EXTRA COPY 277 0448 (I)

AID 1330-1 (6-64)

PRO AG

PD-ABB-531

PROJECT AGREEMENT

BETWEEN THE DEPARTMENT OF STATE, AGENCY FOR INTERNATIONAL DEVELOPMENT (AID), AN AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA, AND THE ORGANIZATION FOR INTERNATIONAL ECONOMIC COOPERATION

AN AGENCY OF THE GOVERNMENT OF TURKEY ISN 67770

The above-named parties hereby mutually agree to carry out a project in accordance with the terms set forth herein and the terms set forth in any annexes attached hereto, as checked below:

[X] PROJECT DESCRIPTION ANNEX A [ ] FOREIGN CURRENCY STANDARD PROVISIONS ANNEX

[X] STANDARD PROVISIONS ANNEX [ ] SPECIAL LOAN PROVISIONS ANNEX

This Project Agreement is further subject to the terms of the following agreement between the two governments, as modified and supplemented:

[ ] GENERAL AGREEMENT FOR TECHNICAL COOPERATION	DATE
[X] ECONOMIC COOPERATION AGREEMENT	DATE 7/4/48 as amended
[ ] (other)	DATE

1. PROJECT/ACTIVITY NO. 277-11-750-448

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2. AGREEMENT NO. 1

3. [ ] ORIGINAL OR REVISION NO. 2

4. PROJECT/ACTIVITY TITLE

Budget Administration Improvement

5. PROJECT DESCRIPTION AND EXPLANATION

(See Annex A attached)

6. AID APPROPRIATION SYMBOL 72-1101004

7. AID ALLOTMENT SYMBOL 054-50-277-00-69-01

8. AID FINANCING [X] DOLLARS [ ] LOCAL CURRENCY	PREVIOUS TOTAL (A)	INCREASE (B)	DECREASE (C)	TOTAL TO DATE (D)
(a) Total	24,750	49,200		73,950
(b) Contract Services	16,200			16,200
(c) Commodities		1,100		1,100
(d) Participants	8,550	48,100		56,650
9. COOPERATING AGENCY FINANCING - DOLLAR EQUIVALENT $1.00 = 9 TL				
(a) Total	7,455	12,433		19,888
(b) Technical and other Services				
(c) Commodities				
(d) Parts, Salaries and Local Travel - Min. of Finance	7,455	12,433		19,888

10. SPECIAL PROVISIONS (Use Additional Continuation Sheets, if Necessary)

A. This Project Agreement Revision obligates funds for 6 academic programs, increased costs of Team I, and Commodities.

B. See Annex A attached for Project Description.

C. Standard Provisions Annex is a part of this Agreement.

11. DATE OF ORIGINAL AGREEMENT	12. DATE OF THIS REVISION	13. ESTIMATED FINAL CONTRIBUTION DATE
July 25, 1969	May 11, 1970	July 31, 1972

14. FOR THE COOPERATING GOVERNMENT OR AGENCY

The Organization for International Economic Cooperation

SIGNATURE: [signature] DATE: 5/9/1970

TITLE:

15. FOR THE AGENCY FOR INTERNATIONAL DEVELOPMENT

SIGNATURE: [signature] DATE: 5/11/70

TITLE: Deputy Director, USAID/Turkey

Gen. Dir. of Budget, Ministry of Finance

Clearances:

FAD

FOD

ADC

I. PROJECT DESCRIPTION

This project provides assistance to the General Directorate of the Budget and Fiscal Control of the Ministry of Finance, in its efforts to modernize budgeting and budget administration. Its major objective is the installation of program and performance budgeting on a government-wide basis, thereby providing legislators, ministers, and other key decision-makers with a much improved tool for evaluating the costs of program activities, benefits derived therefrom, and total program needs. It includes the design, development, and introduction of a modern system of budget classification, and basic improvements in budgetary accounting, reporting, and auditing.

The project will be implemented primarily through an arrangement with the New York State Budget Division, and, possibly other similar budget agencies. Under this plan, budget analysts of the General Directorate will receive short-term on-the-job training at, N.Y. Budget Division, and selected personnel from this Division will serve as short-term consultants in Ankara. The purpose of this arrangement is to allow the participant training and the technical assistance segments of this project mutually to reenforce one another.

In addition, project implementation calls for the General Directorate of Budget to continue the recruitment of top caliber university-trained personnel and the program of in-service training designed to increase the capabilities of the central budget staff. A selected number of General Directorate of Budget personnel will receive academic training at U.S. institutions.

II. COURSE OF ACTION

A. Summary of Project Activities to Date

A Budget Management Service Unit (budget reform task force) with responsibility for developing and installing a program budget was established, partially staffed, and assigned new and separate office space. Studies relating to laws, regulations, organization, and operating procedures of the current budget system were completed. Resource materials relating to program budgeting have been translated and a reference library is being established. Sample program budgets for TFY 1969 were prepared for five ministries and agencies, and were presented for review and future consideration to the Parliament.

On April 26, 1969 the Prime Minister directed all ministries and agencies to establish program budget offices and requested their support and active participation in its implementation.

Ten Budget Analysts received 13 weeks on-the-job training in program budgeting with the New York State Budget Division, and one consultant provided advice and assistance for two months.

B. Project Targets for FY 1970

(1) To prepare sample program budgets for 42 major ministries and agencies (this has already been accomplished).

(2) To complete the staffing of the Budget Management Service Unit.

(3) To complete a study for the reorganization of the General Directorate of the Budget, and to initiate implementation of recommendations made.

(4) To establish program budget offices in major ministries and agencies.

(5) To modernize the budget classification system and related procedures.

(6) To complete studies and to design a system of program budget accounting and reporting procedures.

(7) To initiate research and development studies directed toward redesigning the budget document and the draft annual budget law.

(8) To provide in-service training approximately to one hundred budget personnel; to select 8 employees for on-the-job training with the New York State Budget Division, and to select 7 employees for academic training.

III. PROJECT ADMINISTRATION

The General Director of the Budget is responsible for budget modernization; the advisor and the consultants will be available to advise and assist him. The General Director of the Budget will designate a senior official as Project Coordinator to direct and be responsible for coordinating the day-to-day operations of the project activity. The USAID Advisor

will provide the necessary liaison between the General Directorate of the Budget and the United States Agency for International Development in Turkey.

IV. COOPERATING COUNTRY CONTRIBUTION

A. The General Directorate of the Budget, Ministry of Finance will provide an adequate number of qualified staff officers for the budget modernization activity. To facilitate project operations, many of these will be competent in the English language. The officers will be assigned to the project on a full-time basis. Adequate office space, furniture, supplies and utilities also will be provided.

B. Local Currency Support

1. The Ministry of Finance will provide funds for round trip international travel and salaries of the 15 participants programmed in U.S. FY 70. The total Lira costs of the U.S. FY 70 program are estimated at TL 300,000, the TFY 70 Lira costs of the program are estimated at TL 179,000.

2. The Government of Turkey will provide:

a) From Special Project Fund Budget in TFY 70

Salaries	TL 573,600
Travel	60,000
Printing and Publications	20,000
Other Services (seminars, advisory committees, research)	15,000
Supplies and Materials	15,000
Equipment	2,000
TOTAL	TL 685,600

b) From the Trust Fund Budget, for U.S. Technician Support, in TFY 70

Personnel Benefits	TL	36,600
Travel and Transportation		144,550
Printing and Reproduction		5,000
Other Services		7,560
Supplies and Materials		4,000
TOTAL	TL	197,710

V. U.S. GOVERNMENT CONTRIBUTION

A. Short-Term Technician Services

During TFY 1970, the USAID proposes to provide approximately 7 1/2 months of short-term consultant services, consisting of the following:

Budgetary Accounting and Reporting Advisor, O and M Advisor, and Training Coordinator (services not to exceed 39 days per year) to coordinate, monitor, and otherwise provide support for budget administration participants sent to the U.S. for training.

B. Technical Services - Direct Hire

A direct-hire Public Administration Advisor will advise and assist in the budget modernization activities. In addition, he will coordinate and serve as liaison between the General Directorate of the Budget and other interrelated fiscal entities and USAID/Turkey.

C. Participant Training

It is planned to send approximately 8 participants for on-the-job training with the New York State Budget Division or other central budget agencies using a program type budget. In addition, seven participants will be given academic training with concentration in financial management leading to a master's degree. (Five in Public Administration and two in Accounting).

D. Commodities

During FY 1970, books, professional journals, and selected items of demonstration record-keeping materials will be purchased.

E. Estimated Total U.S. Dollar Requirements

1. Contract Services

Short-Term Consultant Services 7 1/2 man-months	$16,200

2. Participants

8 for 15 week each	20,600
7 for one year	53,200
1 three week extension	750

3. Commodities

Books, professional journals, etc.	1,100
TOTAL	$ 91,850

VI. This Project Agreement Revision obligates funds to cover the following element of the project:

Participants	48,100
Commodities	1,100
Total obligations, this Revision	49,200