

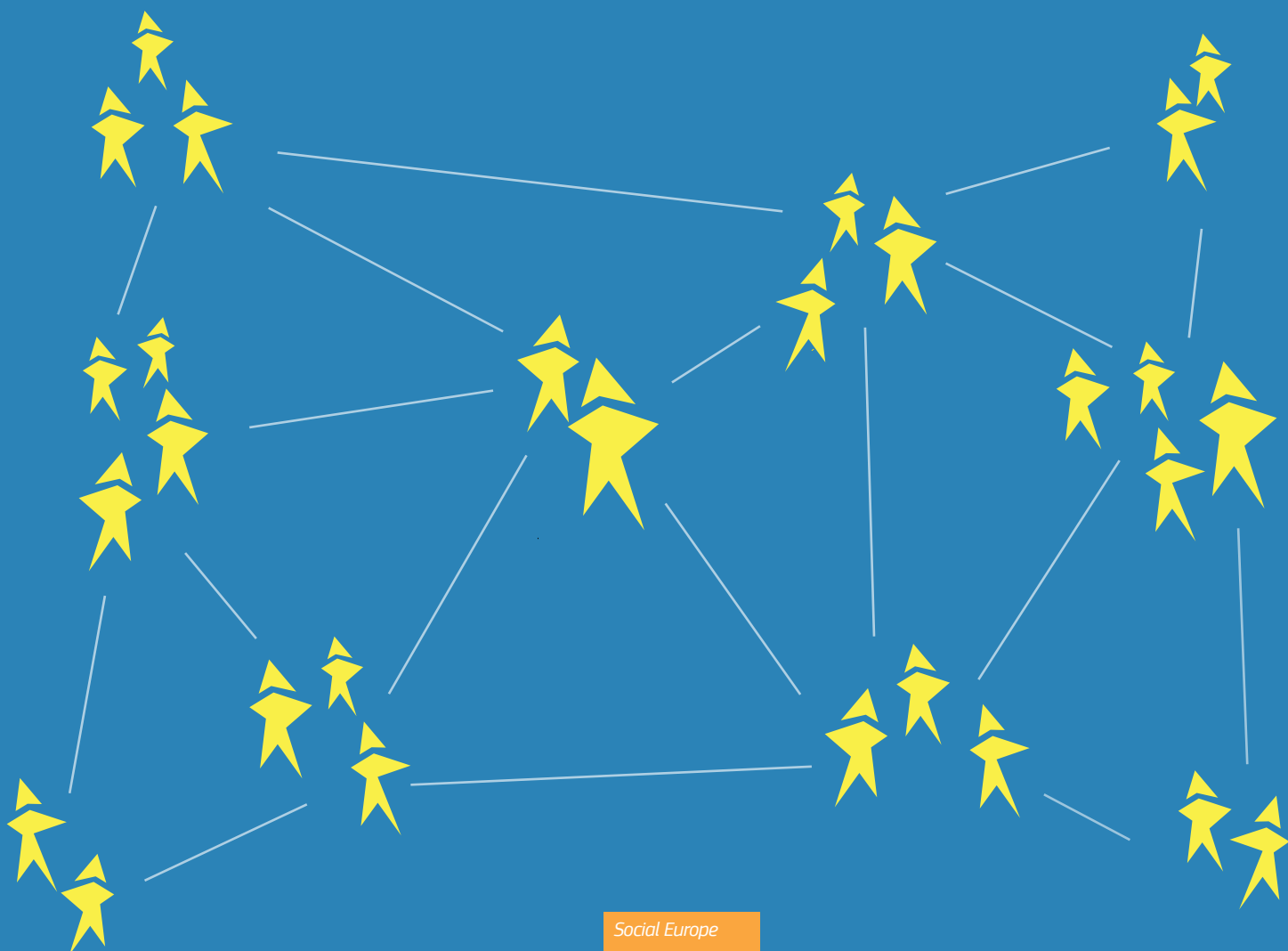


EUROPEAN SOCIAL POLICY NETWORK (ESPN)

National monitoring frameworks for public social spending

Turkey

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EUROPEAN COMMISSION

Directorate-General for Employment, Social Affairs and Inclusion
Directorate D — Social Rights and Inclusion
Unit D.2 — Social Protection

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European Social Policy Network (ESPN)

ESPN Thematic Report on National monitoring frameworks for public social spending

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2022

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Manuscript completed in January 2022

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QUOTING THIS REPORT

Adaman, Fikret, Aslan, Dilek, Erus, Burcay and Sayan, Serdar (2022). *ESPN Thematic Report on National monitoring frameworks for public social spending – Turkey*, European Social Policy Network (ESPN), Brussels: European Commission.

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Summary

By law, the public must be informed of how public funds are utilised. This is to ensure the proper monitoring of expenditure, including public social spending. The monitoring process is primarily the duty of the Turkish Court of Accounts, which undertakes a thorough inspection of all public spending. The Presidency of Budget and Strategy is also responsible for monitoring all strategic programmes and their implementation by government entities. These bodies perform their duties at the national level and encompass the monitoring of all public expenditure. The Presidential State Auditing Board also has the power to undertake auditing/monitoring investigations of public bodies, including municipalities, should it so wish (usually concerning a specific issue and by direct order of the President).

The ministries and the Social Security Institution perform in-house monitoring of their expenditure and publish strategic plans and performance reports that provide the targets and measures of their performance. The budget process also provides a venue where ministers share their budgets – and previous performance – with parliamentarians.

Although not stipulated as one of their primary duties/responsibilities, municipalities may also conduct public social policies. Their monitoring system is undertaken by two bodies: the financial side is controlled by the Turkish Court of Accounts, and the administrative and legislative sides by the Ministry of the Interior. Auditing at the municipality level is generally conducted across three dimensions: i) financial; ii) administrative; and iii) legislative. At the municipality level, there are only limited auditing procedures to exclusively or directly evaluate the performance of local authority activities.

The monitoring data are publicly available, especially those data compiled by Turkstat, which provides a breakdown of spending for subcategories, such as health, disability, etc., both in absolute figures and as a percentage of GDP (although there is sometimes a delay in publication).

Overall, the monitoring of public spending shows that public auditing is largely a matter of supervising the implementation of rules and regulations. Although an effort is made to monitor performance, in terms of outcomes, this is far from satisfactory in respect of evaluating the (social, economic, etc.) return on spending.

The presence of various mechanisms – such as annual performance and strategy reporting by the ministries, or audits by the Court of Accounts – is a major strength of the framework for monitoring social spending in Turkey. However, the implementation is unsatisfactory, since monitoring rarely succeeds in evaluating comprehensive objectives, but instead measures the achievement of specific targets, which often fail to reflect the complexity of the objectives.

1 Country-specific monitoring frameworks for public social spending

1.1 Country-specific dedicated monitoring framework(s)

Law no. 5018 (article 7), dated 24/12/2003, states that the public must be informed of how public funds are used, in order to ensure the proper monitoring of expenditure. This law aims at regulating the structure and functioning of public fiscal administration, the preparation and implementation of public budgets, the accounting and reporting of all financial transactions, and fiscal control in line with the policies and goals set out in development plans and programmes, in order to ensure the effective, economic and efficient collection and utilisation of public resources, as well as accountability and fiscal transparency. Law no. 6085, dated 3/12/2010, on the other hand, assigns to the Turkish Court of Accounts a duty to monitor public spending with judicial authority. Accordingly, its bureaucratic body undertakes a thorough inspection of all public expenditure. Although the law does not explicitly stipulate it, the Court of Accounts takes an approach that encompasses performance monitoring that involves efficiency, effectiveness and economy of public expenditure. Its reports are submitted to parliament.

Aside from the Court of Accounts, Presidential Decree no. 13, dated 24/7/2018, gives responsibility for monitoring all strategic programmes and their implementation by government entities to the Presidency of Strategy and Budget. According to the decree, that office provides guidance on budget preparation, supervises budgets prepared by government offices to ensure that they comply with the aims and targets set by the President, and monitors the implementation of actions set out in the strategic plans. As such, the monitoring of public social spending at the national level is among the duties of the Presidency of Strategy and Budget.

The office shares rather aggregate-level statistics with the public, while the strategic plans and performance reports of those ministries involved in social protection provide detailed information on expenditure. These reports, according to Law no. 5018 (mentioned above), have to set targets and measure performance with respect to those targets. Specifically, strategic plans determine the targets to be achieved over a four-year period. The plan defines broad objectives, such as protection of the individual, family and social structure, in the case of the Ministry of Family, Labour and Social Services Strategic Plan for 2019-2023. Then specific targets are listed under this heading. For example, one of the targets for the objective mentioned above is to operate social assistance services, in order to reduce societal fragility. Finally, specific performance measures are determined. As discussed below, these are usually sketchy and fail to provide a comprehensive assessment with respect to the objectives. It should be noted that the Social Security Institution prepares its own strategic plan and performance report.

The process of budget preparation also provides an indirect monitoring mechanism, as the ministries often report on their performance over the previous year, along with their plans for the next. The process involves thorough analysis by parliamentarians.

Both the Presidency of Budget and Strategy and the Turkish Court of Accounts perform their duties at the national level and encompass all public expenditure. There is no specific provision for public social spending.

The Presidential State Auditing Board also has the power to undertake auditing/monitoring investigations of public bodies, including municipalities, should it so wish. This usually focuses on a specific issue and is undertaken on the direct instructions of the President.¹

¹ https://www.savistay.gov.tr/files/825_yerelyonetim_denetimi.pdf

The Turkish Statistics Institute (Turkstat) collects statistics on social protection within the scope of European system of integrated social protection statistics (ESSPROS) and publishes them annually. Turkstat also provides statistics on health spending by the government and individuals. Also relevant are the labour force statistics, which provide the share of employees who are not registered for social security.

1.2 Separate monitoring framework(s) linked to schemes provided by employers

There are a few retirement funds operated by private companies. Their actuarial accounts are subject to monitoring by the Treasury.

1.3 Distinction between current expenditure and capital expenditure

The Presidency of Budget and Strategy provides an account of public expenditure in aggregate, drawing a distinction between current and capital expenditure.

In reports prepared by the ministries and the Social Security Institution, a distinction is also drawn for current and capital expenditure.

The Turkstat statistics on social protection only report current expenditure, but they distinguish administrative expenditure. In statistics on healthcare spending, a distinction is drawn between current and capital expenditure.

1.4 Type of monitoring: level and outcomes

The Decree on the Presidency of Strategy and Budget requires the office to monitor all spending with respect to goals and targets, as determined by the President. For example, the 2021 Annual Programmes of the President set the target rate for relative poverty in 2021 at 20 per cent. In that sense, the Decree implies that the process should also encompass the monitoring of social outcomes. Yet, we are not aware of any public documents issued by the Presidency of Strategy and Budget to provide an evaluation of the policies with respect to these targets.

The strategic planning documents of the ministries that deal with social spending also set specific targets, alongside indicators. However, the indicators are sketchy and usually fall far short of providing a tool for a comprehensive evaluation of the actual achievement against the target. For example, the Ministry of Family, Labour and Social Services Strategic Plan for 2019-2022 set a target of operating social assistance programmes to reduce societal fragility. Performance indicators were then set for school attendance among girls whose families receive conditional cash assistance; the number of houses repaired in the context of social assistance; the enrolment rates in certain active labour market policies for those on social assistance; and the integration of the social assistance database. In that sense, even though the target includes an outcome, the indicators used for the purposes of evaluation refer rather to specific measures that are loosely related to the target.

1.5 Level of granularity of public social spending

The statistics issued by the Presidency of Strategy and Budget on public social expenditure contain some details and are provided at the aggregate level. There are specific tables for the social security and public health insurance funds. Accordingly, it is possible to observe spending on health, social assistance and social security, as well as its share of GDP.

In the strategic plans and performance reports of the ministries, detailed information is shared on various social spending items.

The Turkstat data provide a breakdown for subcategories (e.g. health, disability, etc.) both in absolute figures and as a percentage of GDP.

1.6 Breakdown of public social spending

There is no information on the breakdown by specific population groups, other than expenditure targeted at a specific group (e.g. the elderly or disabled). We are not aware of any moves to address this issue. In Turkstat data, there is, however, a breakdown by spending in kind vs cash and conditional vs unconditional.

1.7 Timing and public accessibility of data

There are set dates for ministry reports to be made accessible to the public. But these are often subject to delays. Also, the data available from the Presidency of Budget and Strategy in aggregate form are not timely. For example, the statistics on the website for public spending in 2021 are shown as estimates, rather than actual figures.

The ministries usually publish their annual reports sometime in the first half of the following year. The Turkish Court of Accounts reports are usually submitted to parliament in the autumn of the following year. Turkstat announces its social expenditure statistics in December of the following year.

1.8 Subnational frameworks

There are no subnational frameworks for monitoring public social spending. As mentioned above, municipal accounts are subject to monitoring by the Ministry of the Interior, as well as by the Turkish Court of Accounts and – should there be a specific issue – by the Presidential State Auditing Board. Municipalities may undertake their own performance monitoring procedures to self-evaluate their activities. This is conducted either directly by the mayor himself/herself or by a committee appointed by the mayor. The legal basis for that kind of audit is Law no. 5018 on the Management and Monitoring of Public Finances. The audit is expected to focus on the performance of activities conducted by departments within the municipality and to make proposals for their improvement (Türkyılmaz, 2014). As this kind of audit is directly linked to the mayors themselves, there is likely to be some variation among municipalities.

Although not stipulated as one of their primary duties/responsibilities, municipalities may also conduct public social policies (e.g. help for the poor, basic health service deliveries, assistance to the elderly). The extent to which municipalities in Turkey engage in such activities varies from one municipality to another, as well as from one period of time to another. The monitoring system for municipalities is operated by two bodies: the financial side is controlled by the Turkish Court of Accounts (Law no. 5018 article 68), while the administrative and legislative sides are supervised by the Ministry of the Interior (Laws no. 5302 article 38 and 5393 article 55). The Presidential State Auditing Board also has the power to conduct auditing/monitoring investigations into municipalities.

2 Reporting/review tools for public social spending

The two main tools for evaluating performance in terms of public social spending are the performance reports of the ministries and the audit reports of the Turkish Court of Accounts.

Law no. 5018 on the Management and Monitoring of Public Finances, dated 24/12/2003, requires each government entity to prepare a five-year strategic plan. An annual performance programme is then drawn up to set targets in line with the strategic plan. These also define the actions to be taken and the budget to be allocated. Finally, an annual activity report provides information on the entity's achievements, as well as the adequacy of the budget. This constitutes the main entry point for evaluation of public expenditure. The reports, however, often reflect very specific measures and fall far short of providing a comprehensive evaluation of the return on spending. We are not aware of any major policy change that has resulted from the targets being missed.

The draft of the Law on the Turkish Court of Accounts, dated 2010, stated that the institution was to monitor the accounts to 'ensure that public administrations function effectively, economically, efficiently and in compliance with laws and that public resources are acquired, preserved and utilised in accordance with the purposes envisaged, targets, laws and other legal arrangements'. However, during parliamentary discussion of this law, the passage concerning the effectiveness, economy and efficiency of public spending was removed, and the Court of Accounts' duty was limited to monitoring compliance with the law. On the basis of Law no. 5018 on public expenditure, and in line with international norms, the Court of Accounts insisted on monitoring performance. Although the government subsequently passed a law prohibiting the Court of Accounts from undertaking such monitoring, the case went to the Constitutional Court, which decided that the Court of Accounts may disclose its views on the efficiency, effectiveness and economy of public spending, but may not assess the propriety of the expenditure from these perspectives. In its current structure, the Court of Accounts monitors performance with respect to the targets set by the relevant government body. Concern over the lack of performance monitoring has also been expressed in EU Enlargement Reports on Turkey (for a discussion of the legislative controversy (in Turkish), see Balyemez, 2018 and Şahin and Elif, 2018). In the period 2019-2020, through the project entitled Enhancing the Impact of the Turkish Court of Accounts on Good Public Governance, supported by the World Bank, the Court of Accounts strengthened its human resources capacity (World Bank, 2021), and the quality of the reports produced during that period was also acknowledged in EU documents (European Union, 2021).

It is to be noted that the Turkish Court of Accounts is a member of the International Organization of Supreme Audit Institutions (IOSAI), and IOSAI's approach is based on assessment of effectiveness, efficiency and economy in performance auditing. According to IOSAI, efficiency is defined as the optimal use of resources to achieve the aims of the relevant institution, and requires monitoring the use of human and financial resources; effectiveness refers to the extent to which the targets are achieved; and finally, economy is about minimising the cost of achieving the targets, given the quality constraints. It is to be noted, however, that the law passed in 2010 does not allow the Court of Accounts to assess the propriety of expenditure from the perspective of the efficient, economic and effective use of resources. Instead, it is only allowed to assess compliance with the laws and targets set by the relevant institution. As such, the Court makes an assessment of the performance measures from the perspective of 1) their relevance to the targets; 2) their measurability; 3) how well defined they are; 4) their consistency; 5) their verifiability; and 6) their reliability (Bilgiç-Kavas, 2020). There are no common indicators in making the assessment.

Regarding the reports by the Court of Accounts, Bilgiç-Kavas (2020) looks into performance monitoring in municipal spending, and finds that the Court of Accounts largely monitors effectiveness, in the sense that it focuses on the link between the aims and the targets, as well as the measurability of these targets. She concludes that the efficiency and economy dimensions are rather lacking. Balyemez (2018) notes that any assessment of efficiency, effectiveness and economy is largely absent from Court of Accounts reports.

In policy making, impact studies are quite rare, though two outstanding examples were initiated about two decades ago: the first was a project on training programmes under an active labour market programme (Güray, 2012; Hirshleifer et al., 2016); and the second was a project on a conditional cash transfer programme to improve the health and education of children (Buğra and Keyder, 2006; International Food Policy Research Institute, 2007). Both of these were conducted in cooperation with the World Bank. The former found little evidence of effectiveness of the training programmes, and that, we know, led to certain changes being made to those programmes. The latter found a positive impact of the conditional cash programme on the health and education of the children affected. A project on conditional cash transfers to Syrian children living in Turkey was

recently conducted by UNICEF, with promising findings.² During the health reform of the early 2000s, certain policy initiatives were implemented through pilot programmes, but generally speaking there was no formal evaluation. Other than the examples mentioned above, impact evaluation has not been conducted.

Auditing at the municipality level is generally conducted along three dimensions: i) financial; ii) administrative; and iii) legislative. At the municipality level, the audit procedures to exclusively or directly evaluate the performance of local authority activities are limited. The performance reports prepared by municipalities include spending on social services and are assessed by the Court of Accounts on an annual basis.

² <https://www.air.org/project/program-evaluation-conditional-cash-transfer-education-ccte-syrians-and-other-refugees>

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