

## Chapter 21

# The Role of Annual Reports in Ensuring Accountability: The Case of Development Agencies in Turkey

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### ABSTRACT

*Regional development agencies (RDAs) are governance-based institutions that aim to help a specific region to socioeconomically develop by ensuring cooperation among the public sector, the private sector, and nongovernmental organizations within that specific geographical region. In Turkey, which was not able to eliminate the regional differences via centralized policies, development agencies (DAs) were established as “the new-type organizations of public management” in the early 2000s. Taking part in regional development that is a vital area and not having a usual organization have increased the expectations from these agencies. Today, there is a great pressure on DAs concerning their accountability. The best way to understand the level of accountability of DAs that have an approximately 10-year history is to analyze the annual reports they have to announce to the public. This chapter carries out a content analysis on disclosure items in the annual reports of 25 DAs in Turkey and examines their level of accountability to their stakeholders.*

### INTRODUCTION

The decision to grant Turkey the status of European Union (EU) candidate country at Helsinki Summit in 1999 was a driving force for the public management reform movement in Turkey. In addition, the two financial crises that broke out in November 2000 and February 2001 required the public management to be urgently restructured. Some of the reforms which have been introduced in accordance with the New Public Management (NPM) approach are as follows: focus on decentralization, strengthening local authorities, the transition to accrual-based accounting and performance-based budgeting in the public sector, and introducing regulations to enhance fiscal transparency and accountability.

Another significant innovation which was introduced in the public management in the early 2000s in Turkey is the establishment of the Development Agencies (DAs)—as known Regional Development

DOI: 10.4018/978-1-5225-3731-1.ch021

Agencies (RDAs) in the international area—reflecting the change in the concept of development<sup>1</sup>. RDAs intend to enable a specific region to socially and economically develop by ensuring cooperation among public institutions, the private sector, local authorities, and nongovernmental organizations within a specific geographical region of the country (Clark, Huxley, & Mountford, 2010; SPO, 2006). RDAs, as the NPM argues, symbolize that some of the central government's power concerning the economic development is transferred to the local actors. The transference of power, within the scope of the NPM, is a two-sided medallion including decentralization, participation, and flexibility, on one side, and the key concept of “accountability”, on the other side (OECD, 1997; Callahan, 2007; Denhardt & Denhardt, 2007; Bryson, Crosby, & Bloomberg, 2014). It is really not possible to control an actor that is not sufficiently held accountable. It is rather coincidental if an actor that is not sufficiently controlled fulfills the expected duties. The words that Mackenzie (1966) stated 50 years ago express the same argument: “... without accountability no control; and if there is no control, where is the seat of power?” (p. vii).

DAs have a ten-year history in Turkey, and, to be able to fulfill their mission to help developing regions, they need to be held sufficiently accountable. As DAs are financed by both the public and the private sector, these agencies are accountable to a large number of stakeholders. The annual reports have an important function in this regard. Indeed, the annual reports are the major accountability documents showing the total performance level achieved by the institutions over a year (Boyne & Law, 1991). These reports are called “accountability reports” in some countries. They have to include not only the activities that have been carried out but also the deviations from the objectives along with their reasons. In Turkey, the DAs are legally obliged to prepare their annual reports in a way to ensure fiscal transparency and accountability, and to announce these statements to the public by the end of March, at the latest.

Although many studies have been conducted on RDAs, the literature on the accountability of these agencies is quite limited. No work is available on the responsibility of DAs to account for their activities via annual reports in Turkey. As a result, the main purpose of this chapter is to analyze the annual reports of 25 DAs which have a high burden of accountability in Turkey, by carrying out a content analysis and thereby assessing DAs' level of accountability to their stakeholders. The accountability performance of these agencies, which are regarded as the new organization model of the public management in Turkey, are quite important to reveal the state in a country known for having a long tradition of centralized management approach.

The researcher used a disclosure index consisting of 26 disclosure items to measure the level of information in the annual reports. The index items were created by the author by using the regulation on the requirements of the annual reports of the Turkish Development Agencies (TDAs). These items were grouped into three main categories (institutional, fiscal and performance information) as in Demirbaş & Eroğlu (2016). The content analysis implemented on the annual reports for the fiscal year 2016 showed that the TDAs had a sufficient performance in the institutional information category but low one in the fiscal and performance information categories.

## **BACKGROUND**

Eliminating the differences among regions in terms of development is one of the fundamental problems of Turkey, as for most other countries. Turkey, which has a long governmental tradition of centralized management, has tried to solve this problem with top-down policies for many years. Five-year national development plans—as required by law—were compulsory for the public sector, but provided incentives

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