The Degree of Openness in Turkey’s Public Expenditure

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ABSTRACT

Openness has become an important method in public financial management and governing system. The governments that seeking to be accountable towards their citizens needs to promote their system through transparency and public participation. The governing system in Turkey under the rule of AKP has significantly changed in the last decade particularly in public financial management. This paper aims to evaluate the extent of Turkish government openness in public expenditure. It also intends to study the influence of civic society organizations and governing bodies that representing public in auditing government spending. The study found that Turkey was not successful in promoting transparency and public participation in government spending and little evidence has found to indicate major changes in Military expenditure. Therefore, some works has been done to promote current system in order to make it more open, but the way is still far to achieve complete transparency. This paper also highlighted significant role of civic society and government auditing bodies in preventing opacity and corruption and become a watchdog on the government spending.

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INTRODUCTION

To properly dealing with public expenditure, government has to be transparent and implements openness application toward public and maintains the principle of accountability and justice. Openness relates to the degree of political commitment and democratization pressures. In some world countries like Uganda and South Africa, openness has been improved in public expenditure system due to democratization and public scrutiny [4]. In public financial management openness is very significant since it associates with public life. According to Fozzard & Foster, [4] good government could be measured through the extent of transparency in policy making process and policy implementation. Clearly, it could be deliberated in terms of transparency which reflects open government system. Hence, successful government finance should echo transparency, public participation and accountability [12,1]. In democratic societies, government updates public on where the income and resources came from and how they are planning to spend, how the resources allocated and the outcome of public spending. In this paper we focus mainly on how the resources allocated in Turkey and to what extend government disclosed expenditure information to public? Also we study the role of intro as well as intra government organization in expanding government transparency in budget expenditure. Information transparency and participation would be the key elements to evaluate Turkey’s openness. Apparently, without adequate information, it would be inadequate to assess government spending, but people need data and information to audit and to assure whether government is accountable or not, whether government spending is for public goods or just misusing public money.

Transparency in Public Expenditure:

Transparency is the major pre-condition to articulate efficient government finance. In general, transparency is defined as the openness of government activities and publicly informing people concerning policy performance [14]. Government transparency is also described as the capacity of society to be informed of what
happens within government organization through their access to government activities, records, open meetings, proactive information, and information from leaked sources or whistle blower. Transparency in distribution of public money could be more important compare to transparency in private sector, since the first one is taken from people and public resource, so they citizens should know how government is dealing with their own resources. The IMF provided clear interpretation of what we mean by transparency in fiscal management and set out key principles to fiscal transparency entitled “Code of Good Practice” issued in 1998. The principles encompass clear roles and responsibility of the government. This should be organized through legal framework. Second, public access to government information regarding financial activities on timely manner. Third, open preparation, implementation and evaluating public budget. Budget expenditure should be clarified for citizens and risks should be identified. Lastly, an independent auditing committee to monitor the process of expenditure and delivering reliable information and reports to the public regarding government spending accounting [6]. Transparency brings several advantages to public. Transparent fiscal policy brings better corporate governance and decreases the level of corruption. In an open officials are more accountable towards public and that improves the roles and responsibilities of community members to extend their contribution in financial activities including budget plan and expenditure. Additionally, Akudugu (2012) indicates that in such situations, officials will be more admitted to community demands and become more accountable. To ensure that transparency exists, it should determine through the capability of community to deliberate ideas and the level of government capacity to control and limits the flow of information and the mechanism of making it public [17].

Transparency in Turkey’s Public Expenditure:

At the end of 2003, the new elected Turkish government (AKP government) issued the Law on Public Management and Control to ensure efficiency, effectiveness and utilization of public resources with conducting the mechanism of transparency and accountability. In 2010, the council of ministries adapted and enforced “Action Plan” as strategic plan to promote transparency and creating an open governing system to combat corruption and the misuse of public budget. Besides, the government conducted a number of reforms to improve budget formulation, budget expenditure in order to achieve high level of transparency, accountability and auditing and some of these reforms are included in Action Plans, others were enforced as a law and regulations. Actually, the action plans and strategy documents consist of 28 different measures in public finance management and public expenditure is a main part of the plan. As cited by OGP [10] the measures concentrating on Improving and developing transparency and openness principles in relation to political parties and elections expenditure; Also, the measures includes the development of transparency and more efficiently auditing government spending. Accordingly, the government has to establish ombudsman institution to increase the degree of transparency and preventing possible acts of corruption. Additionally, the plan encourages government to provide accurate and timely information to public in order to realize their rights and duties under the law and how to report financial fraud or injustice treatment by administrators. Thus mainly happens, when there is a case of corruption and some administrator or officials trying to keep them confidential from public in order to cover the cases. Finally, the government has to follow transparency and accountability principles in planning and the allocation public funds in order to empower control.

On the other hand, Turkish government enforced a new law on December 10, 2010 known as “Public Financial Management and Control Law.” The third section, article 7 (General Principles on the Utilization of Public Resources) is about transparency. According to the Article 7, the nature of the law is as the following:

i. To clearly define the duties, authorities and responsibilities,
ii. To prepare government policies, development plans, annual programs, strategic plans and budgets; to negotiate them with the authorized bodies; to carry out their implementation and to make the implementation results and the relevant reports available and accessible to the public,
iii. To publicize the incentives and subsidies provided by the public administrations within the scope of general government, in periods not exceeding one year,
iv. To establish public accounts in line with a standard accounting system and an accounting order in accordance with generally accepted accounting principles.

According to the same article No. 5018, public administrations are accountable to make necessary arrangements and taking measures to ensure the fiscal transparency, which shall be monitored by the Ministry of Finance (PFMCL No. 5018, Article 7, 2003).

Transparency from one sector to another sector will change in Turkish public expenditure. For instance, better transparency could be seen in government spending on education and tourism compare to military and security. In fact, Turkey is not transparent in terms of military expenditure and large budget from its GDP devoted to the military. Therefore, people do not have adequate information on how this money expend by the military and their expenditure is not transparent. What’s obvious is Turkey has a large military force in the world with more than 500,000 soldiers and it ranked as number two in NATO after the United States and number eight in the world. According to the Stockholm International Peace Research Institute (SIPRI) Turkey military expenditure for 2010 was 17.5 billion dollars which is estimated to be 2.4% of its GDP and this figure
declined by 6 points compared to 2001 military spending [9]. Perhaps, Turkey military expenditure is equivalent or more than the total budget of many world countries. To prove this point, the budget of the country like Jordan for 2012 was only $9.6 billion in 2012, while Turkey military spending was 17.5 billion dollars. Here, it can be argued that Turkey expenditure in military is not efficient despite the fact that there is lack of transparency and accountability in this sector. Nilüfer Uğur Dlay who is an executive committee member of Global Peace and Justice Coalition claims that transparency in Turkish military expenditure is at the bottommost and due to the nature of the Turkey military, it could not even be audit by the court or civil society organizations [9]. Moreover, Yenturk [20] have noted partial transparency in Turkey public expenditure in reference to military spending. The author emphasized that in some categories and sectors, there is availability of information and is obviously transparent. For example, the spending of General Staff, Commander of the Land, Naval and some other categories of Ministry of National Defense. In contrary, in some areas the government has limited even basic information on expenditure and people are prevented to access them [20]. For instance, for military R&D expenditure supervised by Scientific & Technological Research council (TUBITAK), little information is available, while data for military expenditure in Northern Cyprus is not available at all by Turkey Treasury. Also, the pension of the retired members of Turkish Armed forces (TSK) is not available or limited.

The lack of transparency in Turkey military expenditure has also raised by the deputies especially the opposition Republican People’s Party (CHP) and the pro-Kurdish (HDP) deputies. In the past questioning military spending was taboo. This could be interpreted as the main reason behind military expenditure opacity. However, under AKP, the two opposition groups (HDP and HDP) have broken this taboo and have criticized government opacity in several occasions over military spending. The deputies from opposition groups criticized defense minister for limiting their expenditure information to the parliament, Court of Accounting audits, and the public.

Turkey Ministry of Finance is trying to list tax expenditure and enforced four tax legislation which are personnel income tax (PIT), corporate income tax (CIT), value added tax (VAT) and special consumption tax (SCT), but it still remained closed for public. In fact, tax revenue and the mechanism of spending this money is another criticism on Turkey’s fiscal policy. Actually, you can not find adequate resources and materials to make sure that the tax revenue spend for public good and infrastructure or the government spends on other sectors. Tax is one of the key sources of budget and spending the money that government receives from it is citizen is essential and has to be transparent. Therefore, Turkish government is not transparent in this point. To prove, if you visit government websites and take a look of the government reports you could not obtain any information in this regard. Furthermore, public expenditure in Turkey also disrupted because of the budget fragmentation and lack of clear resource framework, auditing system, implementing policies, and divided responsibilities for formulation as it is cited by the World Bank Report for 2006 which leads to opacity. According to the Transparency International Corruption Perception Index, Turkey is ranked 64 out of 172 for 2014, while it was ranked 56 out of 178 countries. This figure shows that transparency in Turkey has worsened in the last 5 years. The World Bank also criticizes Turkish government regarding its inspection and control agencies and argues that plethora of control and inspection agencies focused on “catching violators” rather than on fixing the internal control system. The Supreme Audit Institution (SAI) also limited by its restricted mandate” [19].

**Public Participation:**

Since government is the representative of people and the existence of government is for the well-being of society, it has to be responsible toward all citizens to encourage them to contribute in government finance. Public participation is defined as a degree of consulting and engaging citizens in all settings of public policy process including agenda setting, final decisions, policy implementations and assessment [13,7]. Government must inform people how the money was spent and what are the benefits of the spending. Besides, citizens should be consulted and involved in expenditure, because without their collaboration government may not be effective. Actually, by involving citizens in public expenditure, people would be certain that government used public money for the interest of the citizens and through this, people will have the sense of belonging and cooperation with their policy makers to prevent corruption and the misuse or mismanaging public money. The IMF [6] advises government to engage their citizens in public financial management process to improve the accountability of public authorities to make their decisions based on the demands of their clients and provides better services to their citizens. Public involvement also leads to the reduction of fraud, corruption, and increases public services, efficacy and effectiveness of government decisions. Accordingly, the government is accountable for one shilling from public money, so it should not be misused but should be used to eradicate illiteracy, poverty, and unemployment. Apart from that, the money should be expended equally and the principles of justice must be considered. Unequal distribution of resources could results in social conflict and economic crises. So, government is required to intervene to redistribute income through welfare programs and projects that benefits citizen the most which legitimizes government spending policies.

**The Role of Civil Society in Government Expenditure:**
Civil society and non-governmental organizations play the major role in budgeting and expenditure process in the developed countries. They are a bridge between government agencies and citizens from different sectors of society. They try to get people closer to the government and explain the demand of the people for the government in one hand and government capabilities to the people on the other hand. Civil society organization goals are to foster more community participation in decision and policy making process. Furthermore, their involvement in public expenditure management may insures significant social and economic outcomes and maximizes public confidence towards government institutions. Thus, when the government design a project and allocate an amount of money, the project must reflect the demand of people, if not civil society raises the issue and make people to criticize their government for any shortcomings. Here, their role is not only associating public to government but they explain and safeguard the government spending and comments on problem areas. For that, The World Bank (2011) recommends all countries to strengthen the role of the civil society organizations and citizens in in public expenditure management (PEM) process and government decisions about how public money is budgeted and utilized. Apart from that, Civil Society organization sometimes focuses on the efficiency of spending whether it caused poverty reduction and problem solving or not and may sometimes campaign against government spending to pressure the government for further efficiency and transparency.

Civic Organizations and Public Expenditure in Turkey:

In Turkey, intro and intra governmental organization actively contributed in government physical policy and representing wider community. For instance, Türkiye Üçüncü Sektör Vakfı (TÜSEV) “The Third Sector Foundation of Turkey” (TUSEV) established in 1993. This foundation comprises of over 100 organizations to monitor government fiscal policy from structural issues (resources, participation) to the environmental factors (rule of law, rights and freedoms), values (empowering women, environmental sustainability) and impact (on policy and improving the lives of people). The civil society organizations in Turkey also conducts research and collect and analyze available data to evaluate government spending. So, it can be argued that civil society organizations contributing in government spending and influence the mechanism of the spending to ensure public participation, transparency, accountability and effectiveness.

Apart from Citizens and civil society organizations, there are some government agencies that remained independent and their duty is to audit government expenditure. People could be indirectly represented through these kinds of institutions. The most effective institution that plays the role of auditor is Turkish Court of Account (TCA) created in 2006 to audit government spending in all sectors and all branches of Turkish public administration. According to the World Bank Reports (2006, p.202), there are more than 3,200 local administrators and amongst, 15 percent are audited by the Turkish Court of Account. However, the TCA has some issues and it has to open more doors for the public administrators to contribute in auditing system and external actors should engage in such process. That can assist government promote transparency and accountability in its spending.

More to the point, the Organization for Economic Co-operation and Development suggested that turkey should establish and independent fiscal council and publish regular fiscal policy and formulate new fiscal policy and new tools to estimate cyclical shifts in government revenues” and to “expanding social security system require ‘close scrutiny’ to take into account alternative scenarios of growth, employment, revenues, pension and health spending (Man 2012). Thus indicates that Turkeys still have problems in fiscal and expenditure programs and spending not fully target public. Obviously, when the government can not target the full demands of it is citizens, it means some people are left behind or the designed programs are weak and should be shifted in order to meet public needs.

Conclusion:

Transparency and public involvement is an essential part of public expenditure management. The role of people should be considered by the governments in order to provide better program and better strategy for public. Without availability of information and public participation whether from citizens or NGOs, government cannot implement it is budget efficiently and would cause many problems. In Turkey, there are some improvements and several organization formed to promote government transparency in public expenditure after pro-Islamic “AK Party” (justice and development party) took power and many reforms have been done and the budget deficit declined. So, rapid development could be noted, but further improvement needed in both government level and public involvement that could be encouraged. People still need to be encouraged to actively engage in government spending policies. However, government is not obliged to hear public in all aspects and all decisions, but in many cases public view taken into the consideration. Media also, play major role in spending and it is like a watchdog and link between people and the government, but as we studied openness of Turkish government, media was not a case despite the fact Turkey has hundreds of media and communication channels. In military sector, government is not transparent and should be more open and provide spending reports, information, data, problems. We can not say Turkey is strictly not transparent, in certain level
transparency is on the right track, but this will change from one sector to another. In health, education, tourism, agriculture, turkey could be classified as one of the transparent countries. In contrary, it is not yet transparent in military spending, and auditing system has lots of problems that could be an obstacle for Turkey expenditure management and may leads to corruption, fraud, and misusing public revenue. Therefore, transparency in spending results in creating good corporate governance, trustworthy, efficiency, effectiveness, and accountability.

REFERENCES