A DRAWBACK IN TURKISH BUDGET CLASSIFICATION: WHERE HAVE PUBLIC INVESTMENTS GONE?

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ABSTRACT

In 2006, Turkish fiscal structure has changed its budgeting and budget classification system from a program based and accordingly classified hybrid one (between Program Budgeting and Planning-Programming-Budgeting systems) to a strategically planned, performance based and analytically classified multi-year budgeting system that was structured in line with European System of Accounts (ESA) and Government Finance Statistics (GFS) which have been shaped by neoliberal praxis. What's wrong with this new classification is that public investment expenditures cannot be clearly distinguished from other outlays. Pursuant to "non-investor minimal state" approach of the neoliberal thought, the idea of "public investment" is the missing point of new classification system. Here, I make three alternative technical recommendations to fix this drawback.

Keywords: Public Investment Expenditure, Budget Classification, Analytical Budget Classification.

TÜRK BÜTÇE SINIFLANDIRMASININ EKSİK HALKASI: KAMU YATIRIMLARI NEREYE KAYBOLDU?

ÖZ

2006 yılında Türk mali yapısı, program temelli ve program sınıflandırma tipine sahip hibrid (Program Bütçe Sistemi ve Planlama-Programlama-Bütçeleme Sistemi arasında) bir bütçe ve sınıflandırma sisteminden, stratejik olarak planlanan, performans esaslı, analitik biçimde sınıflandırılan ve neoliberal praksis tarafından şekillendirilen Avrupa Hesaplar Sistemi (ESA) ile Devlet Finans İstatistiklerine (GFS) uygun olarak yapılandırılmış, çok yıllı bir sisteme geçmiştir. Yeni sınıflandırma sisteminin temel eksikliği, harcamacı kuruluşlarca gerçekleştirilen yatırım harcamalarının açık olarak görülememesidir. Neoliberal öğretinin "yatırımcı olmayan minimal devlet" yaklaşımına uygun olarak, "kamu yatırımı" düşüncesi, yeni sınıflandırma sisteminin kayıp halkası olmuştur. Çalışmada, bu eksikliğin giderilmesine yönelik olarak, üç alternatif teknik öneri ortaya konmuştur.

Anahtar Kavramlar: Kamu Yatırım Harcamaları, Bütçe Sınıflandırması, Analitik Bütçe Sınıflandırması.

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INTRODUCTION

An utmost importance have been attributed to public investments even in the neoliberal age of post-1980 process that based on market economy and "minimal-regulative" state approach. According to proponents of this understanding, public investments may play important roles in economic development by their affirmative effects on complementary consumption offsetting the negative wealth effects on private consumption, on capital stock, on infrastructure, on marginal productivity, on retrieving the inefficiencies of private ownership, on positive production externalities that enhance private sector productivity, on follow-on investments by private actors of the market ,and on poverty reduction. Especially after the financial crisis of 2008, these welfare and development effects of public investments have gained popularity among both academicians and politicians.

On the other hand, because these emphases have not reached a hegemonic position in politico-economic terms, fiscal and budgetary structures of most of developing and developed countries have been shaped by ongoing neoliberal discourse and practices. Budget classification systems also couldn't have circumvented from this process of neoliberalization. Endeavors to standardize accounting and budgetary classifications like System of National Accounts (SNA), European System of Accounts (ESA) and Government Finance Statistics (GFS) have succeeded in reshaping the fiscal and budgetary structures. In line with the spirit of neoliberal transformation, of course, there was no place for public investments in budget classification systems that had been reformed in accordance with these endeavors. This is also valid for Turkey. She has changed her budget classification, that used in all public spending authorities, in 2006. The new Analytical Budget Classification (ABC) System, unlike the previous program based hybrid one, doesn't has a "current-investment-transfer" type of classification. So, in this study, I suggest three alternatives to insert such a classification into the ABC.

In this sense, firstly I analyze the role of public investments in a neoliberal-minimal-regulative state. Then I reveal effects of financial crisis of 2008 on these discussions. In that regard, I answer the question "why budget classification matters?". After handling the international attempts towards standardization of budget classification, in last part of the study, I evaluate the Turkish ABC System, and finally make three technical recommendations to solve the display problem of public investments in the Central Government Budget.

I. CHANGE IN ECONOMIC ROLE OF STATE AND PUBLIC INVESTMENTS IN THE NEO-LIBERAL AGE

After the demise of Keynesian doctrine and practices in the course of the period between late 1970s and 1980s, the neoliberal discourse and policies have become prominent among both developed and developing world. This new thought was essentially a revival and renewal of laissez-faire economic liberalism, holding to principles of free markets and the minimal state, that incorporates school of Austrian economics (von Mises, Schumpeter and Hayek) to so-called Chicago School of economists (Hayek and Friedman), and that has a strong commitment to methodological individualism, private property and a distinctive antirationalist epistemology (Barnett, 2010: 1-4).

By dismantling old divisions between state and market to accommodate a new synergistic partnerships that based on postmodernist perspectives and on shift from government to governance (Brand, Gaffikin, 2007: 283), the neoliberalism has grounded its hegemonic discourse and policy priorities on three strategic elements which were anti-inflationary monetary policy, fiscal discipline imposed on governments to achieve balanced budgets, and micro-economic reforms to further liberalize trade and to expand the business sector. According to Ellwood and Newberry (2007: 550), "*[t]his neo-liberal 'iron tripod' is intended to constrain and reduce the size and power of governments, while at the same time supporting and encouraging the expansion of business activity*".

In terms of the economic role of the state, this was a shift from a directly manufacturing state to a regulative "watchdog" and from a dominating economic actor to a overseeing partner. In other words, -for example- with its sovereign wealth funds (SWF's) and the investment activities of reconstituted state-owned enterprises, the state is now becoming the very thing that states feared almost a century ago. That is, they have begun to take on the characteristics of large aggregations of private economic power. And this type of economic power is very different than that in mercantilist, [Keynesian] and Marxist/Leninist examples and undertakings in the history of economics (Backer, 2010: 10-12). Here I should note that, the minimal state does not necessarily mean a "weak" state. To illustrate, in South Korea, the neoliberal process, have risen the economic power of state elites (particularly that of presidency and senior ministers). In this economy, "*[t]he pro-reform state elites have followed a different logic to that of earlier periods of industrialization, enthusiastically pursuing the liberalization of financial markets and industrial restructuring while also implementing the framework for a rudimentary welfare state, instead of focusing on incentives for corporate investment ... Despite strong opposition from the 'chaebols' [the family-owned conglomerates that have dominated the Korean economy] the state* *has reinvented itself as the facilitator of financial and industrial restructuring*" (Hundt, 2005: 242-243, 258)."

Nevertheless, this power does not come from large public enterprises or investments (and mostly it comes from the power to "control"). The reality is two-folded. On the one hand there is seen an increase in public expenditure out of GDP. The reason for this rise was the increase in transfer payments due to the aging of the population in developed world; whereas in developing countries, the rises in infrastructure and education spending have augmented the public expenditures (Shelton, 2007: 2251-2252). However, this increase in public expenditure did not favor public investments. The tendency toward compression of public investment at times of fiscal austerity underlies the fact that investment is the most volatile of all public spending items (Easterly *et al.*, 2008: 39) despite we have some adverse examples like Japan (Brückner, Tuladhar, 2010: 5). Out of other factors, especially neoliberal "fiscal adjustment programs" dictated by international financial and economic institutions (like IMF) that have made pressure on governments towards privatization and balanced budgets (Easterly *et al.*, 2008: 42), the decline in tax rates that driven by rising competition (Gomes, Pouget, 2008: 3-4), and economic and monetary integration process seen in Europe (Turrini, 2004: 4) have reduced public investments dramatically.

On the other hand, there is a satisfactory literature on the importance of public investments and their substantial positive effects on the economic development and welfare. Public investments have affirmative effects on;

- Output by offsetting the negative wealth effects on private consumption (Brückner, Tuladhar, 2010: 21),
- Capital stock of whole economy (Easterly *et al.*, 2008: 40; Kalaitzidakis, Kalyvitis, 2005: 589),
- Infrastructure,
- Marginal productivity,
- Retrieving the inefficiencies of private ownership (Easterly *et al.*, 2008: 40-46),
- Of positive production externalities that enhance private sector productivity via private firms' production function either as a flow (government productive services) or as a stock (public or infrastructural capital) (Kalaitzidakis, Kalyvitis, 2005: 586),
- Follow-on investments by private actors of the market (Toole, Turvey, 2009: 44),
- And poverty reduction (Easterly *et al.*, 2008: 38).

Of course, here, some criticisms that based on famous discussion on "crowding-out" may be put forward. On the other hand the crowding-out issue is not a constant economic rule. We have also challenging findings. For example, using dynamic panel data estimates of the public investment elasticities, based on general government expenditures on public investment in a given prefecture and year in Japan between 1990 and 2000; Brückner and Tudalhar (2010: 17), have found that "public investment had a positive but statistically insignificant effect on private investment". Furthermore, Cavallo and Daude (2011) have reached empirical results – which exploit both the time series and cross sectional variation in the data using a panel of 116 developing countries with annual observations between 1980 and 2006 – which suggest that crowing-out effect is dampened (or even reversed) in countries with better institutions – where the marginal productivity of public investment is conceivably higher.

A. DISCUSSIONS AFTER 2008 FINANCIAL CRISIS

Whereas it was the 1997 Asian financial crisis that prompted serious revision of the 'Washington Consensus' in the context of development economics as it applied to Asia, Africa, and Latin America, it has been the 'nightmare on Wall Street' of 2008 that has called neoliberal ideology into question on its own grounds (Silvey, 2010: 829). After that crisis, some researchers have defined the situation -that the free market got dragged into- as "a period of decline, decay and, above all, depression" (Clarke, 2010: 378), while some others have propounded substantial doubts against "trusting too much to the market". Moreover, "post-neoliberalism" and "neostructuralism" discussions have been started off by arguing a different conceptualization of the state that accentuates the social rights of citizens against the market (Grugel, Riggirozzi, 2012: 3). There has risen an increased support for the welfare state again (Vis et al., 2011: 342-343).

Economists and governments have commenced to re-discuss an old "national question: protectionism versus free trade; transnational capital versus national industries; state investment versus nationalization; global flows versus national regulation; global governance versus interstate collaboration" (Clarke, 2010: 387). The Crisis, have also brought under question the prejudices against creating and maintaining State Owned Enterprises (SOEs) by normalizing public ownership as another acceptable form of asserting regulatory power – especially throughout U.S. (Backer, 2010: 15-16). Within this framework, public investment and transfers to the unemployed, have been favored as they are deemed to have higher multipliers. Many emerging markets, in particular, have focused a large share of their stimulus plans on public investment (Brückner, Tuladhar, 2010: 4). Tanzi (2009: 3) has argued that, the last financial crisis of 2008 has grown the popularity of [such] Keynesian policies. For him, many observers have considered the current crisis [of 2008] as a clear evidence of widespread market failure. They have called on governments to step in and play a larger role both, in the short run, in stabilizing the economy, and, in the long run, in expanding public sector activities and public spending (Tanzi, 2009: 26).

For some researchers and politicians, this reevaluation of orthodox neoliberal economic doctrine implies "more state and less market" or a "paradigm shift with society". This is no simple return to the economics of the past, however, for the new policies are being put in place alongside the retention of key elements of economic management from the neoliberal era that are deemed essential for economic stability (Grugel, Riggirozzi, 2012: 2).

On the other hand, there has been a pressure from mainstream neoclassical economists, who fear that long-term deficits destabilize the economy: ultimately, it is argued, governments face an intertemporal budget constraint such that current fiscal expansion will be followed ineluctably by future fiscal contraction. Although this view has been severely criticized by heterodox economists, policymakers seem to have reverted to the pre-2008 policy position on the need for an "exit strategy" and a return to balanced budgets (Seccareccia, 2012: 64-65). Seccareccia (2012: 65-76), questions this return, and makes an unconventional proposal that is "*based on the view favoring the socialization of investment that Keynes originally defended during the late 1930s and early 1940s [Keynesian Socialization of Investment or a 'functional finance']*" (p. 65). For him, because the governmental deficit spending is "merely the counterpart of private sector saving", that deficit "permit the private sector to achieve its level of desired savings". Thus, a fall in the level of these savings makes it an imperative to run budget deficits for governments. In addition, he argues, a serious and strong public investment growth policy will result in a surplus in current and ordinary parts of operating balance of the state.

II. WHY BUDGET CLASSIFICATION MATTERS?

Before favorable developments in budget classification systems, "*[t]he frequent practice is to report total operations, permitting a false budgetary balance, or to define costs so as to obtain a balance by juggling accounts*" (Kilpatrick, 1936: 22). And it is obvious that, such legerdemains are infringements against budgetary principles like "clarity, accuracy and sincerity". Thus, the budget classification is the most crucial tool to meet these budgetary principles and fiscal discipline as well.

According to Guest (1937: 37), classification is one of the first methods of science. Masses of data of any kind begin to take on meaning only as some assortment or classification of them is undertaken and worked out. In this sense, the pioneering researcher who was the first in emphasizing the existence of a necessary connection between the development of an adequate classification of governmental expenditures in his book titled as 'The Science of Finance' in

1898 was Henry Carter Adams. Some of the earlier attempts for classification had divided expenditures into ordinary and extraordinary; necessary, desirable, and superfluous; productive and unproductive; necessary and optional; primary and secondary; constitutional expenditures and expenditures of administration; progressive, regressive, and proportional expenditures. Furthermore there were classifications according to whether expenditures are for protective, commercial, or developmental purposes; classifications according to relationship to revenue; and classifications that related to "benefit" (Guest, 1930: 38).

For Jacobs et al. (2009: 1-2), budget classification is one of the fundamental building blocks of a sound budget management system, as it determines the manner in which the budget is recorded, presented and reported, and as such has a direct impact on the transparency and coherence of the budget. For them, a budget classification system provides a normative framework for both policy decision making and accountability. Classifying expenditures and revenues correctly is important for (1) policy formulation and performance analysis; (2) allocating resources efficiently among sectors; (3) ensuring compliance with the budgetary resources approved by the legislature; and (4) day-to-day administration of the budget. Once established on a sound basis, a classification scheme should not be substantially changed unless there are strong reasons; a stable classification facilitates both the analysis of trends in fiscal policy over time and intercountry comparisons.

The classification of public expenditure gains a doubled importance particularly when we come to the classification of investment spending. There have being discussions even on whether to have a separate capital budget distinct from Federal Budget in U.S. since Second World War. For some, having a detached capital budget out of the Federal Budget will have no impact on the composition and structure of public expenditure, yet for some others a distinct capital budget will effect public expenditure via two mechanisms: Firstly, "*[i]f the institution of a capital budget leads to organization of an agency concerned with capital project administration, then the activities of this bureaucracy may have real effects on government spending* (models, developed by Niskanen and extended by Conybeare)". … And secondly "*capital budgets can affect government spending … by changing the set of credible bargains that legislators can agree to … By creating a separate institutional channel for capital appropriations, capital budgets may enable interest groups with strong preferences for such projects to control the capital spending agenda, and thereby raise total spending because they enhance the efficiency of interest-group politics, not because they provide a more accurate accounting for government activity*" (Poterba, 1995: 170). In addition to these, "*[s]eparate planning of capital brings the danger of over investment, because capital is often seen as inherently more virtuous, or at least more politically rewarding, especially if it can be approved* *separately from its associated current spending. One consequence can be capital projects which are left only partly completed, or not used on completion, because of a lack of finance which good planning could have foreseen*" (Spackman, 2002: 11).

As it can be seen, handling capital and investment outlays of the state separately, have some effects on the composition of the public expenditure. In other words, the "appearance" of public investments in the budget, may have real effects on that kind of disbursements and others. And the "budget classification" is the most important denominator of that "appearance". Thus, besides "accountability and transparency", the budget classification seriously matters for public expenditure composition in general, and for the share of investment outlays in particular. Furthermore, "*[t]he foregoing arguments illustrate how capital budgets may affect the level and composition of government output. It is also possible that such budgets affect the labelling of government spending, without affecting actual spending. Such relabelling is an example of the 'political ingenuity' that [some researchers] describe as a potential response to fiscal constraints*" (Poterba, 1995: 170). Poterba's (1995) panel data calculations on U.S. data -covering times (early 1960s) in which there were capital budgets out of state budgets in some states, while there were no capital budgets in others- also prove for these arguments: "*The results generally suggest that state capital budgets are associated with higher levels of non-highway capital spending. The estimates ... indicate that a state with a capital budget spends an average of $3.6 per year per capita more than a similar state without one*" (p. 177). Such realities may help us to understand the neoliberal endeavor by international financial institutions (i.e. IMF, World Bank etc.) to conceal public investments from the "public". It seems that, leave a separate capital budget aside, there is even no tolerance to the appearance of public investments within the general budget. According to us, this is a crucial mistake for the transparency of the system. Even if we accept the neoliberal praxis as the *sine qua non* imperative for the politico-economic life, it will be vital to see the fiscal composition of public expenditures to have some idea on their prospective economic effects. Therefore, display of a "current-capital-transfer" type classification in a budget classification system has an utmost significance for the academic and public scrutiny.

A. INTERNATIONAL STANDARDS ON THE ECONOMIC CLASSIFICATION OF PUBLIC EXPENDITURES

In economics and public finance literature, the conventional economic classification of public expenditures provides a "current-capital-transfer" differentiation. However, the "budget classification" is a different phenomenon. During Keynesian times of economic activity in which the emphasis on "policy side" and economic effects of the fiscal policies were pertinent rather than the accounting relevance of public budgets, the "current-capital-transfer" classification of expenditures was used to take place in budgets. But after shift to the neoliberal "minimal and regulative" state praxis, the composition and the structure of budget classification became to trivialize the "policy" and "welfare" sides of fiscal issues and budgets, and to accentuate the "accounting" aspects of budgetary practices. In this sense, what is understood by "economic classification" has been changed in time and reduced to groupings of line-items in accordance with accounting rules. There are three sound attempts to materialize this transformation.

First attempt was the introduction of System of National Accounts (SNA) in 1993 by European Commission (EC), IMF, OECD, United Nations (UN) and World Bank (WB) together. Then the "System" was updated in 2008. In SNA-2008, the classification of government functions (COFOG) -namely "functional classification" that brings ten functions for the central government (p. 525)- are listed (in her Analytical Budget Classification System-ABC, Turkey is now using this as "functional classification" part). However there is no economic classification in SNA-2008, and it recommends to use GFS-2001 (that was updated in 2014) for this aim (p. 81).

The second attempt was European System of Accounts (ESA) in 1995 by European Commission that was updated in 2010. This system is based on SNA (an expanded version), and like that in SNA, resorts to GFS for economic classification of public expenditures (p. 426-430). On the other hand, ESA-2010 directly cites from GFS and makes some comparisons and matching between two systems. Furthermore, in ESA-2010 also we meet explanations for items in economic classification. Here, it explains the capital expenditure of the state as such "*[c]apital expenditure comprises capital transfers, in the form of investment grants (D.92) and other capital transfers (D.99), as well as investment expenditure: gross capital formation (P.5, which consists of gross fixed capital formation — P.51g, plus changes in inventories — P.52, and acquisitions less disposals of valuables — P.53); and acquisitions less disposals of non-produced non-financial assets (NP). Disposals of non-financial assets, such as buildings, are not recorded as revenue, but as negative capital expenditure, making the*" (p. 433, 471). Additionally, ESA-2010 defines COFOG (p. 434) as the same in SNA-2008.

The third attempt was Government Finance Statistics (GFS) presented in 1986 and updated in 2001 and again in 2014 by IMF. In GFS, we see detailed definitions and explanations for the economic classification of public expenditures. The table below is taken from the GFS-2014 Manual:

Table 1: Summary Economic Classification of Public Expenses

2	**Expense**		***(Continued)***
21	**Compensation of employees [GFS] 1**	**27**	**Social benefits [GFS] 1**
211	Wages and salaries [GFS]	271	Social security benefits [GFS]
2111	Wages and salaries in cash [GFS]	2711	Social security benefits in cash [GFS]
2112	Wages and salaries in kind [GFS]	2712	Social security benefits in kind [GFS]
212	Employers' social contributions [GFS]	272	Social assistance benefits
2121	Actual employers' social contributions [GFS]	2721	Social assistance benefits in cash [GFS]
2122	Imputed employers' social contributions [GFS]	2722	Social assistance benefits in kind [GFS]
22	**Use of goods and services**	273	Employment-related social benefits [GFS]
23	**Consumption of fixed capital [GFS] 1**	2731	Employment-related social benefits in cash [GFS]
24	**Interest [GFS] 1**	2732	Employment-related social benefits in kind [GFS]
241	To nonresidents [GFS]	**28**	**Other expense**
242	To residents other than general government [GFS]	281	Property expense other than interest
243	To other general government units [GFS]	2811	Dividends1
25	**Subsidies 1**	2812	Withdrawals from income of quasi-corporations
251	To public corporations	2813	Property expense for investment income disbursements
252	To private enterprises	2814	Rent
253	To other sectors	2815	Reinvested earnings on foreign direct investment
26	**Grants1**	282	Transfers not elsewhere classified
261	To foreign governments	2821	Current transfers not elsewhere classified
2611	Current	2822	Capital transfers not elsewhere classified
2612	Capital	283	Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes1
262	To international organizations	2831	Premiums, fees, and current claims
2621	Current	2832	Capital claims
2622	Capital		
263	To other general government units		
2631	Current		
2632	Capital		

[1] Indicates that further breakdown may be analytically useful and are presented in detailed tables.
Source: GFS-2014 Manual, p. 115, Internet Address: www.imf.org/external/ np/sta/gfsm/ pdf/text14.pdf, Date of Access: 28.04.2014.

As it can be seen, in the economic classification brought by GFS-2014, there is no such first level item as "capital expenditures" or "investment expenditures". Because "*[i]n GFS, the functional classification is applied to expenditure -that is the sum of expense transactions and net investment in nonfinancial assets*" (p. 114), we face current and capital grants items just in "26 - Grants". Essentially, in the GFS-2014 Manual, public investments are hidden in "25 – Subsidies" item. According to the Manual, "*[s]ubsidies are current unrequited transfers that government units make to enterprises on the basis of the level of their production activities or the quantities or values of the goods or services they produce, sell, export, or import*" (p. 130). Additionally we meet some sort of investment expenditures also as "2813 - Property expense for investment income disbursements" and as "2822 - Capital transfers not elsewhere classified" items. This structure of the classification calls Guest's statement to the mind that "*[i]n fact, it is true of all classifications that they are open to censure chiefly as they fail to accomplish the purpose for which they were designed*" (Guest, 1930: 44). While, by GFS, the –neoliberal- purpose (minimal state - taking away the governmental mind from the thought of public investment) seems to be achieved. Here I should note that, although inspired from and based on GFS classification, Turkish ABC System uses a bit different classification from the GFS as I will mention below.

III. INVESTMENTS EXPENDITURES IN ECONOMIC CLASSIFICATION OF TURKISH ABC SYSTEM

Turkey has used traditional budgeting system until 1973. It was based on a classical line-item sequence of public services on the basis of institutions. After 1973, she passed to some kind of a hybrid system between Program Budgeting System (PBS) and Planning-Programing-Budgeting System (PPBS). In financial year 2006, (with Public Financial Management and Control Law No: 5018 that publicized in Official Gazette in December 2013) all spending authorities have moved to Strategic Plan and Performance Based Budgeting (PBS). In this part, abiding by the main argument of the study, I will analyze the classification structures of the last two: the hybrid system and PBS.

A. BEFORE ABC SYSTEM: CURRENT-INVESTMENT TRANSFER TYPE CLASSIFICATION IN PPBS

Before 2006 financial year, public institutions in Turkey have used to use a Program Based classification system -which was essentially an improved and extended version of line item classification- within the framework of Planning-Programming-Budgeting System (*PPBS*). In this system, services -undertaken by general and annexed budgetary institutions- had been coded between 101 and 999 as "service programs" ("Parts"). And each service program had been divided into sub-programs ("Sections") coded between 01 and 99. Each program and sub-program had also been denoted numerically and sequentially under the title of "Allowance Type" in accordance with "1 Current Expenditure", "2 Investment (or Capital) Expenditure", and "3 Transfer Payment" classification. Under each allowance type, there were "operation" or "project" items (Articles) between 001 and 999, and under them there were line items between 100 and 900 (as 100 Personnel Payments, 200 Excursion Payments, 300 Service Purchases and so on) (Tüğen, 2011: 176-177). Thus, by looking at the third column (allowance type) of the budget chart, anyone might have grasped that a line item is a current, a capital or a transfer expenditure as it is seen in Table 2 below in *italic*.

Table 2: Appearance of Public Expenditures in the PPBS (from the 2001 Budget of Ministry of Finance)

CODE										MILLION ₺
PART (PROGRAM)	**SECTION (SUB-PROGRAM)**	***ALLOWANCE TYPE***	**ARTICLE (OPERATION/ PROJECT)**	**LINE ITEM**	**EXPLANATION**	**Line Item**	**Article (Operation/ Project)**	**Allowance Type**	**Section (Sub-Program)**	**Part (Program)**
101					GENERAL ADMINISTRATIVE AND SUPPORTIVE SERVICES					94.679.785
	01				GENERAL ADMINISTRATIVE SERVICES				34.065.630	
		1						34.065.630		
			001		Administrative Services		370.000			
				100	Personnel Payments	251.680				
				200	Excursion Payments	20.100				
				300	Service Purchases	45.150				
				400	Purchase of Consumption Goods and Materials	47.500				
				500	Purchase of Fixtures	6700				
			002		Consultative and Research Services		387.500			
				100	Personnel Payments	206.000				
				200	Excursion Payments	6.500				
				300	Service Purchases	33.000				
				400	Purchase of Consumption Goods and Materials	140.000				
				500	Purchase of Fixtures	2.000				
		2						40.000		
			001		Purchase and Repair of Computers for Head Office of Financial Crimes Investigtion Board		40.000			
				600	Purchase of Machine Equipment and Vehicles	40.000				
⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮
930					FISCAL TRANSFERS					6.670.367.000
	01				TREASURY AIDS to ADMINISTRATIONS with ANNEXED BUDGET				3.521.707.000	
		3						3.521.707.000		
				201	To General Directorate Of Agricultural Reform	7.006.500				

Source: http://www.resmigazete.gov.tr/eskiler/2000/12/20001230M1-1.pdf, Date of Access: 02.05.2014.

B. CURRENT SITUATION IN ABC

In December 2003, by abolishing “General Accounting Law (No:1050)” which had been in force approximately for a century, and by enacting a modern “Public Financial Management and Control Law” (PFMC, No: 5018), Turkey has switched her budgetary system from Planning Programing Budgeting System (PPBS) to a multi-year “Strategic Plan and Performance Based Budgeting” (PBS) with a medium-term budgeting framework (MTBF) plus a new classification system that called “Analytical Budget Classification” (ABC).

The PBS, groups spending authorities of central administration into three category: (1) institutions within the General Budget [(GB] legislative, executive and higher judicial organs], (2) those with Special Budgets [(SB)mainly universities and some other educational institutions], and(3) regulatory authorities (RA). The "Central Government Budget" (CGB) consists of budgets of these three. By adding budgets of social security administrations (SSA) and local governments (LG) to the CGB, we obtain the "General Administration Budget" (GAB). The transition to countrywide full application of the system, including all these spending authorities (except form public banks, public economic enterprises and revolving funds), was completed in financial year 2006.

In ABC, revenues of the state are classified in line with a four-level economic classification, but items are different as such: (01) Tax Revenues, (02) Social Security Revenues, (03) Enterprise and Property Revenues and so on. At Level II, for example, under (01) Tax Revenues, there are (1) Personal Income and Corporate Income Taxes, (2) Taxes on Property, (3) Domestic Taxes on Goods and Services etc. Needless to say, on the way to fourth level, the precision rises like that in expenditures. By the way, I should note that the budget text displays all levels of IC and FC, the single level of FiC and just first two levels of EC.

ABC has brought the use of a solid but complicated classification model that includes four classification types for public expenditures; institutional (IC), functional (FC) and economical (EC) classifications for outlays (EC is also used for revenue classification), and financing (FiC) classification for source of outlays; different levels of which are displayed altogether in the budget text. All of these classifications have numerical representations of institutions, outlay items and revenues. IC classifies spending authorities at four levels. In Level-I, there are institutions that included in GB (01-22), universities (38-39), administrations with SB (40-41), RAs (42), SSAs (43), provincial local governments (44-45), municipalities (46-47), and local government unions (48). Then, in each institution, we have lower and then lower hierarchical units that are represented in Level-II, III and IV. For example The code of Prime Ministry is (07), and that of its undersecretariat is 01 (out of 1-99) as a second level.

In Level I of FC, ten functions of the state are coded as (01) General Public Services, (02) Defense Services, (03) Public Order and Security Services, (04) Economic Issues and Services and so on. Then, in Level II, there are such subfunctions for each service (function) as (to illustrate for "04. Economic Issues and Services"); (1) General Economic Issues and Services, (2) Agriculture, Forestry, Fishery and Hunting Services, (3) Fuel and Energy Services …etc. Level III and IV make these services more precise.

FiC is a one level classification, that denotes the sources of outlays, including (1) GB , (2) SB, (3) RAs, …., (7) External Project Credits and (8) Donations and Aids.

Table 3: Economic Classification of Expenses in ABC

I	II		I	II	*(Continued)*
01		**PERSONNEL PAYMENTS**	**05**		**CURRENT TRANSFERS**
01	1	PUBLIC SERVANTS	05	1	DUTY LOSES
01	2	CONTRACTUAL PERSONNEL	05	2	TREASURY GRANTS
01	3	WORKERS	05	3	TRANSFERS to NON-PROFIT ORGANIZATIONS
01	4	TEMPORARY PERSONNEL	05	4	TRANSFERS to HOUSEHOLDS
01	5	OTHER PERSONNEL	05	5	TRANSFERS to HOUSEHOLDS by SOCIAL SECURITY INSTITUTIONS
01	7	MEMBERS OF PARLIAMENT	05	6	TRANSFERS to ABROAD
01	8	PRESIDENTIAL PAYMENTS	05	8	APPORTIONMENTS from REVENUES
01	9	INTELLIGENCE PERSONNEL	**06**		**CAPITAL PAYMENTS**
02		**PREMIUM PAYMENTS to SOCIAL SECURITY INSTITUTIONS**	06	1	PURCHASE of MANUFACTURED GOODS
02	1	PUBLIC SERVANTS	06	2	EXPENSES on PRODUCTION of MOVABLE CAPITAL
02	2	CONTRACTUAL PERSONNEL	06	3	PURCHASE of INCORPOREAL RIGHTS
02	3	WORKERS	06	4	PURCHASE of IMMOVABLES and EXPROPRIATION
02	4	TEMPORARY PERSONNEL	06	5	EXPENSES on PRODUCTION of IMMOVABLE CAPITAL
02	5	OTHER PERSONNEL	06	6	EXTENSIVE REPAIR EXPENSES of MOVABLES
02	7	MEMBERS OF PARLIAMENT	06	7	EXTENSIVE REPAIR EXPENSES of IMMOVABLES
02	9	INTELLIGENCE PERSONNEL	06	8	STOCK PURCHASES
03		**PAYMENTS on PURCHASE OF GOODS and SERVICES**	06	9	OTHER CAPITAL EXPENSES
03	1	PURCHASE of GOODS and MATERIALS for PRODUCTION	**07**		**CAPITAL TRANSFERS**
03	2	PURCHASE of GOODS and MATERIALS for CONSUMPTION	07	1	DOMESTIC CAPITAL TRANSFERS
03	3	EXCURSION PAYMENTS	07	2	CAPITAL TRANSFERS to ABROAD
03	4	ASSIGNMENT PAYMENTS	**08**		**LOANS**
03	5	SERVICE PURCHASES	08	1	DOMESTIC LOANS
03	6	DELEGATION and PROMOTION PAYMENTS	08	2	LOANS to ABROAD
03	7	PAYMENTS on PURCHASE, MAINTENANCE and REPAIR of MOVABLES or INCORPOREAL RIGHTS	**09**		**AUXILIARY ALLOWANCES**
03	8	PAYMENTS on MAINTENANCE and REPAIR of IMMOVABLES	09	1	ALLOWANCE for PERSONNEL PAYMENTS
03	9	TREATMENT and FUNERAL PAYMENTS	09	2	ALLOWANCE to RECOMPENSING CAHNGES in EXCHANGE RATES
04		**INTEREST PAYMENTS**	09	3	ALLOWANCE to ACCELERATE INVESTMENTS
04	1	INTEREST PAYMENTS to PUBLIC INSTITUTIONS on INTERNAL DEBT	09	5	ALLOWANCE for EXPENSES by NATURAL DISASTERS
04	2	OTHER INTEREST PAYMENTS on INTERNAL DEBT	09	6	AUXILIARY ALLOWANCE
04	3	INTEREST PAYMENTS on EXTERNAL DEBT	09	7	ALLOWANCE to MEET NEEDS of NEWLY ESTABLISHED INSTITUTIONS and ADMINISTRATIONS
04	4	DISCOUNT PAYMENTS	09	8	ALOWANCE for REFUGEES and IMMIGRANTS
04	5	INTEREST PAYMENTS on SHORT-TERM CASH OPERATIONS	09	9	OTHER AUXILIARY ALLOWANCES

Finally we have a four-level (only first two of which are displayed in the budget) EC in which the Level I encodes nine group of payments such as (01) Personnel Payments, (02) Premium Payments to SSAs, (03) Interest Payments and so on. In each new Level the precision of the allowance rises until reaching clear line-items. For example under (01) Personnel Payments, we see (1) Public Servants, (2) Contractual Personnel, (3) Workers etc. Here again, the higher Level means higher precision of items. Table 3 below, gives a brief on EC of ABC.

At the Table 4 below, the actual (or formal) cross-classified display of public expenditures in the 2014 Budget of Ministry of Transport, Maritime Affairs and Communications is given. The answer to the question “why this Ministry?” is simple. Ministry of Transport, Maritime Affairs and Communications has been chosen, because it is the best example of investor public authorities. The Ministry invests in different areas (from telecommunication to fliers, highways and ports) each year within a broad realm of service. Thus, it is the best-fit example of investor government body.

As it can be seen, *non lapsus calami*, there is any “investment” item in the ABC system. Then the question is how can we calculate investment expenditures of the Ministry? There are two answers to the question from two different authorities in Turkey. The first one comes from Ministry of Finance (MoF). According to MoF, the investment expenditure of a spending authority shall be calculated simply by adding “06 – Capital Payments” to “07 – Capital Transfers” (MoF, 2013: 66). Second answer that comes from Ministry of Development (MoD) makes a bit different calculation. For the ministry, to reach a concrete result, only those capital transfers that in the form of public investment can be added to the capital payments (MoD, 2013: 33). Consequently (and ironically) the former Ministry has calculated the value of total public investments for the fiscal year 2012 in Turkey as 40,4 billion Turkish Liras (TL), whereas the later one has calculated the same variable as 27,8 billion TL. Even within the same Ministry, there can be seen different values for the total investment expenditure in the Central Government Budget. In the website of MoD on internet, if we sequentially click [Indicators and Statistics → Public Sector Statistics → Public Sector General Balance → Central Government Budget (1990-2013)], we face a value as 36,8 billion TL. Nonetheless, if we click [Indicators and Statistics → General Government Statistics (Sub-Sector Based) → Central Government Budget], we see that the value of the same indicator is 32,6 billion TL. As it can be seen, even in “totals”, there is no agreement both between ministries and yet more within the same ministry. *Res ipsa loquitur*, we cannot see information on investment expenditure values for any spending authority in any formal economic and fiscal text in Turkey. This is an undeniable fiscal problem.

Table 4: Appearance of Public Expenditures in the CGB (from the 2014 Budget of Ministry of Transport, Maritime Affairs and Communications)

INST. CLASSIF.				FUNC. CLASSIF.				FIN. CLASSIF.	ECON. CLASSIF.		EXPLANATION	ALLOWANCE (₺)
I	II	III	IV	I	II	III	IV	I	I	II		
34											**MINISTRY of TRANSPORT, MARITIME AFFAIRS and COMMUNICATIONS**	**13.013.413.000**
	01										**UNDERSECRETARIAT**	**13.000.601.400**
		31	**00**								**DIRECTORATE GENERAL OF RAILWAY REGULATION**	**1.958.060.100**
				04							**ECONOMIC ISSUES AND SERVICES**	**1.958.060.100**
					5						Transport Services	1.958.060.100
						5	00				Railway Building and Managerial Issues and Services	1.958.060.100
								1			Administrations in General Budget	1.958.060.100
									01		**PERSONNEL PAYMENTS**	**255.300**
										1	PUBLIC SERVANTS	255.300
									02		**PREMIUM PAYMENTS to SOCIAL SECURITY INSTITUTIONS**	**51.800**
										1	PUBLIC SERVANTS	51.800
									03		**PAYMENTS for PURCHASE of GOODS and SERVICES**	**174.000**
										2	PURCHASE of GOODS and MATERIALS for CONSUMPTION	61.000
										3	EXCURSION PAYMENTS	63.000
										5	SERVICE PURCHASES	16.000
										7	PAYMENTS on PURCHASE, MAINTENANCE and REPAIR of MOVABLES or INCORPOREAL RIGHTS	26.000
										8	PAYMENTS on MAINTENANCE and REPAIR of IMMOVABLES	8.000
									05		**CURRENT TRANSFERS**	**200.000**
										6	TRANSFERS to ABROAD	200.000
									06		**CAPITAL PAYMENTS**	**1.200.000**
										5	EXPENSES on PRODUCTION of IMMOVABLE CAPITAL	1.200.000
									07		**CAPITAL TRANSFERS**	**1.956.179.000**
										1	DOMESTIC CAPITAL TRANSFERS	1.956.179.000

Source: 2014 Financial Year Central Government Budget of Turkey, Internet Address: http://www.resmigazete.gov.tr/ eskiler/2013/12/20131227M1-1-47.pdf, Date of Access: 30.04.2014.

The essential cause underneath this problem is the lack of a program type classification, and thus the disconnection between budgeting, policy making and planning in their relevance to public investments. Spackman (2002: 4) argues that "*[b]udgeting needs to be tied closely to policy making and planning. Otherwise policy making and planning are not constrained by resource availability, or by strategic priorities. This leads to an unmanageable mismatch between what is promised through government policies and what is affordable*". Spackman continues (2002: 8-9) "*[e]ffective public budgeting, no less than effective control, depends on a huge range of quantitative information. International conventions help countries to develop information systems and make possible international comparisons. However it is sometimes not fully recognized in transitional and developing economies how many ways public expenditure information can be defined, and the extent to which different types of information – including different classifications of the same data - are needed for different purposes. The maintenance and development of classification systems and their use is another vital central function*". It seems that Spackman's apprehensions have become realities in Turkey. Public investment is missing part of the GSF based budget classification system of this "developing country". Hence, for us, the structure of ABC should be handled to reflect investment data clearly. I'll try to do this below.

C. THREE ALTERNATIVES TO SOLVE THE PROBLEM

Guest (1930: 42) emphasizes the importance of changes in budget classification systems as "*[e]xpenditure is an empiric fact, while functions of the state are part and parcel of social philosophy. Both are subject to change from time to time as new influences are brought to bear in government activities and as new contributions and discoveries are made in the field of thought. But these changes do not take place pari passu; and, as a consequence, any connection between government functions and government spending is vague and incidental as a general rule rather than definite and purposive*". Then, on this vagueness and incidental feature, making some *philosophical* changes and *mutatis mutandis* fine tunings in the expenditure classification systems will be a legitimate endeavor for researchers and naturally for us as well.

Furthermore, according to Spackman (2002: 9, 12) capital and current expenditures need to be considered separately, because;

- Capital spending within the budget needs to be clearly identified separately; and
- Capital-specific procedures are needed for asset procurement, for project management, for subsequent monitoring and management, and disposal of capital assets.

For other purposes capital and current expenditures need to be considered together;

- For planning and budgeting capital and current spending need to be considered together; and
- Investment proposals need to be appraised in terms of both capital and operating costs.

Nonetheless, most transitional and developing economies have significant problems with capital budgeting, some of which could be much reduced with expert and politically supported reform. The natural result of this assessment is that a proper budget classification system needs to meet both the separation of capital-current expenditures and co-appearance of these two. It seems that the Turkish classification system has succeeded in only the "co-appearance" side. Unfortunately, the "separation" side of the classification is absent.

Additionally, Kilpatrick (1936: 21) argues that "*[t]he device of cross-classification, which superficially seems incidental and mechanical, is in fact essential for administration and scientific study. Only by the cross-classification can interrelationships between data be revealed. ... [Furthermore, by] means of cross-classification, the essential objective of articulating expenditure records may be attained*". Thus, inserting a "program type of economic classification" won't be a fallacy of composition nor be a discordant intervention. So, as the first alternative, we may alter the name of current "Economic Classification" by "Object Classification", and then exert a new "Economic Classification" again that includes "01 Current Expenditure", "02 Investment Expenditure" and "03 Transfer Payment" as the first level components like in Table 5 . Changes and add-ons are denoted by *italic* words and numbers throughout the Table.

Table 5: Alternative 1 [for the 2014 Fiscal Year (FY) Budget of Ministry of Transport, Maritime Affairs and Communications]

INST. CLASS.				FUNC. CLASS.				FIN. CLASS.	*OBJ. CLASS*		*ECON. CLASS*.*	EXPLANATION	ALLOWANCE (₺)
I	II	III	IV	I	II	III	IV	I	I	II	*I*		
34												**MINISTRY of TRANSPORT, MARITIME AFFAIRS and COMMUNICATIONS**	**13.013.413.000**
:	:	:	:	:	:	:	:	:	:	:	:	:	:
	01											**UNDERSECRETARIAT**	**13.000.601.400**
:	:	:	:	:	:	:	:	:	:	:	:	:	:
		31	**00**									**DIRECTORATE GENERAL OF RAILWAY REGULATION**	**1.958.060.100**
				04								**ECONOMIC ISSUES AND SERVICES**	**1.958.060.100**
					5							Transport Services	1.958.060.100
						5	00					Railway Building and Managerial Issues and Services	1.958.060.100
								1				Administrations in General Budget	1.958.060.100
									01			**PERSONNEL PAYMENTS**	**255.300**
										1	***01***	PUBLIC SERVANTS	255.300
									02			**PREMIUM PAYMENTS to SOCIAL SECURITY INSTITUTIONS**	**51.800**
										1	***01***	PUBLIC SERVANTS	51.800
									03			**PAYMENTS for PURCHASE of GOODS and SERVICES**	**174.000**
										2	***01***	PURCHASE of GOODS and MATERIALS for CONSUMPTION	61.000
										3	***01***	EXCURSION PAYMENTS	63.000
										5	***01***	SERVICE PURCHASES	16.000
										7	***01***	PAYMENTS on PURCHASE, MAINTENANCE and REPAIR of MOVABLES or INCORPOREAL RIGHTS	26.000
										8	***01***	PAYMENTS on MAINTENANCE and REPAIR of IMMOVABLES	8.000
									05			**CURRENT TRANSFERS**	**200.000**
										6	***03***	TRANSFERS to ABROAD	200.000
									06			**CAPITAL PAYMENTS**	**1.200.000**
										5	***02***	EXPENSES on PRODUCTION of IMMOVABLE CAPITAL	1.200.000
									07			**CAPITAL TRANSFERS****	**1.956.179.000**
										1	***02***	DOMESTIC CAPITAL TRANSFERS	1.956.179.000

* 01 Current Expenditure, 02 Investment Expenditure, 03 Transfer Payment.

** Here, "2 CAPITAL TRANSFERS to ABROAD" item (which is not shown in this part of the budget) must be denoted by "03" (as a Transfer Payment), because it is not an investment expenditure anyway.

Source: Based on 2014 Financial Year Central Government Budget of Turkey, Internet Address: http://www.resmigazete.gov.tr/ eskiler/2013/12/20131227M1-1-47.pdf, Date of Access: 30.04.2014.

Or, as the *primus inter pares* second alternative, we may add a new first level to the Economic Classification that includes “01 Current Expenditure”, “02 Investment Expenditure” and “03 Transfer Payment”. Now, we have a five-level economic classification, and –preferentially- three of which will be displayed in the Central Government Budget (CGB) excluding last two levels as the same as current practice. Admittedly, this will require a bit complicated work, comparing to other two alternatives. We must make two crucial changes in the sequence of second and third levels of the economic classification. We can do this first by carrying the “03 TRANSFER PAYMENTS” under the “02 INVESTMENT EXPENDITURES”. Then we should recode “06 CAPITAL PAYMENTS” as “1 CAPITAL PAYMENTS”, “07 CAPITAL TRANSFERS” as “2 CAPITAL TRANSFERS”, and “05 CURRENT TRANSFERS” as “1 CURRENT TRANSFERS” respectively. Needless to say, if needed, sequential recoding operations should be done to secure the integrity and easy-to-read flow of the whole classification system (unfortunately I have no enough place to make all recoding works here, but once start to do this, continuing will be easily and quickly as seen in the Table 6). Here again, changes and add-ons are denoted by *italic* words and numbers.

Table 6: Alternative 2 (for the 2014 FY Budget of Ministry of Transport, Maritime Affairs and Communications)

INST. CLASS.				FUNC. CLASS.				FIN. CLASS.	ECON. CLASS.			EXPLANATION	ALLOWANCE (₺)
I	II	III	IV	I	II	III	IV	I	*I**	II	III		
34												**MINISTRY of TRANSPORT, MARITIME AFFAIRS and COMMUNICATIONS**	**13.013.413.000**
	01											**UNDERSECRETARIAT**	**13.000.601.400**
		31	00									**DIRECTORATE GENERAL OF RAILWAY REGULATION**	**1.958.060.100**
												ECONOMIC ISSUES AND SERVICES	**1.958.060.100**
					5							Transport Services	1.958.060.100
						5	00					Railway Building and Managerial Issues and Services	1.958.060.100
								1				Administrations in General Budget	1.958.060.100
									01			***CURRENT EXPENDITURES***	***481.100***
										1		PERSONNEL PAYMENTS	255.300
											1	PUBLIC SERVANTS	255.300
										2		PREMIUM PAYMENTS to SOCIAL SECURITY INSTITUTIONS	51.800
											1	PUBLIC SERVANTS	51.800
										3		PAYMENTS for PURCHASE of GOODS and SERVICES	174.000
											2	PURCHASE of GOODS and MATERIALS for CONSUMPTION	61.000
											3	EXCURSION PAYMENTS	63.000
											5	SERVICE PURCHASES	16.000
											7	PAYMENTS on PURCHASE, MAINTENANCE and REPAIR of MOVABLES or INCORPOREAL RIGHTS	26.000
											8	PAYMENTS on MAINTENANCE and REPAIR of IMMOVABLES	8.000
									02			***INVESTMENT EXPENDITURES***	***1.957.379.000***
										1		*CAPITAL PAYMENTS*	*1.200.000*
											5	*EXPENSES on PRODUCTION of IMMOVABLE CAPITAL*	*1.200.000*
										2		*CAPITAL TRANSFERS***	*1.956.179.000*
											1	*DOMESTIC CAPITAL TRANSFERS*	*1.956.179.000*
									03			***TRANSFER PAYMENTS***	***200.000***
										1		*CURRENT TRANSFERS*	*200.000*
											6	*TRANSFERS to ABROAD*	*200.000*

*1 Current Expenditure, 2 Investment Expenditure, 3 Transfer Payment.
**Here, "2 CAPITAL TRANSFERS to ABROAD" item (which is not shown in this part of the budget) must be carried under the "1 CURRENT TRANSFERS", because it is not an investment expenditure.
Source: Based on 2014 Financial Year Central Government Budget of Turkey, Internet Address: http://www.resmigazete.gov.tr/eskiler/2013/12/20131227M1-1-47.pdf, Date of Access: 30.04.2014.

Thirdly, we may add a new one-level "Fiscal Classification" that consists of "01 Current Expenditure", "02 Investment Expenditure" and "03 Transfer Payment". In their work that prepared for IMF, Jacobs et al. (2009: 7, 10) have brought up that it is possible to add some "additional classifications" *inter alia* to make budget classification systems more precise and sound. Thus, by doing this, we may create a new schema like in Table 7 below. Needless to say, changes and add-ons are denoted by *italic* words and numbers like previous two tables.

Table 7: Alternative 3 (for the 2014 FY Budget of Ministry of Transport, Maritime Affairs and Communications)

INST. CLASS.				**FUNC. CLASS.**				**FIN. CLASS.**	**ECON. CLASS.**		***FISCAL CLASS*.***	**EXPLANATION**	**ALLOWANCE (₺)**
I	**II**	**III**	**IV**	**I**	**II**	**III**	**IV**	**I**	**I**	**II**	***I***		
34												**MINISTRY of TRANSPORT, MARITIME AFFAIRS and COMMUNICATIONS**	**13.013.413.000**
⋮	:	:	:	:	:	:	:	:	:	:	:	:	:
	01											**UNDERSECRETARIAT**	**13.000.601.400**
:	:	:	:	:	:	:	:	:	:	:	:	:	:
		31	**00**									**DIRECTORATE GENERAL OF RAILWAY REGULATION**	**1.958.060.100**
				04								**ECONOMIC ISSUES AND SERVICES**	**1.958.060.100**
					5							Transport Services	1.958.060.100
						5	00					Railway Building and Managerial Issues and Services	1.958.060.100
								1				Administrations in General Budget	1.958.060.100
									01			**PERSONNEL PAYMENTS**	**255.300**
										1	***01***	PUBLIC SERVANTS	255.300
									02			**PREMIUM PAYMENTS to SOCIAL SECURITY INSTITUTIONS**	**51.800**
										1	***01***	PUBLIC SERVANTS	51.800
									03			**PAYMENTS for PURCHASE of GOODS and SERVICES**	**174.000**
										2	***01***	PURCHASE of GOODS and MATERIALS for CONSUMPTION	61.000
										3	***01***	EXCURSION PAYMENTS	63.000
										5	***01***	SERVICE PURCHASES	16.000
										7	***01***	PAYMENTS on PURCHASE, MAINTENANCE and REPAIR of MOVABLES or INCORPOREAL RIGHTS	26.000
										8	***01***	PAYMENTS on MAINTENANCE and REPAIR of IMMOVABLES	8.000
									05			**CURRENT TRANSFERS**	**200.000**
										6	***03***	TRANSFERS to ABROAD	200.000
									06			**CAPITAL PAYMENTS**	**1.200.000**
										5	***02***	EXPENSES on PRODUCTION of IMMOVABLE CAPITAL	1.200.000
									07			**CAPITAL TRANSFERS****	**1.956.179.000**
										1	***02***	DOMESTIC CAPITAL TRANSFERS	1.956.179.000

*01 Current Expenditure, 02 Investment Expenditure, 03 Transfer Payment.

** Here, "2 CAPITAL TRANSFERS to ABROAD" item (which is not shown in this part of the budget) must be denoted by "03" (as a Transfer Payment), because it is not an investment expenditure.

Source: Based on 2014 Financial Year Central Government Budget of Turkey, Internet Address: http://www.resmigazete.gov.tr/eskiler/2013/12/20131227M1-1-47.pdf, Date of Access: 30.04.2014.

I should note that, "1-Domestic Capital Transfer" item under the "07-Capital Transfers" will be evaluated as investment expenditure, because in the Guide on ABC (by MoF, 2014) the explanation of domestic capital transfers is as such: "*Unrequited payments to domestic institutions and agencies or citizens for the aim of capital accumulation or financement of capital goods and services, will be expensed in this section*" (that is in 07-Capital Transfers) (p. 70). On the other hand "2-Capital Transfers to Abroad" item will be taken as transfer expenditure. Because although there is the explanation in the Guide as *"[u]nrequited payments to international institutions and agencies or educational institutions abroad for the aim of capital accumulation or financement of capital goods and services, will be expensed in this section*" (that is in 07-Capital Transfers) (p. 72), generally these expenditures directed to aid, promote or due; and so they do not directly contribute the domestic economy. Thus, these outlays will be evaluated as transfer payments.

As a last assessment, even if one of recommendations above is accepted and used in ABC, it will be an insufficient measure, unless it is backed by an *annexed table* or report to the budget that summarizes total current, capital (or investment) and transfer payments on the basis of spending authorities. By such a chart or report, it will be possible for researchers, politicians and bureaucrats to see the distribution of total investment outlays between public administrations, and to have an idea about the policy priorities of the central government. Distribution of outlays between different functions of the government in one way or another is not a policy choice in economic and fiscal senses. A real fiscal policy (that is almost impossible to be applied by a neoliberal "minimal" state) should affect the structure and the progress of supply-demand equilibrium of the economy, and also it must be grasped by looking at the budget text. For this reason, a summary chart or report annexed to the Central Government Budget is a must to perceive whether the government is carrying on a sound fiscal policy or not.

CONCLUSION

Since financial crisis of 2008, the general neoliberal consensus on "minimal and regulative state" has being challenged, and academic and popular perceptions on the economic role of the state has considerably slid towards a neo-Keynesian (or for some others towards a post-neoliberal or a neostructural) approach. Now there is more emphases on the social responsibilities of the state and also on public investments on both social capital and infrastructure. In spite of the fact that, there is a strong pressure from mainstream neoclassical economists, we can mention about a shift in perceptions on the economic role of the state. According to this, because first the government investments do not necessarily crowd-out the public investments, second public investment is "merely the counterpart of private sector saving" that deficit "permit the private sector to achieve its level of desired savings", and third especially public investments on infrastructure of the economy will augment the profitability in the market economy; these investments should be realized when needed.

Due to mentioned importance of public investments, researchers and also the public have the right to know about the volume, structure and contents of these investments. The first and principal resource to get information about these aspects of investments is –naturally- the public budget. For this reason, an ideal budget classification system has to make it possible to grasp or get needed data on public investments by a first look at the budget. This is also necessary to meet budgetary principles like clarity, accuracy, sincerity, and fiscal principles like accountability and transparency. Nevertheless, international standards on accounting and budget classification like SNA, ESA and GSF, have made it impossible to have an idea about the volume and the structure of public investments done by a spending authority within a fiscal environment. Among these standards, neither there is such an item or part as "investment expenditure" nor "capital expenditure". This scene perfectly reflects the neoliberal (non-investing) "minimal state" perception on the economic role of the state. And the neo-liberal process, out of other measures, have realized this perception via these classification standards with a –so to say- "classificatory hocus-pocus".

This situation is valid also for Turkey. Before 2006, the government budget was used to be prepared in accordance with a hybrid budget classification of Program Budgeting and PPBS. In that system, there was a program based "current-investment-transfer" type classification alongside others. On the other hand after transition to the GFS and ESA based ABC along with performance based budgeting in all governmental units in 2006, the schema have changed. Thenceforth, it was impossible to get information about total investment expenditures of a spending authority at first look, because in the new ABC system, there wasn't a "current-investment-transfer" classification. As a natural consequence, even different units of the state (particularly Ministry of Development and Ministry of Finance) have calculated total investment expenditures in the Central Government Budget different than each other. To solve this problem, I have recommended three alternative technical changes to insert the "current-investment-transfer" classification into the ABC again. Of course this won't be sufficient to see all the picture, hence it will be crucial to annex a summary chart or a report to the Central Government Budget that summarizes totals of current, capital (or investment) and transfer payments on the basis of spending authorities.

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