

# Budget Transparency for Democratic Governance at the Local Level



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We are getting in the mood of the March 2019 local elections just as the general election has ended, and it looks as if the boat will be pushed out once again. Really, we do have a budget, right? At present, it remains an uncertainty how the central budget, our shared pool of resources, will be managed. Yet, we shall see how changes in the relations between the actors responsible for the tools, if not in the tools themselves, are reflected in practice. Hoping that they are at least transparent, we will examine budget transparency for democratic governance mainly through the lens of local government.

Fiscal transparency, while new as an aim and topic of public debate, has a history spanning thousands of years (1). The official gazette has been published since 1831 as the state's tool of transparency; since the 1924 constitution the budget is created and declared as required by law; and since the establishment of the Grand National Assembly of Turkey in 1920 municipal decisions, including decisions regarding the budget are declared publicly.

The term transparency has first been used in a 1989 directive regarding market regulation (2). Moreover, in the 1999 programme launched as a cabinet decree, transparency as a principle of governance is used in areas such as public tenders, public relations and relations with the private sector. On the other hand, in regulations restructuring public administration and public fiscal management following the 2001 crisis, transparency appears together with the principles of efficiency, effectiveness and accountability.

It has redefined especially the means for public financial management and control law, and introduced novel tools such as strategic plans for the utilization of public resources in accordance with aims and objectives, as well as performance programs for turning those aims into operational targets and establishing the relationship between aims and resources.

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At the core of state transparency is eliminating arbitrariness, and then strengthening markets together with increasing the predictability of the state. These so-called first generation transparency goals lasted until the last couple of decades. However, thinking transparency as a political aim means thinking beyond these terms; it means new information changing people's attitudes towards a better and more acceptable state of affairs.

From the point of view of rights, transparency is not only about monitoring governmental processes as part of the right to participate and freedom of expression; it is also a means for participating in these processes. Looking forward, transparency has become a necessity for open information to create social or commercial value.

Local governments must have information on the extent to which resources used for bettering the life quality of its citizens have achieved their purpose, while citizens must be informed about the use of public resources, generated by the authority they confer through elections, and the taxes they pay. This information serves the purpose of identifying the ways in which public resources are utilized and achieve their aims. Moreover, it enables citizens to hold their government accountable.

At this level of democratic maturity that the world has achieved, actions of accountability (i.e. people holding governments accountable and governments being accountable to people) are sustained continuously through time, and not just during prescribed periods such as elections. Democratic governance is concerned with the actors, means and processes of these interactions of accountability. More than just a document, the budget is the projection of a governance cycle comprising the planning, implementation, monitoring and evaluation stages.

Municipal assembly meetings are open to public. Budgets, final accounts, strategic plans to guide budgets, performance programs, annual reports that link the budget with prospective activities, and the Court of Accounts' audit reports are all open to public.

The transparency of budgetary information and processes constitutes the minimum accountability requirement which is access to information. Simply the activities and especially the financial information of local government being open to public are not enough.

For democratic processes to fully work, 'scope' that includes the compatibility between budgetary information and municipal policies and objectives; short and medium-term fiscal projections and risk evaluations; 'content' that includes detailed and clear information, 'interest' and 'awareness' to carry out all this communication, a strong civil society to turn this interest into an action of evaluation and accountability; independent media, institutions to carry out independent research, and active citizens to constitute the 'public opinion' must all be in place.

All these actors and processes of democratic governance require the existence of three conditions. First is authority and legal framework. A modern legal framework was established in Turkey in 2003 that includes contemporary global approaches to and means of public financial management. Second is the skills necessary for establishing and managing legally-defined systems. Fiscal transparency requires a certain capacity for obtaining and reporting information. On the other hand, technological progress facilitates tasks that require skill and labour. While we still have a long way to go in this direction, the second condition is fundamentally a matter of developing human resources. Third condition is intention and will, crucial to link aims with the use of resources, managing systems accordingly, and disseminate the information.

Strategic planning has been accepted as a fundamental tool of public financial management in establishing the relationship between aims and resources. It has been implemented at the central level following the 2007, and at the local level following the 2009 elections. At first, public administrations, that is, the ones with the will to undertake planning have revised their responsibilities, reevaluated their service quality and governmental processes, and become aware of the opportunities and risks stemming from their strong and weak sides. Yet, at present it seems that the entire strategic governance cycle comprising strategic planning, programming, budgeting, monitoring and evaluation has become a bureaucratic burden.

From the point of view of local governments in particular, some issues and recommendations are as follows:

**“there are no legal restrictions against monitoring how much municipalities spend towards their set aims and the districts they are responsible for, and on top of existing standard reports devising new systems for being accountable to the electorate in a better way”**

Significant steps towards the accounting system, the primary resource of fiscal information, have been achieved in Turkey. It contains a detailed code structure on by which spending unit and for what purpose (personnel, investment, etc.) expenses are incurred, and the function (health, education, environment, etc.) they serve. However, this code structure does not provide enough information on the purpose of these expenses. It cannot account for the expenses (past and present) incurred towards objectives and projects such as decreasing air pollution and achieving social integration. Despite the existence of an approach to budgeting in the legal frame where programmes are categorized and monitored according to specific aims or policy priorities, this is not realized largely due to a lack of capacity and will. Yet, especially at the level of local government, there are no legal restrictions against monitoring how much municipalities spend towards their set aims and the districts they are responsible for, and on top of existing standard reports devising new systems for being accountable to the electorate in a better way (3).

**“the relationship between the municipality’s strategic plan, its expenses, and the city and its residents remains limited”**

The distinctive characteristic of municipalities is that they are integrated with the environment they are situated in. Therefore, strategic planning for them is different from that of public institutions responsible for the management of other sectors (e.g. health, transportation), or themes (e.g. the protection of border and coastal health, highways). Strategic planning in municipalities must 1) understand the circumstances present and those likely to affect the life quality of their residents, 2) achieve the widest possible consensus

around the desired future of the city, 3) define the resources, course of action and institutional identity necessary to achieve this outcome. Moreover, there must 4) be in place a systematic process to account for the steps taken in this direction. However, relations between the strategic plan of the municipality and consequently, its expenses, and the city and its residents remain limited. On the other hand, evaluations based on situation analyses remain inadequate, and priorities fail to be set or updated based on concrete issues and objectives.

**“it is impossible for internal auditors to function without support from top management, whom internal audit’s consultancy is precisely for”**

Progress in the functions of internal auditing, which serve the purpose of identifying the measures towards protecting the integrity of the management cycle, is made in baby steps. While in the whole of public administration 56% of personnel cadres for internal auditing waits to be filled, this rate rises to %61 in municipalities (4). Manuals such as the Performance Monitoring Guide for Internal Auditors in the Public Sector and the Quality Assurance and Development Guide for Internal Auditors in the Public Sector have all been published recently in 2016. As the distinction between internal auditing and inspection has not yet been legally defined, internal auditing still remains in the shadow of inspection. Most important of all, it is impossible for internal auditors to function without support from top management, whom internal audit’s consultancy is precisely for.

Court of Accounts, for the first time published performance audit reports in 2016 which concerned the 2015 financial year. The Court of Accounts carries out performance audits by using objectives and indicators identified by public administrations within its accountability framework. While it is still early to decide to what extent audit results are reflected in the system of strategic management, our observation is that audit proceedings remain at the surface level, and do not contain guidelines towards strengthening the relationship between outcomes and the budget.

As mentioned at the outset, the majority of local governments' expenses are incurred during election cycles. Yet, fiscal information regarding these expenses is revealed once the financial year is over. Through pre-election regulations, some countries curb the risks of elections on budgets. Legal arrangements on this matter must also be undertaken in Turkey's municipal system.

### “end-of-year public hearings”

One of the extralegal means of modern municipalities is end-of-year public meetings, which are characterized as 'public hearings'. At these meetings, the municipal government, with its top management and bureaucrats, appear before citizens in a public meeting, relays its achievements and answers all questions by the participants.

### “today, open data is considered one of the main pillars of innovation”

The practice of sharing data has not yet been fully developed in our country. Even though law and regulations regarding right to information state that all information is open unless secret, the secrecy of state and data privacy rights become excuses to not share any information, with municipal governments being either reluctant or unwilling in this matter. Local governments must think of ways to make data open rather than simply sharing data regarding their cities and institutions with individual enquirers.

For instance, data from the tickets issued on public buses being accessible and readable by machines enable analyses and the implementation of technological applications. Today, open data is considered one of the main pillars of innovation.

### “municipal companies are the most critical blind spot in budget transparency”

Municipality operated enterprises are the most critical blind spot in budget transparency. Municipalities purchase services from these companies owned by themselves in 'competitive' public tenders. There exist municipal companies in every municipal function. The Chamber of Accounts is responsible for auditing these companies externally.

Among those audits that first started in 2014, out of 212 only 16 were carried out on companies, in 2015 25 out of 245, and in 2016 2 out of 138 audits were carried out on municipal companies.

Municipalities, often without an assessment of the need for a public intervention to establish a company, use their companies to especially overcome the legal limitations on employing staff, and as a means of distributing unearned income. While information on municipal aims, objectives and fiscal matters – though by no means at the level desired in terms of content and accountability – is open, municipal companies do not share this information.

### “a legal framework must be developed to determine electoral districts towards strengthening the link between neighbourhoods and the municipal council, or for involving mukhtars in the municipal council”

At the local level, representative democracy is embodied by municipal assemblies. With the 2005-2006 legislative changes, municipal assemblies were granted authority to devise strategic plans and investment and work programs, consider and accept the performance standards for personnel, and undertake financial auditing with the audit commission formed amongst councillors. Yet, councillors are selected on political grounds rather than based on candidates' skills.

On the other hand, in the election of councillors the boundary consists of the entirety of the municipality. As such, the electorate cannot contact or hold accountable any member of council for his/her surroundings. At present, there is no relationship between the system of mukhtarship and the municipal council. When selecting candidates for the municipal assembly, political parties must choose candidates who can effectively implement monitoring practices, build their capacities and allocate them to urban districts in order to establish closer contact with these districts. A legal framework must be developed to determine electoral districts towards strengthening the link between neighbourhoods and the municipal council, or for involving mukhtars in the municipal council.

“the democratization of the strategic governance process, and holding the strategic plan, performance program, the budget and annual reports up for public scrutiny are the most important problem, and at the same time the most critical factor for success”

Lastly, the democratization of the strategic governance process, and holding the strategic plan, performance program, the budget and annual reports up for public scrutiny are the most important problem, and at the same time the most critical factor for success. The quality of processes will increase as the public monitoring function strengthens. Yet, the practice of public monitoring remains at levels far lower than required.

Annual reports focus on the annual picture and budgetary activities that require a deep knowledge of accounting. At a time when the relationship between the objectives and activities of the budget is not firmly established, and changes in performance are not evaluated, public monitoring remains ineffectual.

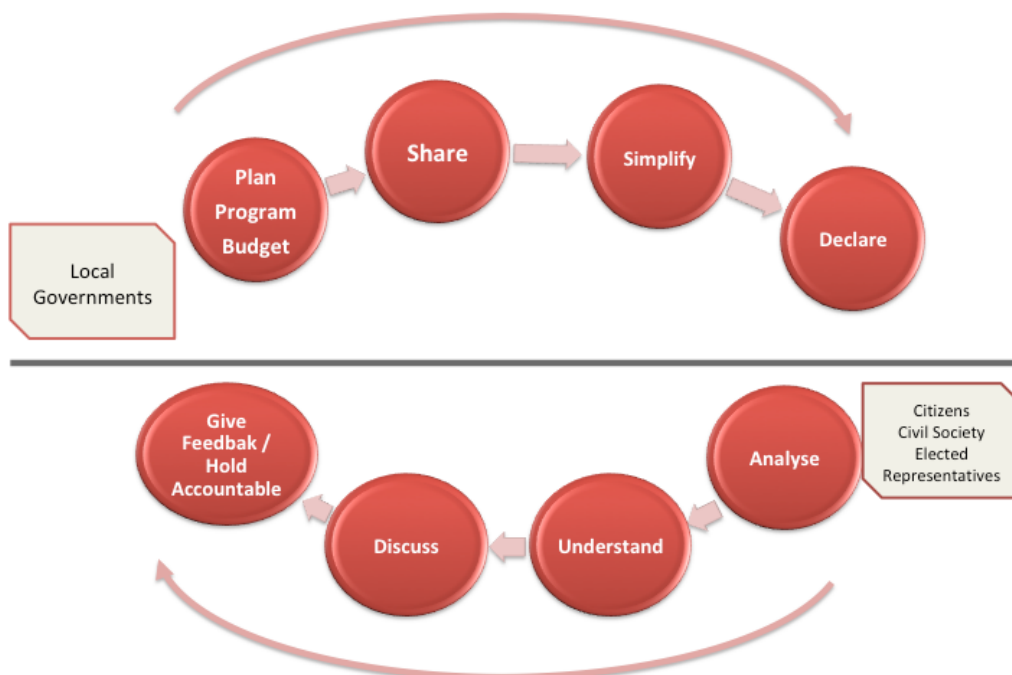
The quality of annual reporting must increase, and aside from annual reporting, municipalities must create content (e.g. how do we spend your taxes) that is simple and understandable, to disseminate en masse via a web page, social media and print.

Non-governmental organizations are not demanding in boosting the present quality of reporting. Nevertheless, some data-based monitoring work (e.g. İzlemedeyiz Association - The Visible Municipality; Argüden Yönetişim Akademisi - Municipal Governance Scorecard; TESEV - İstanbul95; Ankara Chamber of Architects Urban Monitoring Centre) are encouraging. While Citizen Assemblies (5) are the most suitable place to undertake public monitoring, successful practices, which remain limited in numbers, focus more on identifying problems and communicating recommendations to municipalities (and other public institutions), than monitoring and public inspection.

Often, participation in strategic planning processes consists of a one-off meeting or even simply filling out a survey. Monitoring tools such as participatory budgeting and citizen scorecards have been implemented in some municipalities as part of development projects, but they have not been sustainable.

Despite all its shortfalls, the process of strategic governance provides useful grounds for interest groups to engage in dialogue with urban government (6)

“What transparency and public engagement require of governments as well as citizens is an openness to be convinced and an effort to convince”



A public monitoring cycle of planning, programming and budgeting, and the stages of their reporting

## Notes

1. Citizens of Athens the city-state talked about public expenses around 400 BC. Even during times of war, the finances of the army was a matter of debate. Public finances were declared on stone in public places. Irwin, T, Shining a Light on the Mysteries of State: The Origins of Fiscal Transparency, in Western Europe, IMF Working Paper 2013

2. Directive on the Prevention of Unfair Competition in Exports based on post-1920 records, Official Gazette dated 27 September 1989

3. For an exemplary work on the distribution of expenses according to aims and localities, see <https://www.slideshare.net/emrekko/bte-zleme-belediye-btesini-anlamak-ve-harcamalar-meknsallatrmak>

4. The Internal Audit Coordination Board since 14.02.2018, <http://www.idkk.gov.tr/>

5. A partnership platform peculiar to Turkey which brings together civil society and public administration at municipal level.

6. Women's Labour and Employment Initiative (2015), Our Experiences of Participation in the Preparation of Municipal Strategic Plans, [http://www.keig.org/wp-content/uploads/2016/03/str-plan-on-rapor\\_web-subat2015.pdf](http://www.keig.org/wp-content/uploads/2016/03/str-plan-on-rapor_web-subat2015.pdf)



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