INDEPENDENT AUDITOR'S REPORT

On

PROJECT IN SUPPORT OF RESTRUCTURING OF HEALTH SECTOR
(Component A)

Implemented by

MINISTRY OF HEALTH
And
Financed Under
World Bank Loan No: 7717-TU

As of December 31, 2015 and for the year then ended

Report Number: 217/2 - 27/1 - 10/4

Prepared by

Okan TÜNSOY Rüstem ÖZ Bilal BAŞOĞLU
Senior Treasury Controller Junior Treasury Controllers

June 07, 2016
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EXECUTIVE SUMMARY
EXECUTIVE SUMMARY

A. Project Summary

A Loan Agreement numbered 7717-TU was signed between Republic of Turkey (the Borrower) and International Bank for Reconstruction and Development ("the Bank") on June 30, 2009 in order to finance Health Transformation and Social Security Reform Project (HTSSRP) carried out by Ministry of Health and Social Security Institution (SSI). The Project name was changed as “Project in Support of Restructuring of Health Sector” and Component B cancelled with amendment on April 25, 2013 in the Project.

There are 9 Categories under A Component of Project in Support of Restructuring of Health Sector named as Supporting the Strategic Plan of Ministry of Health. A Component is implemented by central organization and subsidiaries of Ministry of Health under coordination of Project Management Support Unit. Negotiations about the cancellation of amounts that will not be used under Component C by Social Security Institution continue.

According to Financial Statements of Project implemented by Ministry of Health, total amount disbursed is Euro 49,218,448.84 as of December 31, 2015 and amount disbursed within 2015 is Euro 4,783,008.58.

B. Objectives of Audit

The objectives of our audit are:

a) To give an opinion on whether the financial statements, prepared as of December 31, 2015 and for the year then ended, give a true and fair view of the financial position of the Project in accordance with the cash receipts and disbursements basis of accounting.

b) To determine, as of December 31, 2015, whether Ministry of Health has complied, in all material respects, with the rules and procedures of the Loan Agreement numbered 7717-TU.

c) To examine whether adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred with respect to SOEs and to evaluate eligibility of these expenditures for financing under the World Bank Loan Agreement numbered 7717-TU.

C. Scope of Audit

We have carried out an audit of financial statements of the Project as of December 31, 2015 and for the year then ended in accordance with the cash receipts and disbursements basis of accounting. We have also performed a compliance audit on whether Project activities are in line with Loan Agreement and related World Bank Guidelines.

Our audit was conducted in accordance with the International Standards on Auditing published by International Federation of Accountants and related World Bank guidelines.
Within the context of the Cost Sharing Agreement (CSA) signed between Ministry of Health of the Republic of Turkey and United Nations Development Program (UNDP) on December 29, 2005, it is understood that all the documents related to expenditures, salaries and per diems of field coordinators assigned by the UNDP are kept in UNDP’s premises and Project Management and Support Unit does not have supporting documents related to those expenditures. Therefore, there is an important scope limitation for our audit with respect to the part of the project implemented by the UNDP.

This Report is prepared for the part of the Project in Support of Restructuring of Health Sector numbered 7717-TU which is implemented by Ministry of Health.

D. Audit Results

Our audit resulted with qualified opinion due to inaccessibility to the documentation kept by the UNDP.

In addition, as of December 31, 2015, Ministry of Health has complied, in all material respects, with the rules and procedures of the Loan Agreement and related World Bank Guidelines.

On the other hand, with respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursements of expenditures incurred; and these expenditures are eligible for financing under the World Bank Loan Agreement numbered 7717-TU.

E. Management Recommendations

A management letter, dated June 07, 2016, to the attention of the Ministry of Health was issued separately from this report. The objective of this Management Letter is to enable the auditors to communicate appropriately to those charged with governance and management deficiencies in internal control that the auditors have identified during the audit and that, in the auditors' professional judgment, are of sufficient importance to merit their respective attentions. For this purpose, our recommendations in order of priorities are attached to the Letter.
FINANCIAL STATEMENTS OF THE PROJECT
INDEPENDENT AUDITOR'S REPORT

TO REPUBLIC OF TURKEY MINISTRY OF HEALTH

We have audited the accompanying Statement of Sources and Uses of Funds, Statement of Cumulative Investments, Statement of Requests for Reimbursement (SOE Statement) and Statement of Special Account of the Project in Support of Restructuring of Health Sector as of December 31, 2015, and for the period then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by Ministry of Health based on relevant provisions of the World Bank Loan Agreement, numbered 7717-TU.

Management's Responsibility for the Financial Statements

Ministry of Health is responsible for the preparation and fair presentation of these financial statements in accordance with the relevant provisions of the World Bank Loan Agreement, numbered 7717-TU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit, and to determine whether Ministry of Health has complied with, in all material respects, the requirements of the World Bank Loan Agreement, numbered 7717-TU. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether Ministry of Health has complied with, in all material respects, the requirements of the World Bank Loan Agreement, numbered 7717-TU.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Basis for Qualified Opinion

Within the context of Cost Sharing Agreement (CSA) signed between Ministry of Health of the Republic of Turkey and United Nations Development Program (UNDP) on December 29, 2005, it is understood that all the documents related to expenditures, salaries and per diems of field coordinators assigned by UNDP are kept in UNDP’s premises. As of December 31, 2015 and for the period then ended, 1,479,134,41 Euro payment are made to the World Bank and these payments are shown as resources under items of Direct Payments of the Statement of Sources and Uses of Funds, as disbursements under Statement of Sources and Uses of Funds. Statement of Cumulative Investments and Project Management and Support Unit does not have supporting documents related to those expenditures. Therefore, there is an important scope limitation for our audit with respect to the part of the project implemented by UNDP.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph;

a) The accompanying Statement of Sources and Uses of Funds, Statement of Cumulative Investments, Statement of Requests for Reimbursement (SOE Statement) and Statement of Special Account present fairly, in all material respects, the financial position of the Project in Support of Restructuring of Health Sector accounting policies and as of December 31, 2015 and for the period then ended in accordance with the provisions of the World Bank Loan Agreement, numbered 7717-TU,

b) Ministry of Health, as of December 31, 2015 has complied with, in all material respects, the requirements of the World Bank Loan Agreement, numbered 7717-TU, and

c) With respect to SOEs, adequate supporting documentation has been maintained to support claims to the World Bank for reimbursement of expenditures incurred, and these expenditures are eligible for financing under the World Bank Loan Agreement, numbered 7717-TU.
Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describe the basis of accounting. The financial statements are prepared to assist Ministry of Health to comply with the financial reporting provisions of the World Bank Loan Agreement, numbered 7717-TU. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for World Bank, Undersecretariat of Treasury, and Ministry of Health, and should not be distributed or used by other parties.

A. Ümit SUCU
Acting Chairman of
Board of Treasury Controllers

Ali ÇALIŞKAN
(Audit Partner)
Vice-Chairman

Okan TÜNSOY
Senior Treasury Controller

Rüstem ÖZ
Junior Treasury Controller

Bilal BAŞOĞLU
Junior Treasury Controller

Date: June 07, 2016.
Address: Republic of Turkey Prime Ministry, Undersecretariat of Treasury, The Board of Treasury Controllers, 06510 Ankara/TURKEY
## MINISTRY OF HEALTH
### PROJECT IN SUPPORT OF RESTRUCTURING OF HEALTH SECTOR (7717-TU)
### STATEMENT OF SOURCES and USES of FUNDS
As of December 31, 2015 and For The Year Then Ended in Euros

### TABLE 1: SOURCES OF FUNDS

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Planned</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current Period</td>
<td>Cumulative</td>
<td>Current Period</td>
</tr>
<tr>
<td>A- Government Funds</td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
</tr>
<tr>
<td>B- Other Sources</td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
</tr>
<tr>
<td>C- IBRD Funds</td>
<td>4.840,984,07</td>
<td>48,573,799,65</td>
<td>48,588,974,86</td>
</tr>
<tr>
<td>1- Direct Payments</td>
<td>1,475,134,41</td>
<td>9,124,596,95</td>
<td>1,485,000,00</td>
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<tr>
<td>2- Special Account</td>
<td>3,351,849,65</td>
<td>40,448,229,70</td>
<td>3,373,974,86</td>
</tr>
<tr>
<td>a) Advance</td>
<td>-1,338,925,04</td>
<td>769,709,01</td>
<td>-1,338,925,04</td>
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<tr>
<td>b) SOE Statement</td>
<td>2,166,324,04</td>
<td>13,481,556,34</td>
<td>2,165,800,00</td>
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<tr>
<td>3-Other</td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
</tr>
<tr>
<td>a)WB Admin. Comm.</td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
</tr>
<tr>
<td>D- Refunds to Special Account</td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
</tr>
<tr>
<td>TOTAL RESOURCES</td>
<td>4,840,984,07</td>
<td>49,625,249,14</td>
<td>4,858,974,86</td>
</tr>
</tbody>
</table>

### TABLE 2: USES OF FUNDS


<table>
<thead>
<tr>
<th>Description</th>
<th>Actual Current Period</th>
<th>Actual Cumulative</th>
<th>Planned Current Period</th>
<th>Planned Cumulative</th>
<th>Variance Current Period</th>
<th>Variance Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 Strengthening preventive and primary health care services</strong></td>
<td>765,848,40</td>
<td>9,971,432,16</td>
<td>10,385,345,00</td>
<td>7,496,60</td>
<td>423,912,834</td>
<td>345,094,25</td>
</tr>
<tr>
<td><strong>2 Implementing Public Hospital Reform</strong></td>
<td>319,321,00</td>
<td>5,148,450,12</td>
<td>3,341,700,00</td>
<td>657,600</td>
<td>372,034,96</td>
<td>588,112,50</td>
</tr>
<tr>
<td><strong>3 Improving the quality of health services</strong></td>
<td>47,799,36</td>
<td>2,055,537,50</td>
<td>3,013,650,00</td>
<td>2,850,64</td>
<td>958,112,50</td>
<td>598,112,50</td>
</tr>
<tr>
<td><strong>4 Institutional restructuring and capacity building</strong></td>
<td>2,027,757,00</td>
<td>18,883,289,65</td>
<td>19,499,445,00</td>
<td>1,068,00</td>
<td>616,155,15</td>
<td>345,094,25</td>
</tr>
<tr>
<td><strong>5 Managing pharmaceutical and medical devices regulation</strong></td>
<td>0,00</td>
<td>127,965,02</td>
<td>500,000,00</td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
</tr>
<tr>
<td><strong>6 Improving health information systems</strong></td>
<td>565,383,75</td>
<td>4,836,968,20</td>
<td>5,159,035,00</td>
<td>3,151,25</td>
<td>523,048,00</td>
<td>523,048,00</td>
</tr>
<tr>
<td><strong>7 Supporting inter-sectoral health responsibility implementation of the Government’s HTP and aligning health policies with world standards</strong></td>
<td>754,012,85</td>
<td>7,056,352,55</td>
<td>7,532,120,00</td>
<td>3,107,04</td>
<td>466,767,45</td>
<td>466,767,45</td>
</tr>
<tr>
<td><strong>8 Establishing A National Public Health Agency</strong></td>
<td>223,814,18</td>
<td>3,301,852,87</td>
<td>3,562,475,00</td>
<td>1,068,22</td>
<td>260,952,33</td>
<td>260,952,33</td>
</tr>
<tr>
<td><strong>9 Provision of equipment, technical assistance, technical services and training for field to strengthen the collaborations with other countries and international organizations in the field of development of health policies, and to share country experiences</strong></td>
<td>79,371,93</td>
<td>189,717,15</td>
<td>160,720,00</td>
<td>348,07</td>
<td>2,95</td>
<td>2,95</td>
</tr>
</tbody>
</table>

#### B- PILOTING OUTPUT-BASED FINANCING FOR NON-COMMUNICABLE DISEASES (NCD) PREVENTION AND CONTROL

<table>
<thead>
<tr>
<th>Description</th>
<th>Actual Current Period</th>
<th>Actual Cumulative</th>
<th>Planned Current Period</th>
<th>Planned Cumulative</th>
<th>Variance Current Period</th>
<th>Variance Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 Output-based financing for family medicine practices</strong></td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
</tr>
<tr>
<td><strong>2 Capacity building for provincial and central level implementation of output-based financing pilot</strong></td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
</tr>
<tr>
<td><strong>a)WB Admin. Comm.</strong></td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
<td>0,00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>4,783,088,50</td>
<td>49,216,448,85</td>
<td>53,194,490,00</td>
<td>25,981,42</td>
<td>3,966,041,15</td>
<td>3,966,041,15</td>
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</tbody>
</table>

**Cash at the beginning of the period**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>348,924,81</td>
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</tbody>
</table>

**Cash at the end of the period**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>406,830,30</td>
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</table>
## MINISTRY OF HEALTH

**PROJECT IN SUPPORT OF RESTRUCTURING OF HEALTH SECTOR (7717-TU)**

**STATEMENT OF CUMULATIVE INVESTMENTS**

As of December 31, 2015 and For The Year Then Ended

(*in EURO*)

### 1- INVESTMENTS

<table>
<thead>
<tr>
<th>Component</th>
<th>Actual</th>
<th>Planned</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current Period</td>
<td>Cumulative</td>
<td>Current Period</td>
</tr>
<tr>
<td></td>
<td>4,762,655,38</td>
<td>48,613,475,19</td>
<td>11,070,445,19</td>
</tr>
</tbody>
</table>

#### A- Investment Costs

- **A-1** Supporting the Strategic Plan of the Ministry of Health (2013-2017)
  - Strengthening preventive and primary health care services
    - Total Investment Costs
      - Recurrent
        - Capacity building for provincial and central-level implementation of output-based financing: 0,00
        - Output-based financing for family medicine practices: 0,00
      - Development of health policies, and restructuring and capacity building for MoH to strengthen the collaborations with other countries and international organizations in the field of development of health policies, and to share country experiences: 79,371,93
  - Total: 4,762,655,38

- **A-2** Implementing Public Hospital Reforms
  - Total Investment Costs
    - Recurrent
      - Establishment of a National Public Health Agency: 223,614,18
      - Training of health personnel: 0,00
      - Supporting inter-sectoral health responsibility implementation of the Government's HTP and aligning health policies with world standards: 280,905,94
    - Development of health policies, and restructuring and capacity building for MoH to strengthen the collaborations with other countries and international organizations in the field of development of health policies, and to share country experiences: 79,371,93
  - Total: 5,776,574,52

- **A-3** Improving the quality of health services
  - Total Investment Costs
    - Recurrent
      - Management of pharmaceutical and medical devices regulation: 0,00
      - Strengthening preventive and primary health care services: 20.353,20
      - Supporting inter-sectoral health responsibility implementation of the Government's HTP and aligning health policies with world standards: 280,905,94
    - Development of health policies, and restructuring and capacity building for MoH to strengthen the collaborations with other countries and international organizations in the field of development of health policies, and to share country experiences: 79,371,93
  - Total: 5,940,929,37

- **A-4** Institutional restructuring and capacity building
  - Total Investment Costs
    - Recurrent
      - Management of pharmaceutical and medical devices regulation: 0,00
      - Strengthening preventive and primary health care services: 20.353,20
      - Supporting inter-sectoral health responsibility implementation of the Government's HTP and aligning health policies with world standards: 280,905,94
    - Development of health policies, and restructuring and capacity building for MoH to strengthen the collaborations with other countries and international organizations in the field of development of health policies, and to share country experiences: 79,371,93
  - Total: 3,017,631,37

- **A-5** Managing pharmaceutical and medical devices regulation
  - Total Investment Costs
    - Recurrent
      - Management of pharmaceutical and medical devices regulation: 0,00
      - Strengthening preventive and primary health care services: 20.353,20
      - Supporting inter-sectoral health responsibility implementation of the Government's HTP and aligning health policies with world standards: 280,905,94
    - Development of health policies, and restructuring and capacity building for MoH to strengthen the collaborations with other countries and international organizations in the field of development of health policies, and to share country experiences: 79,371,93
  - Total: 2,027,757,00

#### B - PILOTING OUTPUT-BASED FINANCING FOR NON-COMMUNICABLE DISEASES (NCD) PREVENTION AND CONTROL

- **B.1** Output-based financing for family medicine practices
  - Total Investment Costs
    - Current Period Cumulative
      - Title: 0,00
      - Sub Total: 0,00
  - Total: 0,00

- **B.2** Capacity building for provincial and central-level implementation of output-based financing pilot
  - Total Investment Costs
    - Current Period Cumulative
      - Title: 0,00
      - Sub Total: 0,00
  - Total: 0,00

Total Investment Costs:

4,762,655,38

### 2- INVESTMENTS BY CATEGORY

#### 1. Goods and technical Services

- Total Goods and technical Services: 121,814,37

#### 2. Consultancy Services

- Total Consultancy Services: 3,555,255,19

#### 3. Training

- Total Training: 1,085,584,92

#### 4. Component B: PILOTING OUTPUT-BASED FINANCING FOR NON-COMMUNICABLE DISEASES (NCD) PREVENTION AND CONTROL

- Total: 20,353,20

**TOTAL**

4,783,008,56

### Incremental Operating Costs

- Total: 4,783,008,56

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**Zahide ŞENGÜL**

Proje Direktörü
**MINISTRY OF HEALTH**  
**PROJECT IN SUPPORT OF RESTRUCTURING OF HEALTH SECTOR (7717-TU)**  
**STATEMENT OF REQUESTS FOR DISBURSEMENT (SOE STATEMENT)**  
For the year ended on December 31, 2015  
(In EURO )

### I- Requests Reimbursed

<table>
<thead>
<tr>
<th>Application Date</th>
<th>Application Number</th>
<th>1- Goods and Technical Services</th>
<th>2- Consultants Services</th>
<th>3- Training and Workshops</th>
<th>4- Capitation Payments Component B.1</th>
<th>5- Incremental Operating Costs</th>
<th>Total</th>
<th>Total Amount Paid</th>
<th>Date of Payment</th>
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</thead>
<tbody>
<tr>
<td>26.01.2015</td>
<td>96</td>
<td>38.954,02</td>
<td>373.422,89</td>
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<td>561,53</td>
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<td>23.02.2015</td>
<td>97</td>
<td>71.855,56</td>
<td>543.792,59</td>
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<td>677,30</td>
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<td>616.326,14</td>
<td>616.326,14</td>
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<td>21.04.2015</td>
<td>100</td>
<td>100.107,08</td>
<td>157.480,35</td>
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<td>815,52</td>
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<td>280.447,15</td>
<td>280.447,15</td>
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<td>05.05.2015</td>
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<td>763,05</td>
<td>4.143,06</td>
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<td>1.612,24</td>
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<td>6.518,35</td>
<td>6.518,35</td>
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<td>21.05.2015</td>
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<td>2.609,85</td>
<td>37.376,01</td>
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<td>1.182,99</td>
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<td>22.05.2015</td>
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<td>72.424,83</td>
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<td>305.664,17</td>
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<td>17.06.2015</td>
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<td>8.765,94</td>
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<td>1.984,85</td>
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<td>26.08.2015</td>
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<td>19.006,72</td>
<td>398.363,40</td>
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<td>1.558,82</td>
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<td>418.928,94</td>
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<td>30.09.2015</td>
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<td>133,24</td>
<td>133,24</td>
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</tr>
</tbody>
</table>

Sub Total 109.088,40 251.772,09 2.160.280,65 0,00 13.309,52 2.534.450,66 2.534.450,66

### II- Requests Pending Reimbursement

<table>
<thead>
<tr>
<th>Application Date</th>
<th>Application Number</th>
<th>1- Goods and Technical Services</th>
<th>2- Consultants Services</th>
<th>3- Training and Workshops</th>
<th>4- Capitation Payments Component B.1</th>
<th>5- Incremental Operating Costs</th>
<th>Total</th>
<th>Total Amount Paid</th>
<th>Date of Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sub Total 0,00 0,00 0,00 0,00 0,00 0,00 0,00

**TOTAL AMOUNT REQUESTED** 109.088,40 251.772,09 2.160.280,65 0,00 13.309,52 2.534.450,66 2.534.450,66

Za nder ŠERAP
Presidentë Dëkëtorsh
## Special Account Statement

**Account No:** 941632004  
**At Central Bank**  
For the year ended December 31, 2014  
*(in EURO)*

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Balance</td>
<td>348,824,81</td>
</tr>
<tr>
<td>Reimbursements to SA</td>
<td></td>
</tr>
<tr>
<td>a) Advance</td>
<td>-1,338,925,04</td>
</tr>
<tr>
<td>b) SOE Procedure</td>
<td>2,534,450,66</td>
</tr>
<tr>
<td>c) Summary Sheet</td>
<td>2,166,324,04</td>
</tr>
<tr>
<td>Refunds to SA</td>
<td>0,00</td>
</tr>
<tr>
<td><strong>Available Funds</strong></td>
<td>3,710,674,47</td>
</tr>
<tr>
<td>Payments Made for Expenditures</td>
<td>3,303,874,17</td>
</tr>
<tr>
<td>Service charges for the account paid to CB</td>
<td></td>
</tr>
<tr>
<td><strong>Total Project Investments</strong></td>
<td>3,303,874,17</td>
</tr>
<tr>
<td><strong>Closing Balance</strong></td>
<td>406,800,30</td>
</tr>
</tbody>
</table>

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Sig: Zahide ŞENALP  
Proje Direktörü
1. GENERAL INFORMATION ON THE PROJECT

The Government of the Republic of Turkey applied to the International Bank for Reconstruction and Development (WB) to finance the Project in Support of Restructuring of Health Sector (Health Transformation and Social Security Reform Project), and obtained a loan (LN-7717-TU), with the Loan Agreement entering into force on 29 September 2009. Ministry of Health, Ministry of Labour and Social Security, and the World Bank came to agreement on the following components:

COMPONENT A: Supporting the Strategic Plan of MoH (2009-2013)

A.1: Strengthening preventive and primary health care services
A.2. Implementing Public Hospital Reforms
A.3. Improving the quality of health services
A.4. Institutional restructuring and capacity building
A.5. Managing pharmaceutical and medical devices regulation
A.6. Improving health information systems
A.7. Supporting inter-sectoral health responsibility and aligning health policies with world standards
A.8. Functionalizing the National Public Health Agency
A.9. Provision of equipment, technical assistance, technical services and training for MoH to strengthen the collaborations with other countries and international organizations in the field of development of health policies, and to share country experiences

COMPONENT B: Performing Pilot Studies in relation to Output-based Financing of the Prevention and Control of Non-communicable Diseases (NCDs)

B.1: Output-based financing for family medicine practices
B.2: Capacity Building at Provincial and Central Levels to Pilot Output-based Financing

The cancellation of Component B titled “Performing Pilot Studies in relation to Output-based Financing of the Prevention and Control of Non-communicable Diseases (NCDs)” and the addition of the new sub-component A.9 titled “Provision of equipment, technical assistance, technical services and training for MoH to strengthen the collaborations with other countries and international organizations in the field of development of health policies, and to share country experiences”, which aims to share with other countries the experiences Turkey has gained with the Health Transformation Programme, have been completed. Talks with the Undersecretariat of Treasury and the World Bank regarding the amendments made in Component C titled “Capacity...
Building for the Social Security Institution (SSI)* and the cancellation of the amount not to be used under this component by the SSI as of 25 September 2012, were completed and the said amount was cancelled.

Owing to the transformation of the MoH-affiliated General Directorate of Pharmaceuticals and Pharmacy to the Pharmaceuticals and Medical Devices Agency of Turkey in line with the Decree no. 663 and the inclusion of the said agency as a Special Budgeted Institution in Section II of the Law no. 5018, the expenditures under component A.5 of the said agency, no longer able to use external loans as allocated by an external source of financing, have been halted by the Undersecretariat of Treasury with an official letter dated 20.04.2012 and no. 07062.

2. BASIC ACCOUNTING POLICIES

a. Transactions regarding the project are entered into accounts on a cash basis. According to this basis, income occurs when the funds are received, and expense occurs when the funds are paid.

b. Payments are made to the selling institutions through direct payments or through a Designated Account.

c. Accounts are kept in the local currency of TL and the credit currency of EURO. Payments, which are made in currency other than the local currency or EURO, are exchanged into EURO by using the exchange rate of the Republic of Turkey Central Bank on the date of payment and are passed into accounts.

d. Financial tables have been prepared with the aim of ensuring that the Ministry of Health acts in accordance with the financial provisions of the Loan Agreement no. 7717-TU.

3. WORLD BANK LOAN

The Health Transformation and Social Security Reform Project (Project in Support of Restructuring of Health Sector), financed by the 7717 – TU loan agreement no.7717 – TU signed between the Government of Turkish Republic and the World Bank, came into effect on September 29, 2009.

4. LIMITED USE OF FUNDS AND OTHER ASSETS

In accordance to the loan agreement made between the Government and the World Bank, the utilization of the funds in the Designated Account is limited to the project aims. The project funds which are not used by the end of the project will be returned to the Undersecretariat of Treasury to be distributed to those providing this fund in accordance with the provisions of the relevant financing agreement. Fixed assets procured by the project funds belong to the user institutions and their use is limited to project purposes until the completion of the project.

5. CASH BALANCE AS OF 31 DECEMBER 2015

The existing cash balance expressed in EURO on 31 December 2015 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Loan Funds</th>
<th>Government Source</th>
<th>Total</th>
</tr>
</thead>
</table>

*Building for the Social Security Institution (SSI) refers to the construction of infrastructure or facilities for the Social Security Institution, a service that provides benefits and support to individuals and families in need.
The difference at an amount of 0.01 between the total sources and the closing balance and total uses in the Sources and Uses Statement is due to the rounding-off in Excel. Besides, the difference at an amount of 0.01 between the cumulative investments by category and the total investments in the Table of Cumulative Investments is also due to the rounding-off in Excel.

6. PLANNED EXPENDITURES

Under the Project in Support of Restructuring of Health Sector, the budget allotted for the Ministry of Health was 29,250,000,00 TL for the current period of 2015. The share of the Project Management Support Unit in the said budget was 22,566,000,00 TL. The reason for the large budget allocation to the Project Management Support Unit was to provide support to meeting the needs of the other user units. The realized expenditures by the Ministry of Health amounted to 4,783,008.58, with the Project Management Support Unit having a share of 1,936,572. Euros in this realized amount.

Zahide ŞENALP
Project Director