained growth. The global financial environment remains comparatively benign. There is political stability. The government was reelected with a clear mandate to reform the economy. There is a strong majority in Parliament elected on the basis of a reformist political platform.
- **There is an unprecedented opportunity to adopt the politically difficult reforms that are necessary to sustain growth. It is my greatest hope that Turkey is able to advance its ambitious reform agenda before this unique window of opportunity closes. NOW IS THE TIME!**
- Tesekkür ederim ve kolay gelsin.