

From Elected to Appointed: The Economic Consequences of Local Authoritarian Takeovers*

Fatih Serkant Adiguzel[†] Mustafa Kaba[‡] Murat Koyuncu[§]

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Abstract

This paper investigates the impact of authoritarian takeovers on the rule of law and economic efficiency in local jurisdictions. Authoritarian takeovers refer to the replacement of elected officials with centrally appointed representatives. Using the universe of state contracts in Turkey and a staggered Difference-in-Differences (DiD) design, we document that central takeovers deteriorate the rule of law and cause substantial waste of taxpayers' money by reducing economic efficiency in public procurement. Specifically, centrally appointed mayors use competitive auctions 33 pp less and instead exploit legal provisions 23 pp more often than elected mayors. Such malpractices inflate contract prices by 24% and reduce value for money by 40%. These results are robust to a variety of tests, including a Regression Discontinuity (RD) estimation. Probing the underlying mechanisms, we find that the removal of local accountability is the key driver of these effects. By contrast, we do not find evidence favoring the coordination benefits from a more centralized governance or politician discretion leading to quality improvement in procurement. We conclude, by altering incentive structures and introducing a moral hazard problem in local governance, central takeovers are likely to cause important loss of social welfare.

JEL Codes: D72, D73, H57, H76, K42

Keywords: central takeover; public procurement; discretion; economic efficiency

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[†]Sabancı University, Turkey

[‡]Corresponding author, Max Planck Institute for Research on Collective Goods in Bonn, Germany

[§]Boğaziçi University, Turkey

1 Introduction

Across the globe, a concerning erosion in democratic values and institutions has marked the recent past. Regimes with authoritarian tendencies, often motivated by desires to curb dissent or enhance resource extraction, weaponize legal systems to repress their political dissidents both at the national and subnational levels (Varol, 2014; Dixon and Landau, 2021). A striking manifestation of this trend is the escalating efforts by central governments to remove locally elected officials, replacing them with centrally appointed representatives, referred to as *authoritarian* or *central takeover*.¹ Despite this pervasive global trend towards autocratization and its local manifestations, evidence on the cost of oppression or the inefficiency of authoritarian agendas at the subnational level remains limited.

This paper investigates how authoritarian takeovers of local jurisdictions affect the rule of law and economic efficiency at the local level. We inquire the consequences of such takeovers within the context of public procurement, using a novel administrative dataset covering the universe of state contracts distributed in Turkey in 2014-19.² Focusing on contract awarding methods, we first document how centrally appointed and elected officials exploit legal provisions in public procurement. We then quantify the economic cost of such malpractices and assess the resulting economic inefficiencies. Finally, we delve into the potential mechanisms that may explain the differences between outcomes attained under appointed and elected officials, including the removal of local accountability and the potential coordination benefits arising from a more centralized governance structure.

The authoritarian takeovers of local governments, facilitated by the central appointment of local officials, give rise to two economic forces that can significantly impact economic outcomes at the local level. First, central takeovers modify the incentive structures within local governments, leading to significant implications for policy outcomes across various domains ranging from public service delivery and municipal grants to sentencing decisions of judges (Lim, 2013; Hessami, 2018; Martinez-Bravo et al., 2022). In particular, they eliminate the downward accountability of local officials to the local residents. Instead, they establish upward accountability towards the central ruler as the appointed officials' careers hinge on their relationships with the central ruler who holds the power to appoint, promote, and dismiss them. Central takeovers therefore engender a moral hazard problem where the

¹Prominent instances of central authorities seeking dominance over local jurisdictions are evident in China (Shen and Tian, 2020; Martinez-Bravo et al., 2022), Vietnam (Malesky et al., 2014), Russia (Beazer and Reuter, 2022; Gasparyan, 2022), and Turkey (Tutkal, 2022), to name a few.

²According to the World Bank, public procurement accounted for 12% of the global GDP in 2019 (Bosio et al., 2022) and has a significant impact on private sector development, economic efficiency, and social welfare (Ferraz et al., 2015). As an economic activity through which large sums of public funds flow into private hands, it is also particularly vulnerable to corruption through diversion of funds by public officials (see, e.g., Di Tella and Schargrodsky, 2003; Olken, 2007; Ferraz and Finan, 2011; Titl and Geys, 2019; Baltrunaite, 2020; Baranek and Titl, 2020, among others).

central ruler may fail to commit to penalizing underperforming or corrupt officials, especially those contributing value to their rule (Myerson, 2021; Fang et al., 2023).

Second, by enhancing the control of the central ruler in the local region, central takeovers may yield economic advantages through coordination benefits resulting from more centralized governance. Specifically, a more centralized governance structure may be better equipped to account for geographical spillovers and leverage economies of scale when providing public goods as coordinating efforts becomes easier in a more centralized regime (Seabright, 1996; Arora et al., 2023).³ We investigate the plausibility of both mechanisms as well as whether more discretion used by elected and appointed officials leads to better quality or more efficient procurement.

We empirically address these questions within the context of Turkey. With its increasingly authoritarian regime, Turkey provides an ideal context to study the consequences of central takeovers through weaponization of law against dissidents. In September 2016, the country enacted an emergency decree amending municipal law, granting the central government the authority to replace elected mayors with appointed ones. Over the subsequent two years, the central government removed 95 elected municipal mayors (out of 254 in the region) and appointed trustee mayors in their stead. Appointed trustee mayors were all mid-level bureaucrats (governors of the same district or province as the municipality) in the state apparatus, serving as mayors in the affected municipalities until the next elections.

Using geographic and temporal variation across trustee mayor appointments, we estimate the causal effect of central takeovers on public procurement practices, using a staggered Difference-in-Differences (DiD) design. Our analysis focuses on the comparison of centrally appointed mayors with elected ones. More specifically, we compare the state contracts granted by elected mayors with those granted by appointed trustee mayors in terms of *law abuse* and *contract terms*. Our outcome variables therefore concern abuse of law and resulting contract terms, namely the price of the contract and the value for money.

Our primary outcomes indicate the frequency of law abuse –public officials using legal provisions beyond their intended scope. We first measure it by the unjustified use of the *unforeseen event* clause.⁴ The use of this clause is only justified during catastrophic events that could not be foreseen by the procuring entity –such as natural disasters and pandemics– and that require immediate handling of the procurement due to a risk to lives or property. This clause, when invoked, allows the procuring agency to use the more discretionary *negotiation* procedure that gives them the power to choose who to invite to bid on the contract without

³A substantial body of theoretical and empirical work investigates the pros and cons of centralized governance. For theoretical contributions, refer to Seabright (1996), Bardhan and Mookherjee (2000), Lockwood (2002), Besley and Coate (2003), Bardhan and Mookherjee (2006), and Myerson (2021). For empirical studies, see Fisman and Gatti (2002a), Fisman and Gatti (2002b), Enikolopov and Zhuravskaya (2007), Mansuri and Rao (2012), Faguet (2014), and Cloutier (2017) .

⁴A typical clause in procurement regulations intended to deal with cases of extreme urgency.

the necessity to publicize the contract notice. The unforeseen events clause, when used in an unjustified manner, serves as a loophole to avoid the more demanding legal requirements of the *sealed-bid auction*.⁵ Our second outcome is the use of the *threshold* clause.⁶ This clause is intended to facilitate a fast-track procedure with the negotiation method for small purchases under a threshold. However, officials can alter the contracts to stay below the threshold and gain more discretion in contract awarding. We investigate both how often public officials invoke this clause and whether it entails cost manipulation when they do so.

Our analyses reveal that the central takeover of local governments deteriorates the rule of law in public procurement. We find that centrally appointed trustee mayors abuse the unforeseen event clause significantly more often (23 pp) than elected mayors. Similarly, the share of procurement spending with the unforeseen event clause is significantly higher (28 pp) among trustee mayors than among elected mayors. These adverse effects come at the expense of more competitive sealed-bid auctions. Under trustee mayors, the use of sealed-bid auctions and the share of spending with sealed-bid auctions decreases by, respectively 33 and 28 pp, the latter being equal to the increase in the share of spending with the unforeseen event clause. Furthermore, the use of the unforeseen event clause by trustee mayors drives the contract prices up by 24% and lowers the rebate –i.e., value for money– by 40%. Regarding the use of the threshold clause, elected and appointed mayors do not differ statistically. However, a closer look into the estimated cost distribution of contracts reveals that both types of mayors engage in substantial cost manipulation at comparable levels to attain more discretion.

We next explore the potential mechanisms that might explain the observed disparities between elected and trustee mayors. The adverse effects of central takeovers as reported in our findings resonate well with the literature on electoral accountability and suggest the removal of local accountability as the effective mechanism.⁷ Furthermore, we observe that elected mayors are less prone to engaging in the types of law abuses that are easily detectable by voters such as the exploitation of the unforeseen event clause. Conversely, no such difference emerges in the case of less detectable types of law abuse –such as the cost manipulation, which requires statistical analysis to be detected–, giving further support to the local accountability mechanism. We do not find any change in the composition of spending due to

⁵Sealed-bid auction is regarded as the most competitive auction method in public procurement since any potential contractor can compete in the contract awarding process, and a contract notice has to be published in advance.

⁶Another typical clause in procurement regulations allowing to use the more discretionary negotiation method in contract awarding when the value of the purchase is below a certain threshold

⁷For studies on electoral accountability, see Barro (1973), Ferejohn (1986), Besley and Case (1995), Persson and Tabellini (2002), List and Sturm (2006), De Janvry et al. (2008), Ferraz and Finan (2011), Ashworth (2012), Lim (2013), Hessami (2018), Aruoba et al. (2019), Lopes da Fonseca (2020), Finan and Mazzocco (2021), and Mehmood (2022), among others.

central takeovers, casting doubt on the efficacy of a more centralized governance in bringing about coordination benefits. Finally, we also present suggestive evidence that the increased discretion used by trustee mayors does not translate into improved quality of procurement. We discuss these mechanisms in detail in Section 5.3.

We test the robustness of our results to several alternative specifications, including different versions of the outcome; alternative assumptions such as conditional and unconditional parallel trends; inclusion of controls; and an alternative identification strategy using a Regression Discontinuity in Time (RDiT). We also test and reject several alternative mechanisms including more natural disasters in trustee-appointed municipalities, violence history of the region, and adverse selection of governors as trustee mayors.

This paper makes two contributions to the literature. First, although there has been an active literature on authoritarianism, the evidence on its local manifestations and systematic evidence on weaponization of law are still scant (Varol, 2014; Dixon and Landau, 2021; Beazer and Reuter, 2022; Gasparyan, 2022; Martinez-Bravo et al., 2022). Our central contribution is thus providing causal evidence for the effects of authoritarian agenda in the local. We provide a thorough analysis of local authoritarian takeovers by i) documenting the distinct ways politicians exploit legal provisions when awarding state contracts after takeovers, ii) estimating the cost of these malpractices on economic efficiency, and iii) unpacking the mechanisms underlying the estimated effects of central takeovers.

Crucially, in many scenarios involving central takeovers, a myriad of effects manifest through diverse channels, making it challenging to disentangle them (Treisman, 2007).⁸ Our setting is unique in the sense that takeovers did not change the fiscal or administrative purview of the mayors; appointed mayors had the same powers as the elected ones. This streamlined scenario reduces the array of potential mechanisms to a select few, allowing for a comprehensive investigation of each.⁹ We pinpoint local accountability as the pivotal mechanism in effect. By contrast, we show that the potential economic benefits of heightened centralization did not accrue in our setting, a topic that has been a subject of contention in the centralization literature (Seabright, 1996; Myerson, 2021).

Second, our findings regarding discretion in contract awarding tie our paper into a more extensive literature on the role of politician discretion (Palguta and Pertold, 2017; Coviello et al., 2018; Duflo et al., 2018; Tulli, 2019; Decarolis et al., 2020; Baltrunaite et al., 2021;

⁸For instance, in numerous centralization or decentralization contexts, shifts in administrative, fiscal, and political authority tend to occur simultaneously.

⁹Our analysis compares trustee mayors appointed by President Erdoğan’s government with elected mayors from President Erdoğan’s *Justice and Development* Party (AKP hereafter). The restriction of elected mayors to elected AKP mayors –rather than including opposition mayors, too– ensures that we do not pick up any effect of typical horizontal accountability mechanisms such as judicial or media investigation. We relax this restriction only in certain analyses when a comparison of trustee and opposition mayors is of interest *per se*.

[Bandiera et al., 2021](#); [Carril et al., 2021](#); [Hanspach, 2023](#); [Szucs, 2023](#)). This literature, drawing on well-identified causal estimates from several settings, seeks to understand whether discretion improves policy outcomes or rather strengthens rent-seeking behavior. However, these studies exclusively focus on a specific malpractice, namely cost manipulation through the threshold clause. This focus effectively limits the study samples to small purchases under a certain threshold. We expand the subject scope and analytical toolkit of this literature by introducing a novel measure of law abuse based on the unforeseen event clause, which can be used for all kinds of contracts regardless of the value of the procurement.¹⁰ Specifically, we show that the unforeseen event clause provides mayors with large scope to exploit their powers in office, especially in the absence of local accountability. The previous literature has thus likely ignored an important aspect of the phenomenon. Our second main contribution addresses this gap in the literature.

The remainder of the paper is organized as follows. Section 2 provides some background information on the empirical setting, public procurement in Turkey and the legal framework that regulates it. Section 3 describes the data sources and variables used in the empirical analysis. Section 4 presents the empirical strategy. Section 5 presents the empirical results, robustness checks, alternative mechanisms, and explores underlying mechanisms. Section 6 concludes with some policy implications.

2 Empirical Setting

In this section, we first discuss the political background, and second, provide information about the characteristics and appointment of trustees. Finally, we provide details about the public procurement regulations in Turkey.

2.1 Political Background and Trustee Appointments

Dismissal of the elected mayors and the appointment of the trustee mayors were possible thanks to the state of emergency declared in the wake of the failed *coup d'état* attempt of July 15th, 2016. During the state of emergency that continued for two years, the Turkish government legislated through emergency decree-laws, arguing that these were necessary to dismantle the “Gülenist network,” which was behind the coup and had penetrated deeply into the Turkish state. However, the emergency decrees were also used to target the pro-Kurdish

¹⁰The unforeseen event clause we investigate is not specific to the public procurement regulation of Turkey. Similar versions can be found in the procurement regulations of the EU countries, the UK, the US, etc. See, for example, Article 32(c) that regulates the use of the negotiated procedure without prior call for competition for reasons of extreme urgency in the EU Procurement Directive ([European Parliament and Council of the European Union, 2014](#)).

opposition, even though the two movements were known to be hostile against each other. People’s Democratic Party (HDP) and its sister party, Democratic Regions Party (DBP), which held the majority of the municipal offices in the Kurdish provinces, came under attack with the emergency decree-law no. 674 of 1 September 2016.¹¹ This decree amended the municipal law, allowing the government to replace elected mayors, deputy mayors, or council members with trustees appointed by the state authorities if there were charges against them about offenses of aiding and abetting terrorism and terrorist organizations.¹²

The replacement of the elected mayors started on September 11th, 2016, with 24 mayors being sacked and continued throughout the state of emergency, removing 95 elected mayors out of 102 in two years (see the list in Appendix C). Figure 1 shows the geographical distribution of the mayoral offices taken over by trustee mayors and those held by elected (AKP) mayors. Our region of interest hosts 254 municipalities located within 168 districts in 18 provinces. Out of the 254 municipalities, 102 (%40) are held by the pro-Kurdish party DBP and 96 (%38) by AKP.¹³

Table 1 reports the characteristics of AKP –*control*– and trustee-appointed DBP –*treatment*– municipalities prior to trustee appointments. Although the DBP municipalities tend to be on average slightly more populous and host more business enterprises, these differences are not statistically significant. On the other hand, while AKP vote share in 2014 was higher in AKP municipalities and DBP vote share in DBP municipalities as expected, AKP still had significant support in municipalities held by DBP mayors (%31).

Finally, our region of interest, Southeast Turkey, has experienced armed conflict between the Turkish state and Kurdish militia forces since the 1980s (Ozsoy, 2013; Yarkin et al., 2015; Yegen, 2016). The frequency of armed conflict events fluctuates over time, with periods of escalation followed by more peaceful intervals. However, the trustee appointments were not grounded on concrete evidence of offenses like aiding or abetting terrorism. Instead, they have been widely perceived as manifestations of AKP’s strategies to exert control over local regions, suppress opposition, and strengthen its hold on power (Tutkal, 2022). In support of this, OHCHR (2017) reports that “[i]n most cases, the ‘trustees’ were appointed immediately following the arrest of the democratically elected officials, indicating a high degree of coordination between the judiciary and the executive branches.” Venice Commission of the Council of Europe also called the Turkish government “[t]o repeal the provisions

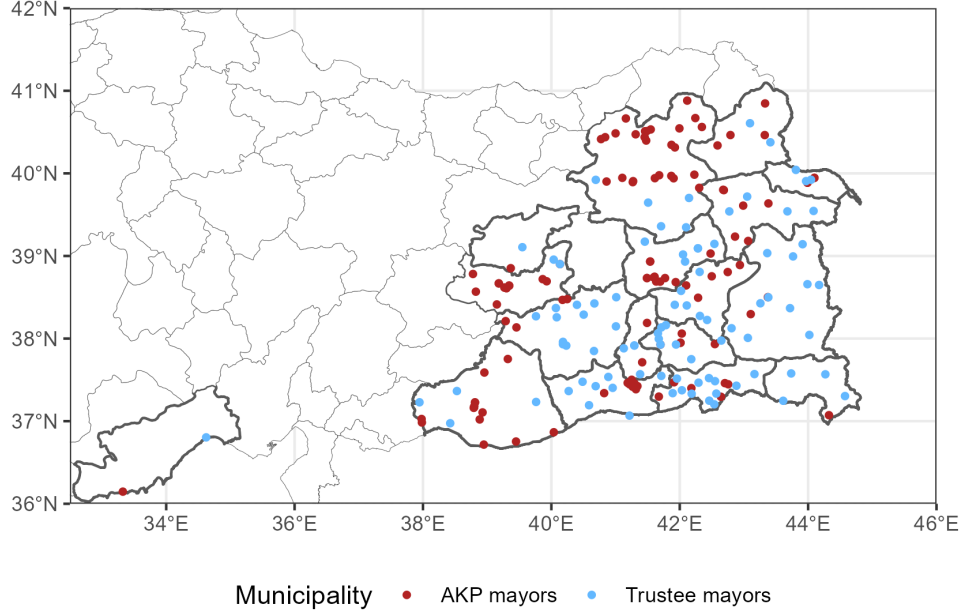
¹¹Official Gazette, September 1, 2016: <https://www.resmigazete.gov.tr/eskiler/2016/09/20160901M2-2.htm>

¹²Most of these charges were made under the rather far-reaching anti-terrorism law of Turkey. Transnational observers have repeatedly criticized this law due to “its broad and excessively vague definition of terrorism, organized crime and propaganda,” arguing that it acts as “an instrument for the repression of internal dissent” (EU, 2016).

¹³Out of 95 trustee-appointed DBP municipalities, we drop four of them as they did not grant any contracts during our period of interest.

introduced by the Decree Law N° 674 which are not strictly necessitated by the state of emergency, in particular concerning the rules enabling the filling of vacancies in the positions of mayor, vice-mayor, local council member, by the way of appointments” (EU, 2017), to no avail.

Figure 1: Municipal offices held by trustee and elected (AKP) mayors



Notes: The map shows the geographical locations of the mayoral offices held by elected AKP and centrally appointed trustee mayors. Red and blue dots indicate the municipalities held by, respectively, AKP and trustee mayors. The borders shown correspond to provincial borders.

Table 1: Municipal characteristics

| Variable | Control mean | Treatment mean | Difference p-value |
|-----------------------|--------------|----------------|--------------------|
| Population | 85366.55 | 98367.22 | 0.62 |
| Number of enterprises | 3757.07 | 4436.89 | 0.56 |
| Nightlight | -0.23 | -0.22 | 0.27 |
| AKP vote share | 0.48 | 0.31 | 0.00 |
| BDP vote share | 0.16 | 0.52 | 0.00 |
| No. of municipalities | 96 | 91 | |

Notes: The table reports the municipality characteristics separately for the control and treatment groups, which consists of respectively, municipalities held by BDP (i.e., later on trustee-receiving municipalities) and municipalities held by AKP. The means of variables are calculated over municipalities across two years before the treatment (2014 and 2015). Nightlight variable is normalized in the sample of districts of Turkey. AKP vote share and BDP vote share indicates the votes shares of these parties in the 2014 local elections. Difference p-value column reports the p-values from t-tests.

2.2 Getting to Know the Trustees: Governors in Turkish Central Administration

In Turkey, the local public administrative system functions through a dual structure: one involving locally elected municipal authorities responsible primarily for local infrastructure and services like maintenance of urban roads, construction zoning, and water facilitation, and the other comprising appointed governors representing the central state at the provincial and district levels (Tan, 2020). The majority of the trustees in our sample are the governors of the same district in which they are appointed as trustee mayor, while the rest are either provincial governors (replacing the mayors of metropolitan municipalities) or their deputies. Provincial and district governors - *valis* and *kaymakams* in Turkish, respectively- play pivotal roles at the local level in Turkey's highly centralized public administration system. They are appointed by the central government and serve as critical intermediaries between the central authority and localities. While they are not the ultimate decision-makers on public services provided by the municipality, they have administrative tutelage responsibility over municipalities. They also oversee a wide range of provincial or district administration functions, supervising various local branches of central ministries and government agencies and ensuring coordination and harmony among different state institutions within their jurisdictions (Çapar, 2015). Due to the supervisory nature of their position, their direct responsibilities towards the local population are meager, compared to the elected mayors.

Governors are career bureaucrats, appointed for life through a centrally administered selection process overseen by the Ministry of Interior (Law on the Officers of Ministry of the Interior, 1930). As long as they are deemed successful at their posts, they move up on the scale of district types, rotating every two or three years. Starting from the interview stage, the governors are annually evaluated by their superiors within the Ministry of Interior all along their career routes. These evaluations would form the basis of their promotions along the ranks, in which the final decision is the President's. As such, the profession is highly hierarchical, and career prospects are dependent on the governor's ability to appease their superiors, including the central government (Üstüner and Yavuz, 2022).

To sum up, both the nature of their responsibilities and career incentives suggest that the governors have limited accountability toward the local populations. In contrast, the elected mayors almost always are "home-grown" and have to be in good relations with the local elites and their voters. On the other hand, the candidates for a mayoral position will be determined by the central executive committee of the respective party (Joppien, 2018). Therefore, they are not independent of the top executives of their parties. One recent glaring example in this vein was when Erdogan forced the resignations of AKP mayors in six major cities in 2017 (Gall, 2017).

2.3 Public Procurement Regulations in Turkey

Current public procurement law in Turkey was legislated in 2002, just before AKP came to power.¹⁴ As it was formed in line with the EU Procurement Directives, the law establishes the sealed-bid methods, i.e. the *open* procedure and the *restricted* procedure, as the main forms of procurement. The negotiation procedure can only be used under certain conditions.¹⁵

In the current form of the law, when the public administration uses the negotiation procedure for procurement, it invites only select companies without the need to publicize the tender notice. As such, the procurement document can only be acquired by the invited parties. The law also rules out any objection to the outcome of this procedure by a party that was not invited in the first place (Demircioğlu, 2014; Yıldırım, 2018).

There is anecdotal evidence of law abuse as early as 2008 (Gürakar and Meyersson, 2016). Demircioğlu (2014) describes how administrations in Turkey use the negotiation procedure in the law in an unjustified manner, and deems this as clear violation of the law. He also argues such tender irregularities develop into corruption in procurement. Yıldırım (2018) also provides anecdotal evidence of this abuse from the more recent period.

Before presenting our results on how the central appointment of trustee mayors changed procurement practices and outcomes in impacted municipalities, we present our data and empirical strategy.

3 Data

We use a novel administrative dataset covering the universe of state contracts distributed in Turkey between 2011 and 2019.¹⁶ It provides detailed information at the contract level, including but not limited to contract awarding method; type of the procurement (*construction*, *goods*, or, *services*); industry code of the procurement; estimated cost of the procurement, price of the contract, and rebate value; name, district, and province of the procuring state

¹⁴AKP resisted both the new public procurement law and the newly established independent regulatory agency, the Public Procurement Authority (PPA), albeit with little success (Ercan and Oguz, 2006). However, in the years to come, successive AKP governments redesigned the procurement framework according to their needs. While the PPA lost its independence and the ability to investigate possible corruption cases in the absence of formal complaints, hundreds of amendments to the law have been made since as early as July 2003, generally bending the law to include more exceptions and more discretion to the procuring agencies (Gürakar, 2016).

¹⁵In short, these are stated in Article 21 of the Public Procurement Law (2002) as: a) No bids were received for an open/restricted procedure; b) Unforeseen event clause; c) Defense and security contracts; d) Requires a research and development process; e) Complexity of the technical and financial characteristics of the tender; f) Threshold clause. 96% of the contracts that are awarded with the negotiation method in our sample invokes either unforeseen event or threshold clause, which are our subjects of interest in this paper.

¹⁶The data is publicly available for individual queries on the webpage of the Turkish Public Procurement Authority (*Kamu İhale Kurumu*).

agency; name of the contractor, contract date, etc. From this dataset, we use the contracts granted in the provinces where affected municipalities are located between the two local elections in 2014 and 2019.

We complement this contract-level dataset first with information on the trustee mayor appointments. These include the name of the municipality and appointment date of the trustees ranging between September 11th, 2016 and August 29th, 2018. Second, we complement it with administrative data from the Turkish Statistical Institute (*TURKSTAT*) on the number of business enterprises and population at the municipality level. Finally we add nightlight data at the district level as a proxy for the level of economic development.

Outcomes.—We focus on two sets of outcomes. Our first set of outcomes concerns the contract awarding method, i.e., whether the contract is awarded through the unforeseen event clause, threshold clause, or a sealed-bid auction. Using this information, we construct the following two outcome variables at the municipality level: i) the monthly share of each contract awarding method, and ii) the monthly share of spending with each contract awarding method based on contract prices.¹⁷

Our second set of outcomes measure the economic performance of mayors in public procurement based on contract terms. We specifically focus on *contract price*, *rebate*, and *estimated cost* of the procurement. *Contract price* indicates what the procuring entity pays to the contractor, i.e., winning price. *Estimated cost* is calculated by the procuring entity before the contract awarding process based on the specifics of the purchase. *Rebate*, i.e. value for money, is the discount rate procuring entity attains in contract awarding and calculated as follows:

$$\text{Rebate} = \frac{\text{Estimated Cost} - \text{Contract Price}}{\text{Estimated Cost}}$$

Higher rebate values are more favorable in terms of public interest as they imply that procuring entity pays relatively little compared to the estimated cost of the purchase.

Main Variable of Interest.—We are specifically interested in how central takeovers affect the public procurement practices in local governments. Accordingly, our main explanatory variable is a binary indicator of whether a contract is awarded by an appointed trustee mayor as opposed to an elected mayor. We formally define it as follows:

$$\text{Trustee}_i = \begin{cases} 1 & \text{if contract } i \text{ is granted by a trustee mayor} \\ 0 & \text{otherwise.} \end{cases}$$

Control Variables.—In all analyses, we control for the number of business enterprises

¹⁷The sealed-bid auctions are the most common contract awarding method in our sample. 65% of all contracts are awarded through sealed-bid auctions. The remainder is awarded with more discretionary negotiation method justified through *unforeseen event* or *threshold* clauses.

and population level at the municipality level; and the level of nightlight at the district level to proxy the economic development level of the area. We also include year, province, procurement type, and industry fixed effects whenever appropriate.

4 Empirical Strategy

In this section, we discuss the details of our empirical strategy. To estimate the effect of central takeovers on law abuse in local governments, our analysis makes a comparison of elected mayors to appointed trustee mayors in their use of *unforeseen event* clause, *threshold* clause, and *sealed-bid auctions*. More specifically, we estimate how much elected and trustee mayors differ in: i) monthly share of contracts awarded with each contract awarding method, and ii) monthly share of spending with each contract awarding method based on contract prices.

We use a staggered Difference-in-Differences (DiD) design to causally estimate these differences. Our DiD setting comprises of multiple time periods (60 months) with the treatment group including 95 municipalities that have been appointed trustees at different points in time –in the span of two years– and remain treated until the end of our analysis period. The never-treated control group consists of 95 municipalities with an elected AKP mayor in the provinces where the trustee-appointed municipalities are located.¹⁸ This unique setting enables us to compare elected and trustee mayors who have the same powers and who are aligned with the same ruling elite –*Erdoğan’s regime*– net of horizontal accountability mechanisms such as judicial or media investigation.

Using this DiD setting and the estimation method by [Callaway and Sant’Anna \(2021\)](#), we first estimate the group-time average treatment effects where groups are defined at the municipality level based on when they first received the trustee mayor. We then aggregate these group-time average treatment effects to an overall treatment effect. In all estimations, we cluster the standard errors at the municipality level. We report the overall treatment effects from these estimations in Section 5.

Our main identification assumption for the causal interpretation of the estimated effects is that the treatment group would have followed a similar trend to that of the control group in the absence of trustee appointments, i.e., the *parallel trends* assumption.¹⁹ Following [Callaway and Sant’Anna \(2021\)](#), we test the plausibility of parallel trends assumption by estimating dynamic treatment effects, i.e., treatment effects based on the length of exposure to

¹⁸We show that our results are substantively similar when we use a control group of not-yet-treated municipalities instead of never-treated municipalities. Corresponding results are reported in the Appendix.

¹⁹Although parallel trends assumptions are not testable due to lack of counterfactual, the standard practice is to run a pre-test of it ([Callaway and Sant’Anna, 2021](#)). This implies testing whether treatment and control groups follow a similar trend before the treatment.

the treatment. This method allows us to test both the conditional and unconditional parallel trends, and construct confidence intervals that are robust to potential multiple hypothesis testing problems. In Section 5, we report the dynamic effects and plausibility of the parallel trends assumption.

After estimating the overall treatment effect and the dynamic effects, we proceed to test the robustness of these results in Section 5.1.1. We first show that our results are similar under *unconditional parallel trends* and *parallel trends conditional on controls* assumptions²⁰ and to the inclusion of controls. We also show that our results remain the same when we use different versions of the outcome and an alternative specification of the control group.

Finally, we show that our results also replicate with a regression discontinuity in time (RDiT) design. This analysis uses a different sample than the DiD estimations. Specifically, we compare trustee mayors with elected DBP mayors whom they replaced using an RDiT design and show that the results are remarkably similar to those from DiD estimations.

5 Results

In this section, we first present our baseline analysis and results. We then provide our results regarding the economic cost of central takeovers in Section 5.2. Finally, in Section 5.3, we probe the underlying mechanisms that help explain our baseline results.

5.1 Baseline Analysis

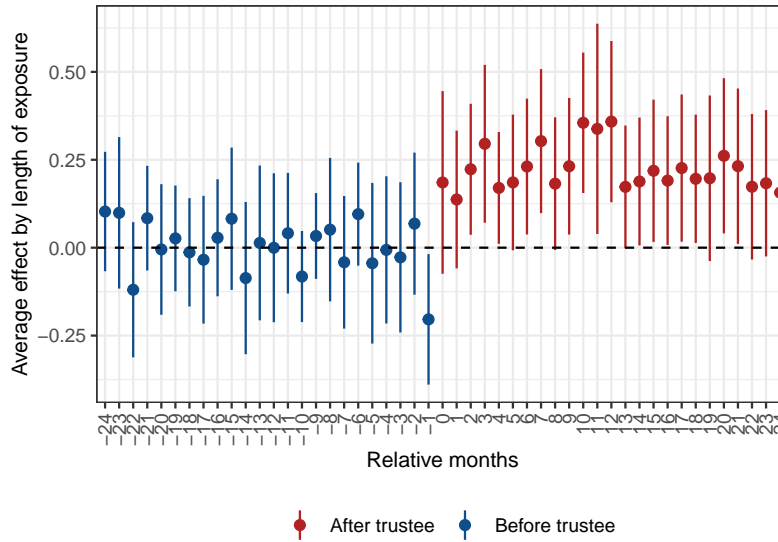
We start by estimating the group-time average treatment effects on i) monthly share of contracts awarded with each contract awarding method, ii) monthly share of spending with each contract awarding method based on contract prices, and iii) monthly share of each contract awarding method based on estimated cost of the contracts, using a staggered Difference-in-Differences (DiD) design (Callaway and Sant’Anna, 2021).

To investigate the dynamic effects and assess the plausibility of parallel trends assumption, we first aggregate group-time average treatment effects to dynamic effects based on the length of exposure to the treatment. Figures 2 and 3 plot these dynamic effects by the length of exposure to the treatment, i.e., *relative month*. According to Figure 2, before the trustee appointments, treatment and control groups do not significantly differ from each other in the share of contracts awarded with the unforeseen event clause, giving credibility to our DiD design. In contrast, after trustee appointments, the use of unforeseen event clause by trustee-appointed municipalities start to increase and this effect persists for almost 2 years.

²⁰The estimation method developed by Callaway and Sant’Anna (2021) is able to attain unbiased estimates under the assumptions of both unconditional parallel trends and parallel trends conditional on covariates.

Figure 3 reveals a consistent reverse pattern for the share of contracts awarded with sealed-bid auctions. Specifically, the treatment and control municipalities do not differ from each other before trustee appointments. After central takeovers, however; the share of contracts awarded by sealed-bid auction declines significantly for the trustee-appointed municipalities. Similarly, the effects persist for almost 2 years. Figure A.1 in the Appendix reports the dynamic effects for the threshold clause, for which we do not find any difference between the treatment and control municipalities either before or after the treatment.²¹ Note that the confidence intervals around the dynamic effects are robust to multiple hypothesis testing both in conditional and unconditional parallel trends assumption checks.

Figure 2: Dynamic effects: share of contracts awarded with the unforeseen event clause



Notes: The figure plots the dynamic effects from staggered DiD estimations using Callaway and Sant’Anna (2021) based on length of exposure to the treatment. The outcome variable is the monthly share of contracts awarded with the unforeseen event clause. Bootstrapped-based 95% confidence intervals are given in parentheses and are robust to multiple hypothesis testing.

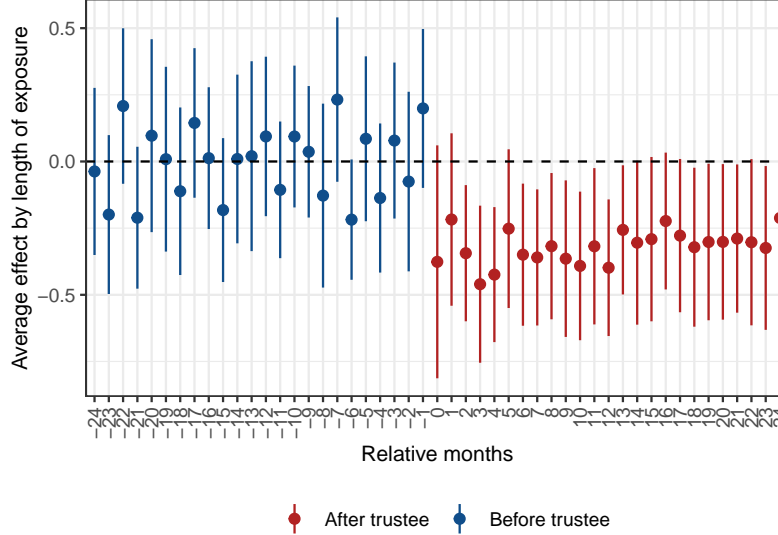
We then aggregate these dynamic effects into overall treatment effects by taking the weighted average of group-time treatment effects.²² Table 2 presents the results regarding our first outcome, *monthly share of contracts* awarded with each contract awarding method, using two models, with and without controls. The first two models reports the share of contracts awarded with the unforeseen event clause, which is normally reserved for situations of extreme urgency and allows procuring entity to exercise more discretion in contract award-

²¹We report the tests of both conditional –with controls– and unconditional –without controls– parallel trends for our other outcomes in the Appendix A.1 and A.2. Controls include population and number of enterprises at the municipality level, and the level of nightlight at the district level.

²²Weights are chosen proportional to the group sizes.

ing. Trustee mayors use this clause significantly and substantially more than their elected AKP counterparts. Specifically, trustee mayors invoke this clause 23 percentage points more than the elected mayors, which is a substantial effect considering the control group mean (0.12).

Figure 3: Dynamic effects: share of contracts awarded with sealed-bid auction



Notes: The figure plots the dynamic effects from staggered DiD estimations using [Callaway and Sant’Anna \(2021\)](#) based on length of exposure to the treatment. The outcome variable is the monthly share of contracts awarded with sealed-bid auction. Bootstrapped-based 95% confidence intervals are given in parentheses and are robust to multiple hypothesis testing.

The increase in the share of contracts awarded with the unforeseen event clause comes at the expense of more competitive sealed-bid auctions. Trustee mayors award much fewer contracts with the competitive sealed-bid auctions compared to the elected mayors. Columns 3 and 4 in Table 2 show this clearly: the trustee mayors award contracts through sealed-bid auctions 33 percentage points less than the elected mayors, whose mean share of contracts awarded with sealed-bid auctions is 0.61.

We next report on how much elected and trustee mayors differ in their use of threshold clause. This clause allows procuring entities to bypass the sealed-bid auction and use the more discretionary negotiation method for small purchases below a certain threshold. Columns 5 and 6 in Table 2 show that trustee mayors are statistically not different from the elected mayors in their use of threshold clause of the procurement law.

The absence of such difference does not necessarily mean that the officials do not abuse this clause. To further analyze the case of threshold clause, we focus on cost manipulation practices, i.e., artificial manipulation of the estimated cost to keep it just below the threshold value. To test whether public officials have been engaging in such cost manipulation, we first

normalize the estimated cost of the contracts by dividing it with the corresponding threshold value.²³

Table 2: DiD estimates: monthly share of contract awarding methods

| | Unforeseen events | | Sealed-bid auctions | | Threshold clause | |
|--------------------|-------------------------|-------------------------|----------------------------|----------------------------|--------------------------|--------------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Trustee | 0.226 [0.146, 0.307] | 0.234 [0.147, 0.320] | -0.311 [-0.444, -0.178] | -0.328 [-0.459, -0.196] | 0.036 [-0.092, 0.164] | 0.041 [-0.076, 0.158] |
| Controls | No | Yes | No | Yes | No | Yes |
| Control group mean | 0.12 | 0.12 | 0.61 | 0.61 | 0.26 | 0.26 |
| Num.Obs. | 4731 | 4731 | 4731 | 4731 | 4731 | 4731 |

Notes: The table reports the DiD estimates obtained from staggered DiD estimations using [Callaway and Sant’Anna \(2021\)](#). The outcome variable is the monthly share of the respective contract awarding method. Controls include population and number of enterprises at the municipality level, and the level of nightlight at the district level. Bootstrapped-based 95% confidence intervals are given in parentheses and are robust to multiple hypothesis testing.

Figure 4 plots the density distribution of the contracts granted by elected and trustee mayors. The dashed gray line corresponds to the mass point where the estimated cost of the contracts equals to the threshold value. Figure 4 shows clear evidence of bunching just before the threshold values, both by elected and trustee mayors. In sum, both types of mayors engage in substantial cost manipulation to gain more discretion in contract awarding.²⁴

So far, we have reported treatment effects on the share of contracts granted with each awarding method. However, one can argue that the changes in the frequency of contract awarding methods are not consequential *per se* unless they are also accompanied by respective changes in the amount of spending. Our next outcome serves this purpose. Accordingly, we first show the effect of trustee appointments on the *monthly share of spending* with each contract awarding method based on contract prices.

Table 3 reports the results of this analysis, which are in line with our baseline results. Under trustee mayors, the share of spending with unforeseen event clause is 28 percentage points higher than that of the elected mayors. This increase in spending with the unforeseen event clause is equivalent to the decrease in spending with the sealed-bid auctions.

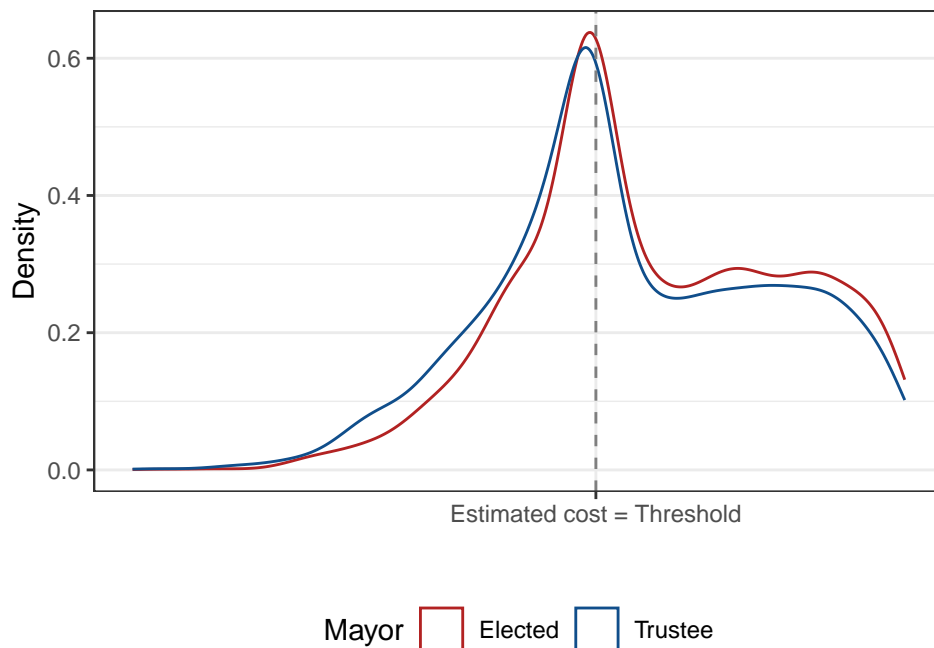
5.1.1 Robustness Tests

We conduct a series of analyses to show the robustness of our results to alternative versions of the outcome, alternative assumptions, and a different identification strategy. First, as detailed in the previous section, we report evidence for the plausibility of both conditional

²³The threshold values are annually decided by the Public Procurement Authority in Turkey. We divide the estimated cost of each contract by the threshold value announced for the same year.

²⁴We also show that trustee mayors are similar to elected DBP mayors –whom they replaced– in terms of cost manipulation. See Figure A.5 in the Appendix.

Figure 4: Cost manipulation for more discretion: elected vs. trustee mayors



Notes: The figure plots distributions of estimated cost of contracts under elected (AKP) and trustee mayors. The dashed line corresponds to the threshold value below which the procuring authority attains more discretion in contract awarding process.

and unconditional parallel trends assumption. Accordingly, our DiD estimations in Tables 2 and 3 report estimates that are consistent with each other from models with and without control variables, which we refer to as our *baseline* analysis. Second, we repeat the same type of analysis with three different versions of our outcome variables, as also described in the previous section. The results indicate that central trustee appointments have quantitatively and qualitatively similar effects on each outcome.

Third, we test the robustness of our results to the specification of the control group. Our baseline analysis uses a control group of municipalities that have never been treated, i.e., that have never been appointed a trustee mayor. Alternatively, we construct a control group of not-yet-treated municipalities. Doing so includes the pre-treatment periods of trustee-appointed municipalities in the control group. As shown in Appendix A.4, our results remain both quantitatively and qualitatively similar.

Finally, we use an entirely different empirical strategy and estimation technique. We compare trustee mayors with the mayors whom they replaced (elected DBP mayors) in a before/after-trustee comparison using a Regression Discontinuity in Time (RDiT) design (Hausman and Rapson, 2018). Our running variable in this setting is the number of days relative to the trustee appointment date with the cut-off value set as 0. Accordingly; treated

Table 3: DiD estimates: monthly share of spending based on contract prices

| | Unforeseen events | | Sealed-bid auctions | | Threshold clause | |
|--------------------|-------------------------|-------------------------|----------------------------|----------------------------|---------------------------|---------------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Trustee | 0.269 [0.186, 0.351] | 0.282 [0.192, 0.371] | -0.267 [-0.401, -0.133] | -0.277 [-0.424, -0.131] | -0.002 [-0.124, 0.120] | -0.004 [-0.120, 0.112] |
| Controls | No | Yes | No | Yes | No | Yes |
| Control group mean | 0.13 | 0.13 | 0.65 | 0.65 | 0.22 | 0.22 |
| Num.Obs. | 4681 | 4681 | 4681 | 4681 | 4681 | 4681 |

Notes: The table reports the DiD estimates obtained from staggered DiD estimations using [Callaway and Sant’Anna \(2021\)](#). The outcome variable is the monthly share of spending with the respective contract awarding method and calculated based on contract prices. Controls include population and number of enterprises at the municipality level, and the level of nightlight at the district level. Bootstrapped-based 95% confidence intervals are given in parentheses and are robust to multiple hypothesis testing.

units fall to the right of the cut-off, whereas non-treated units fall to the left.

For estimation, we follow [Calonico et al. \(2015\)](#) and use a non-parametric approach with a triangular kernel and allow for different bandwidths at different sides of the cut-off. On each side, we use optimal bandwidths that minimize the mean-squared error (MSE). We, however, also experiment with manually chosen bandwidths to show that results are not driven by a specific bandwidth choice.

We present baseline results from our RDiT analyses in Table 4.²⁵ This analysis compares the state contracts granted by trustee mayors and elected DBP mayors whom they replaced. Remarkably, the bias-corrected robust RDiT estimates show very similar results to our baseline DiD estimates, proving the robustness of our results to an entirely different identification strategy. In particular, trustees are more likely to use the unforeseen event clause compared to the elected DBP mayors by around 19-21%. Similarly, they are less likely to distribute state contracts with sealed-bid auctions by around 26-31% depending on the model specification. In line with the baseline results, we do not find a difference in the use of threshold clause.

5.1.2 Alternative Mechanisms

In this section, we test and reject several alternative mechanisms that could explain the estimated differences between elected and appointed trustee mayors in their practice of the procurement law. First, one could argue that trustee mayors might be using the unforeseen event clause more often due to a larger number of natural disasters in their jurisdictions. To investigate this possibility, we check whether trustee-run municipalities suffered more natural disasters during the analyzed period. According to the International Disaster Database (EM-

²⁵See Figures A.6, A.7, and A.8 in the Appendix for the regression discontinuity (RD) plots.

DAT)²⁶, no natural disasters were recorded in the region (where both trustee-appointed and elected-mayor municipalities are located) during our period of analysis.

Table 4: Regression discontinuity in time (RDiT) estimates

| | Unforeseen event | | Sealed-bid acution | | Threshold clause | |
|-------------------------|---------------------|---------------------|----------------------|----------------------|-------------------|-------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Trustee mayor | 0.196*** (0.075) | 0.212*** (0.071) | −0.313*** (0.109) | −0.264*** (0.084) | −0.035 (0.072) | −0.041 (0.065) |
| Num.Obs. | 7812 | 7812 | 7812 | 7812 | 7812 | 7812 |
| Covariates | No | Yes | No | Yes | No | Yes |
| Year FE | No | Yes | No | Yes | No | Yes |
| Province FE | No | Yes | No | Yes | No | Yes |
| Procurement type FE | No | Yes | No | Yes | No | Yes |
| Industry FE | No | Yes | No | Yes | No | Yes |
| Kernel | Triangular | Triangular | Triangular | Triangular | Triangular | Triangular |
| Num.Obs.Effective.Left | 1175 | 358 | 520 | 408 | 635 | 599 |
| Num.Obs.Effective.Right | 579 | 766 | 595 | 1045 | 1402 | 1072 |

Notes: The table reports estimates obtained from RDiT estimations using [Calonico et al. \(2015\)](#) with triangular kernel and optimal bandwidths which are allowed to differ between two sides of the cut-off. The dependent variables are binary indicators of whether the contract is awarded with the respective contract awarding method. Controls include population and number of enterprises at the municipality level, and the level of nightlight at the district level. *Procurement type FE* indicates the type of the procurement: goods, services, or construction. *Industry FE* variable indicates the industry code of the procurement and include 44 levels. Standard errors are clustered at the municipality level. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

A second alternative mechanism is the adverse selection of governors as trustee mayors. In other words, if the governors who were appointed as trustee mayors –*trustee governors*– were “bad apples” to start with, this could explain the observed differences in contract awarding practices ([Leon, 2013](#)). We test this adverse selection mechanism by comparing contracts granted by trustee mayors in their governorship offices to the contracts granted by other similarly ranked governors in Turkey. The results, presented in Table A.6 in the Appendix, show that trustee governors are not different than their fellow governors in terms of their use of the unforeseen event clause, threshold clause, and sealed-bid auction method. Therefore, it is not likely that the adverse selection of governors explains the differences we observe between trustee mayors and elected AKP mayor.

Third, we investigate the possibility of centrally appointed mayors receiving more budget from the central government. To test this, we analyze the levels of the municipal spending via procurement. Specifically, we repeat our main DiD analysis with two different outcomes:

²⁶EM-DAT accepts an event as a disaster if any of the following three holds: there are at least ten deaths because of the event, 100 or more people are affected/injured or become homeless, there is a declaration by the country of a state of emergency and/or appeal for international assistance. See <https://public.emdat.be/data> for more details.

monthly total and per capita spending via procurement. We show that the central takeovers increase neither monthly total nor monthly per capita spending via procurement in the treated municipalities, making it unlikely that the trustee-appointed municipalities receive more resources from the central government (see Appendix B.4).²⁷

Fourth, we consider whether the effects we estimated might be due to the spillovers from the first batch of trustee appointments. This would be the case if the elected mayors from DBP –who were not sacked yet– changed their behavior after witnessing the first set of appointments. Nevertheless, the dynamic effects in pre-treatment periods reported in Figures 2, 3, and A.1 do not support this narrative as the never-treated control group and to-be sacked DBP mayors follow parallel trends until the trustee takeovers.

Another alternative explanation of our results concerns the levels of violence in the region of interest, which has a history of armed conflict. We present three different pieces of evidence, each ruling out this alternative explanation in their own right. First, although the procurement law grants the procuring agencies with a distinct clause that justifies the more discretionary negotiation method for purchases regarding security, this clause is rarely used by mayors: only 1% of all contracts are granted with this clause in the region.

We then conduct two additional tests. First, we run our analysis on a sample of geographically-matched municipalities. We match each trustee-appointed municipality to the three closest neighboring municipalities. This geographically matched sample ensures that treated and control municipalities experience similar levels of violence as the violent events typically take place in rural areas outside the municipal boundaries. The results from the geographically matched sample are substantively similar to our baseline DiD results, reported in Appendix B.2. Second, we repeat our baseline analysis by excluding municipalities with significant violent event history. The results, reported in Appendix B.3, are again substantively similar to our baseline results.

5.2 Economic Consequences

Although trustees grant state contracts with more discretion than their elected counterparts by abusing the procurement law, a strand of literature suggests that more discretion might be good for public (See, among others, Coviello et al., 2018; Decarolis et al., 2020). In this section, we analyze whether and how much the documented cases of law abuse and the resultant increased discretion costs to the public. We focus on two outcomes to understand the economic effects of increased discretion: contract price and rebate. The mean rebate

²⁷As a caveat, we should note that the central government can use other methods to support the trustees, such as letting them hire more workers or easing their financing constraints. We cannot analyze such factors due to the lack of data. However, even if such complementary methods are used, we contend that the agenda of the government would be mainly reflected in procurement as it is the most direct way of transferring resources to the localities.

value in our sample is 19%, meaning that the public enjoyed 19% discount relative to the estimated cost. The mean contract price is \$485,000 (in 2010 dollars).

When we specifically focus on contracts granted by trustee mayors, the mean rebate values are 16% and 24% in contracts granted with the unforeseen event clause and sealed-bid auction, respectively. In other words, the procuring public agency attains significantly less discount when the trustee mayors grant contracts using the unforeseen event clause. Similarly, while the resulting mean contract price for contracts granted with sealed-bid auction is \$484,000, it increases to \$518,000 when the unforeseen event clause is used, bringing about a 7% increase.

In Table 5, we investigate the economic effects mentioned above in a regression framework. Specifically, we focus on contract price and rebate, and compare how much these outcomes change when the unforeseen event clause is used instead of sealed-bid auctions separately when the contracts are awarded with trustee and elected mayors. Under trustee mayors, the contracts granted with the unforeseen event clause leads to a 9.5 percentage points decrease in rebate compared to the contracts granted with sealed-bid auctions. This translates into a 40% decrease in rebate (compared to sealed-bid auctions). Contract prices, on the other hand, increase by around 24%.

Under elected mayors, we do not find any price differential between contracts granted with the unforeseen event clause and sealed-bid auctions. We, however, do find that rebate decrease by 8 percentage points when they grant the contract with unforeseen event clause instead of sealed-bid auctions (translating into a 35% decrease in rebate). Together with the baseline results, these findings suggest that the elected mayors use the unforeseen event clause much less often than the trustee mayors. When they do use it, however; the associated economic cost is smaller.

When trustee mayors use the threshold clause, the resulting contract price is significantly lower. This is a mechanical change since the estimated cost of the contracts granted with the threshold clause need to be below a certain threshold. What is more interesting, however, is that the public enjoys less discount by around 11 percentage points in contracts granted with the threshold clause compared to contracts granted with sealed-bid auction. Elected mayors, on the other hand, fare again better than trustee mayors. They bring about slightly less reduction in rebate along with more reduction in price.

5.3 Unpacking Mechanisms

In this section, we probe the potential underlying mechanisms that help explain the observed differences between elected and centrally appointed trustee mayors. In most central takeover scenarios, there are many simultaneous effects operating through multiple channels that make it hard to disentangle the underlying mechanisms. For example, when the political

Table 5: OLS estimates for contract terms: trustee and elected (AKP) samples

| | Trustee sample | | Elected (AKP) sample | |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Price (log) | Rebate | Price (log) | Rebate |
| Ref.level: Sealed-bid auction | | | | |
| Unforeseen events | 0.216** (0.099) | -0.095*** (0.010) | -0.044 (0.116) | -0.081*** (0.011) |
| Threshold clause | -0.803*** (0.058) | -0.115*** (0.013) | -0.993*** (0.071) | -0.090*** (0.012) |
| Covariates | Yes | Yes | Yes | Yes |
| Year FE | Yes | Yes | Yes | Yes |
| Province FE | Yes | Yes | Yes | Yes |
| Procurement type FE | Yes | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes | Yes |
| Num.Obs. | 4322 | 4312 | 3581 | 3567 |

Notes: The table reports results from OLS estimations. The dependent variable are contract price (in TL, in real terms, in log) and rebate. The main explanatory variable is the contract awarding method and the its reference level is the *Sealed-bid auction*. Trustee sample includes the contracts awarded only by trustee mayors. Elected (AKP) sample includes contracts awarded by elected (AKP) mayors after the first trustee appointment. Covariates include population and number of enterprises at the municipality level, and the level of nightlight at the district level. *Procurement type FE* indicates the type of the procurement: goods, services, or construction. *Industry FE (2-digit)* and *Industry FE (3-digit)* variables indicate the industry code of the procurement and include 44 and 182 levels, respectively. Standard errors are clustered at the municipality level. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

centralization reforms transfer the responsibilities of some local offices to a central one, the central office utilizes not only a larger budget operationalized over many localities but also a stronger authority overall. While the larger budget and operation scope can create economies of scale and coordination benefits, stronger authority would mean a lack of checks and balances that could harm the decision-making process. Our setting is unique in the sense that central takeovers solely result in the transitioning of the appointed governors to the mayor position within the affected municipalities. Since it is the same office, only with different mayors, there is no change in the fiscal and administrative authority of the mayoral offices. This reduces the number of candidate mechanisms to a few so that we can actually investigate each and offer insights.

We first consider the relevance of coordination benefits in our empirical setting. We posit that centrally appointed mayors could have been coordinated by the central ruler to jointly decide on the services to provide in their localities (Seabright, 1996; Arora et al., 2023). In such situation, one would expect the composition of spending via procurement to change compared to pre-takeover periods if the central ruler or coordinated mayors now take into account the geographical spillovers, economies of scales, etc. when providing public services.

To test this, we compare the trustee mayors to the elected mayors whom they replaced in terms of their composition of spending. We specifically check whether trustee mayors pouring more money into purchases related to areas that are deemed important by citizens, such as agriculture and education (Malesky et al., 2014). Table 6 indicates that trustee mayors mostly do not differ from the elected mayors much in terms of their share of spending on important public services except education and transportation. The differences in education and transportation are, however, small, indicating a lack of change in the composition of spending after takeovers. Additionally, we check whether the contract outcomes are better under trustee mayors than under elected mayors when both use the sealed-bid auctions. We do find any change in either contract prices or value for money.

The second potential mechanism relates to a central discussion in political economy about whether more discretion used by politicians leads to improved quality of procurement (see, e.g., Coviello et al., 2018; Decarolis et al., 2020). In our case, this would mean that the centrally appointed mayors exploited legal provisions to deliver better quality services. Although we do not have data on the quality of procurement, we show below suggestive evidence making this mechanism an unlikely one.

Table 6: Composition of spending

| | Agriculture | Construction | Culture | Education | Health | Public services | Security | Transportation |
|---------------------|-------------------|------------------|------------------|---------------------|-------------------|------------------|------------------|----------------------|
| Trustee mayor | −0.005 (0.011) | 0.015 (0.033) | 0.008 (0.012) | −0.008** (0.003) | −0.004 (0.003) | 0.034 (0.036) | 0.011 (0.012) | −0.083*** (0.021) |
| Covariates | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Year FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Province FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Procurement type FE | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Num.Obs. | 3789 | 3789 | 3789 | 3789 | 3789 | 3789 | 3789 | 3789 |

Notes: The table reports results from OLS estimations on a sample contracts granted by trustee mayors and the elected mayors whom they replaced. The dependent variable is the monthly share of spending in the respective category. The main variable of interest is *Trustee mayor*, indicating whether the contract is granted by a trustee mayor. Covariates include population and number of enterprises at the municipality level, and the level of nightlight at the district level. *Procurement type FE* indicates the type of the procurement: goods, services, or construction. Standard errors are clustered at the municipality level. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

If the trustee mayors delivered better quality services by using more discretion in contract awarding, we should then observe a higher estimated cost for a similar purchase when it is awarded through the unforeseen events clause than when it is awarded through a sealed-bid auction.²⁸ To check whether this has been the case, we compare the estimated costs of similar contracts, as identified by the procurement type and industry code of the procurement.

²⁸Note that the estimated cost of the procurement is calculated by the procuring agency prior to the contract awarding process. Therefore, when the higher quality goods are contracted instead of the regular goods they would have a higher estimated cost. The calculations are based on the unit costs of items decided annually by the Public Procurement Authority.

To further increase the comparability of the contracts, we use two industry codes: (i) 2-digit industry code culminating in 45 different industrial sectors, (ii) 3-digit industry code culminating in 181 different industrial sectors. Table 7 indicates that the estimated costs –within procurement type and industry– do not significantly change with the use of the unforeseen event clause compared to sealed-bid auction under neither trustee nor elected mayors. This indicates that there is no quality improvement –to the extent that the estimated costs of items can measure it– when the mayors exercise more discretion.

It is important to note that, there is a decline in the estimated costs under the threshold clause. This is for two reasons. First, threshold clause is, by law, reserved for small purchases. This mechanically reduces the estimated cost of contracts awarded with this method compared to the other methods. Second, it is an outcome of the manipulation around the threshold: As this clause necessitates the estimated cost to be under a certain threshold, the procurers have to reduce the estimated costs either by dividing the contracts into smaller pieces or by lowering the estimated costs artificially.²⁹

Finally, we investigate the plausibility of the local accountability mechanism in driving the observed differences between elected and appointed trustee mayors. As the appointed mayors do not face a downward accountability towards the local residents but an upward accountability to the political figures that can appoint and dismiss them, they fear less from the voters, implying a decrease in local accountability.

To test whether this has been an effective mechanism, we provide three pieces of indirect evidence. We first confirm the removal of local accountability by checking whether trustee mayors ran for election in the next local or national elections. We find that only 4 trustee mayors in our sample ran for election. This indicates a lack of local accountability as the most trustee mayors did not have an electoral accountability concern in mind during their trusteeship.³⁰ Second, reassuringly, according to the Higher Election Board (*YSK*) none of the other candidates who competed in the 2019 local elections in Turkey held similar positions to trustees’ primary positions: district, province, or vice governorship. This further strengthens the argument of appointed trustee mayors lacking local accountability.

Third, our results regarding the differential effects of central takeovers on the use of unforeseen events and threshold clauses provide supporting evidence for the local accountability –or lack thereof– mechanism. Note that, we have already documented: i) trustee mayors abuse the unforeseen event clause much more than elected mayors, and ii) trustee mayors and elected mayors do not differ in how often they use the threshold clause but they both

²⁹Note that despite the estimated cost staying under the threshold, the actual contracted price can be higher than the threshold in this type of procurement.

³⁰Out of these four, two of them ran for election in their hometowns both in other regions. Therefore, only two actually were candidates in the places where they have been serving as trustees. We drop all four from the sample and repeat our baseline analysis. The results are in line with the baseline results and reported in the Appendix A.3.

Table 7: OLS estimates for estimated cost: trustee and elected (AKP) samples

| | Dept. Variable: Estimated cost (log) | | | |
|-------------------------------|--------------------------------------|----------------------|----------------------|----------------------|
| | Trustee sample | | Elected (AKP) sample | |
| | (1) | (2) | (3) | (4) |
| Ref.level: Sealed-bid auction | | | | |
| Unforeseen events | 0.081 (0.103) | 0.050 (0.113) | -0.145 (0.112) | -0.126 (0.114) |
| Threshold clause | -0.970*** (0.066) | -0.947*** (0.076) | -1.135*** (0.068) | -1.179*** (0.082) |
| Covariates | Yes | Yes | Yes | Yes |
| Year FE | Yes | Yes | Yes | Yes |
| Province FE | Yes | Yes | Yes | Yes |
| Procurement type FE | Yes | Yes | Yes | Yes |
| Industry FE (2-digit) | Yes | No | Yes | No |
| Industry FE (3-digit) | No | Yes | No | Yes |
| Num.Obs. | 4322 | 4322 | 3581 | 3581 |

Notes: The table reports results from OLS estimations. The dependent variable is the estimated cost of the contract (in TL, in real terms, in log). The main explanatory variable is the contract awarding method and the reference level of it is the *Sealed-bid auction*. Trustee sample includes the contracts awarded only by trustee mayors. Elected (AKP) sample includes contracts awarded by elected (AKP) mayors after the first trustee appointment. Covariates include population and number of enterprises at the municipality level, and the level of nightlight at the district level. *Procurement type FE* indicates the type of the procurement: goods, services, or construction. *Industry FE (2-digit)* and *Industry FE (3-digit)* variables indicate the industry code of the procurement and include 44 and 182 levels, respectively. Standard errors are clustered at the municipality level. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

engage in substantial cost manipulation for more discretion in contract awarding.

These results resonate well with the findings by [Ferraz and Finan \(2011\)](#) and [Lockwood et al. \(2022\)](#) that types of malpractices that are easily detectable by voters are committed less by officials who face electoral accountability. In our setting, voters can easily detect unjustified uses of unforeseen event clause through the Public Procurement Authority’s electronic platform that is open to the public.³¹ The more subtle cost manipulation, on the other hand, is not easily detectable by voters at the contract level but requires data collection and statistical data analysis such as the one in this paper.³² Taken together, we find the removal of local accountability as an effective underlying mechanism.

³¹The awarding method of each contract is publicly available at the electronic platform of the *Public Procurement Authority* in Turkey. Anyone can look up whether a certain contract by a certain public entity was awarded with a sealed-bid auction or with the more discretionary method of negotiation without a prior call by invoking the unforeseen event or threshold clause.

³²In the absence of free and independent media, it is not very likely neither that cost manipulation practices would make it to the news.

6 Conclusion

The intricate relationship between the powers of central and local governments have, for long, been a subject of significant debate. Leveraging a unique setting in Turkey, this paper sheds light on the effects of central government takeovers of local jurisdictions on public procurement practices, specifically focusing on law abuse and economic efficiency. Our findings provide robust evidence that trustee mayors, appointed by the central government, display increased tendencies towards exploiting legal loopholes, notably the unforeseen event clause, in public procurement regulations unlike their elected counterparts. Such law abuse costs more to the public in terms of inflated contract prices and reduced value for money.

These results, supported by a rigorous empirical strategy, underscore the importance of local accountability in curbing malfeasance and promoting efficient procurement practices. The shift from elected to appointed mayors seems to engender an environment where discretionary power is more susceptible to misuse, possibly due to reduced local accountability and a heightened focus on maintaining favor with central political elites. Moreover, the absence of differences in the misuse of the threshold clause between both sets of mayors offers a deeper insight into the broader dynamics of discretion and the nuanced ways in which it can be wielded.

Our work contributes to the literature in three key ways. First, it introduces rigorous causal evidence into the discussion of authoritarianism’s local repercussions with fresh insights from Turkey’s authoritarian context. Secondly, it unpacks the potential mechanisms that underlie the behaviors of central appointees, emphasizing the profound role local accountability plays in shaping administrative decisions at the municipal level. And lastly, by introducing a novel metric for gauging law abuse, our study expands the analytical toolkit available for scrutinizing procurement discretion, offering future researchers a more comprehensive lens through which to view such issues.

In summary, as countries grapple with the implications of increasing authoritarianism and its concomitant drive for clinching power in the local ([Malesky et al., 2014](#)), understanding the nuanced impacts of such shifts on governance becomes ever more critical. Our findings from Turkey underscore the importance of preserving local accountability structures to safeguard both economic efficiency and the rule of law.

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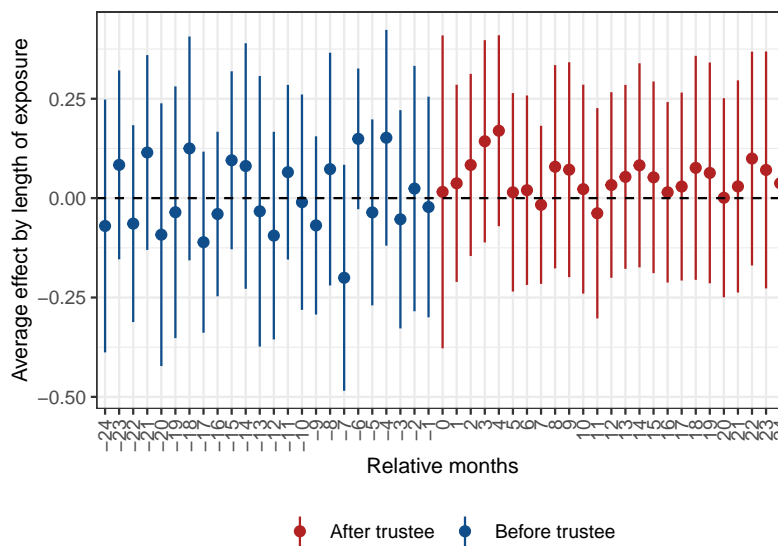
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A Appendix: Robustness Tests

A.1 Unconditional Parallel Trends

A.1.1 Outcome: monthly share of contracts awarded with threshold clause

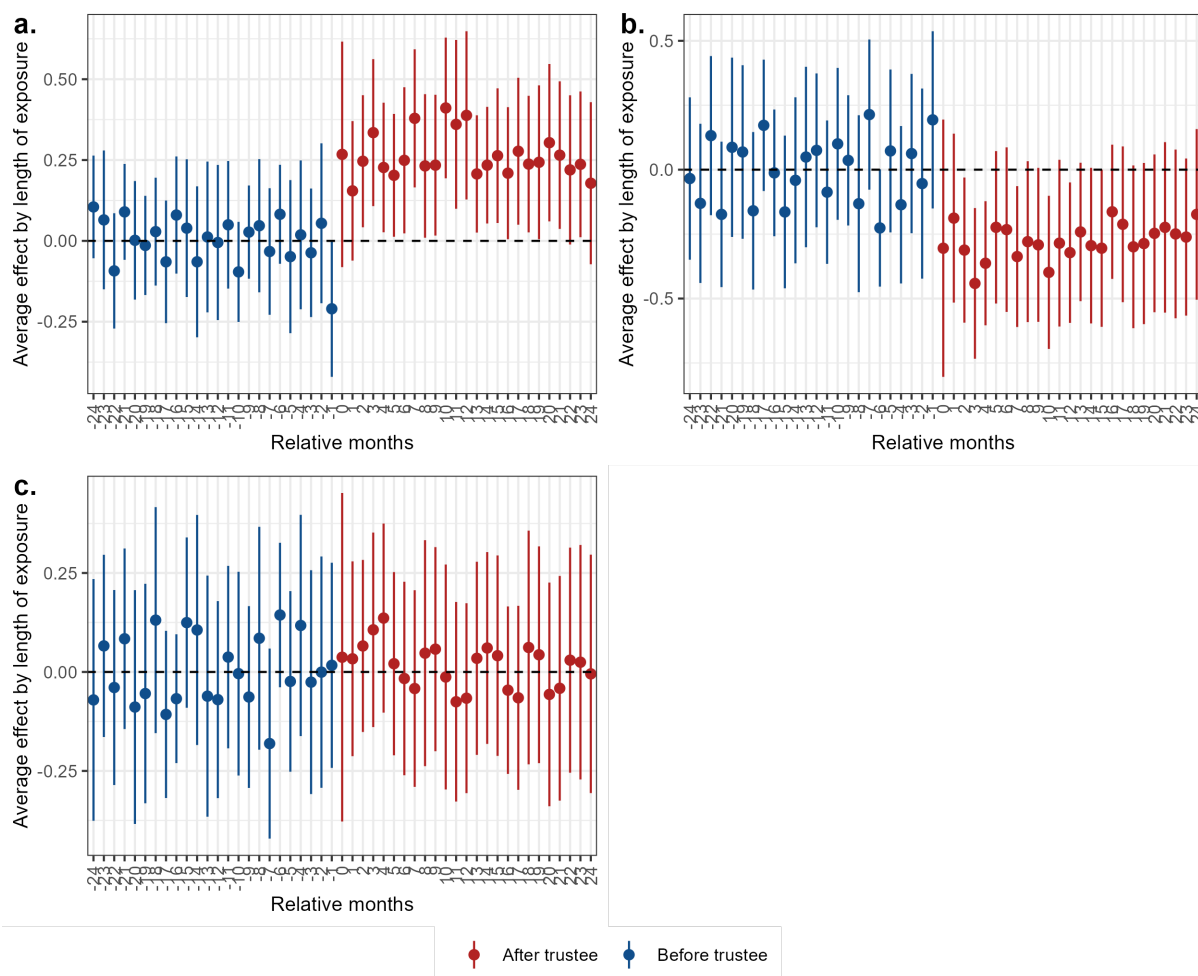
Figure A.1: Dynamic effects: share of contracts awarded with the threshold clause



Notes: The figure plots the dynamic effects from staggered DiD estimations using [Callaway and Sant'Anna \(2021\)](#) based on length of exposure to the treatment. The outcome variable is the monthly share of contracts awarded with the threshold clause. Bootstrapped-based 95% confidence intervals are given in parentheses and are robust to multiple hypothesis testing.

A.1.2 Outcome: monthly share of spending based on contract prices

Figure A.2: Dynamic effects: share of spending based on contract prices

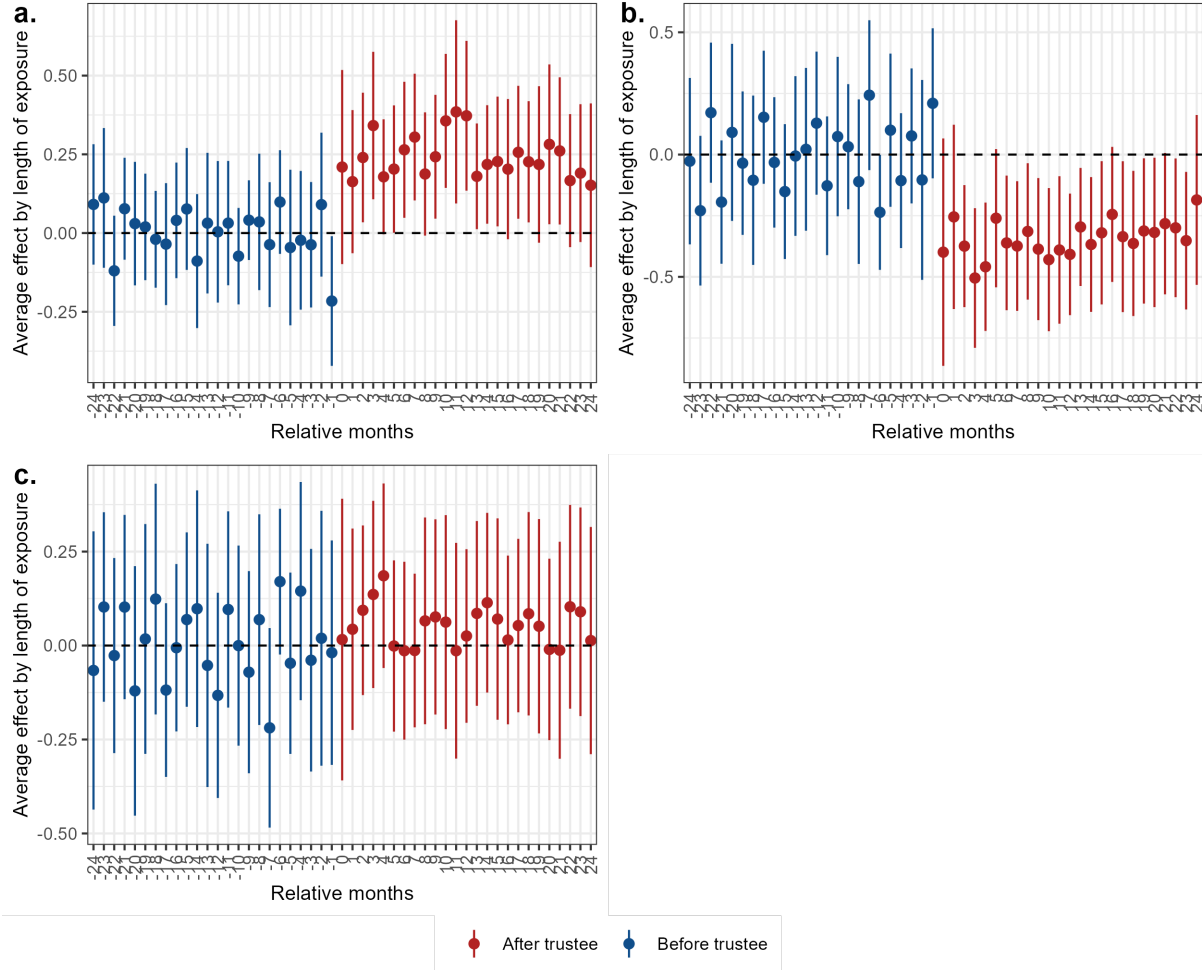


Notes: The figure plots the dynamic effects from staggered DiD estimations using [Callaway and Sant'Anna \(2021\)](#) based on length of exposure to the treatment. The outcome variable is the monthly share of spending based on contract prices with unforeseen event clause in Panel (a), sealed-bid auction in Panel (b), and threshold clause in Panel (c). Bootstrapped-based 95% confidence intervals are given in parentheses and are robust to multiple hypothesis testing.

A.2 Conditional Parallel Trends

A.2.1 Outcome: monthly share of contract awarding methods

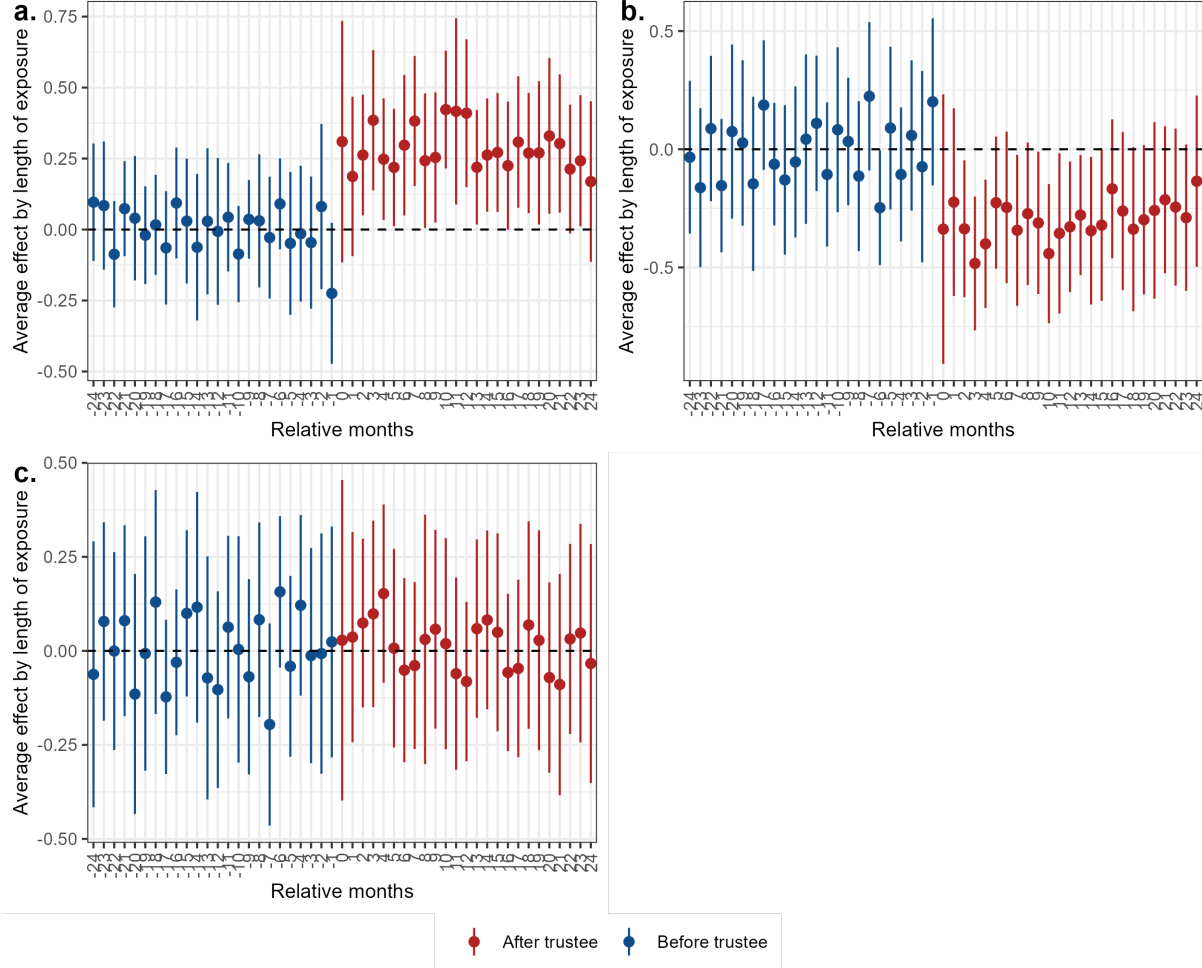
Figure A.3: Dynamic effects: monthly share of contract awarding methods



Notes: The figure plots the dynamic effects from staggered DiD estimations using [Callaway and Sant'Anna \(2021\)](#) based on length of exposure to the treatment. The outcome variable is the monthly share of unforeseen event clause in Panel (a), sealed-bid auction in Panel (b), and threshold clause in Panel (c). The estimations control for population, number of business enterprises at the municipal level and the level of nightlight at the district level. Bootstrapped-based 95% confidence intervals are given in parentheses and are robust to multiple hypothesis testing.

A.2.2 Outcome: monthly share of spending based on contract prices

Figure A.4: Dynamic effects: monthly share of spending based on contract prices



Notes: The figure plots the dynamic effects from staggered DiD estimations using [Callaway and Sant'Anna \(2021\)](#) based on length of exposure to the treatment. The outcome variable is the monthly share of spending based on contract prices with unforeseen event clause in Panel (a), sealed-bid auction in Panel (b), and threshold clause in Panel (c). The estimations control for population, number of business enterprises at the municipal level and the level of nightlight at the district level. Bootstrapped-based 95% confidence intervals are given in parentheses and are robust to multiple hypothesis testing.

A.3 Dropping Trustees Who Ran for Election

Table A.1: DiD estimates: monthly share of contract awarding methods

| | Unforeseen events | | Sealed-bid auctions | | Threshold clause | |
|--------------------|-------------------------|-------------------------|----------------------------|----------------------------|--------------------------|--------------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Trustee | 0.221 [0.134, 0.308] | 0.225 [0.132, 0.318] | -0.295 [-0.429, -0.161] | -0.306 [-0.450, -0.163] | 0.024 [-0.100, 0.148] | 0.025 [-0.100, 0.151] |
| Controls | No | Yes | No | Yes | No | Yes |
| Control group mean | 0.12 | 0.12 | 0.61 | 0.61 | 0.26 | 0.26 |
| Num.Obs. | 4552 | 4552 | 4552 | 4552 | 4552 | 4552 |

Notes: The table reports the DiD estimates obtained from staggered DiD estimations using [Callaway and Sant’Anna \(2021\)](#). The outcome variable is the monthly share of the respective contract awarding method. Controls include population and number of enterprises at the municipality level, and the level of nightlight at the district level. Bootstrapped-based 95% confidence intervals are given in parentheses and are robust to multiple hypothesis testing.

Table A.2: DiD estimates: monthly share of spending based on contract prices

| | Unforeseen events | | Sealed-bid auctions | | Threshold clause | |
|--------------------|-------------------------|-------------------------|----------------------------|----------------------------|---------------------------|---------------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Trustee | 0.261 [0.179, 0.343] | 0.272 [0.173, 0.370] | -0.236 [-0.382, -0.090] | -0.244 [-0.388, -0.101] | -0.025 [-0.161, 0.111] | -0.027 [-0.154, 0.099] |
| Controls | No | Yes | No | Yes | No | Yes |
| Control group mean | 0.13 | 0.13 | 0.65 | 0.65 | 0.22 | 0.22 |
| Num.Obs. | 4504 | 4504 | 4504 | 4504 | 4504 | 4504 |

Notes: The table reports the DiD estimates obtained from staggered DiD estimations using [Callaway and Sant’Anna \(2021\)](#). The outcome variable is the monthly share of spending with the respective contract awarding method and calculated based on contract prices. Controls include population and number of enterprises at the municipality level, and the level of nightlight at the district level. Bootstrapped-based 95% confidence intervals are given in parentheses and are robust to multiple hypothesis testing.

A.4 Not-yet-treated Municipalities as a Control Group

Table A.3: DiD estimates: monthly share of contract awarding methods

| | Unforeseen events | | Sealed-bid auctions | | Threshold clause | |
|--------------------|-------------------------|-------------------------|----------------------------|----------------------------|--------------------------|--------------------------|
| | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 | Model 6 |
| Trustee | 0.225 [0.149, 0.301] | 0.232 [0.149, 0.315] | -0.301 [-0.424, -0.179] | -0.319 [-0.442, -0.195] | 0.028 [-0.096, 0.151] | 0.035 [-0.075, 0.145] |
| Controls | No | Yes | No | Yes | No | Yes |
| Control group mean | 0.12 | 0.12 | 0.6 | 0.6 | 0.28 | 0.28 |
| Num.Obs. | 4968 | 4968 | 4968 | 4968 | 4968 | 4968 |

Notes: The table reports the DiD estimates obtained from staggered DiD estimations using [Callaway and Sant’Anna \(2021\)](#). The outcome variable is the monthly share of the respective contract awarding method. Controls include population and number of enterprises at the municipality level, and the level of nightlight at the district level. Bootstrapped-based 95% confidence intervals are given in parentheses and are robust to multiple hypothesis testing.

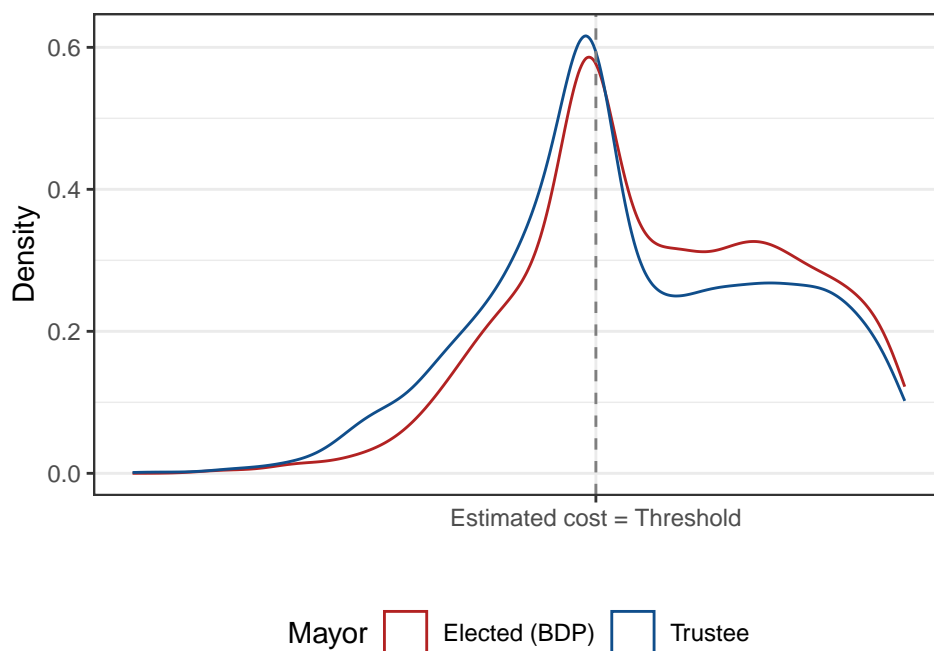
Table A.4: DiD estimates: monthly share of spending based on contract prices

| | Unforeseen events | | Sealed-bid auctions | | Threshold clause | |
|--------------------|-------------------------|-------------------------|----------------------------|----------------------------|---------------------------|---------------------------|
| | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 | Model 6 |
| Trustee | 0.270 [0.186, 0.354] | 0.283 [0.195, 0.372] | -0.258 [-0.401, -0.116] | -0.274 [-0.403, -0.144] | -0.012 [-0.140, 0.116] | -0.010 [-0.130, 0.111] |
| Controls | No | Yes | No | Yes | No | Yes |
| Control group mean | 0.13 | 0.13 | 0.64 | 0.64 | 0.23 | 0.23 |
| Num.Obs. | 4918 | 4918 | 4918 | 4918 | 4918 | 4918 |

Notes: The table reports the DiD estimates obtained from staggered DiD estimations using [Callaway and Sant’Anna \(2021\)](#). The outcome variable is the monthly share of spending with the respective contract awarding method and calculated based on contract prices. Controls include population and number of enterprises at the municipality level, and the level of nightlight at the district level. Bootstrapped-based 95% confidence intervals are given in parentheses and are robust to multiple hypothesis testing.

A.5 Cost Manipulation: Trustee mayors vs. Elected (DBP) Mayors

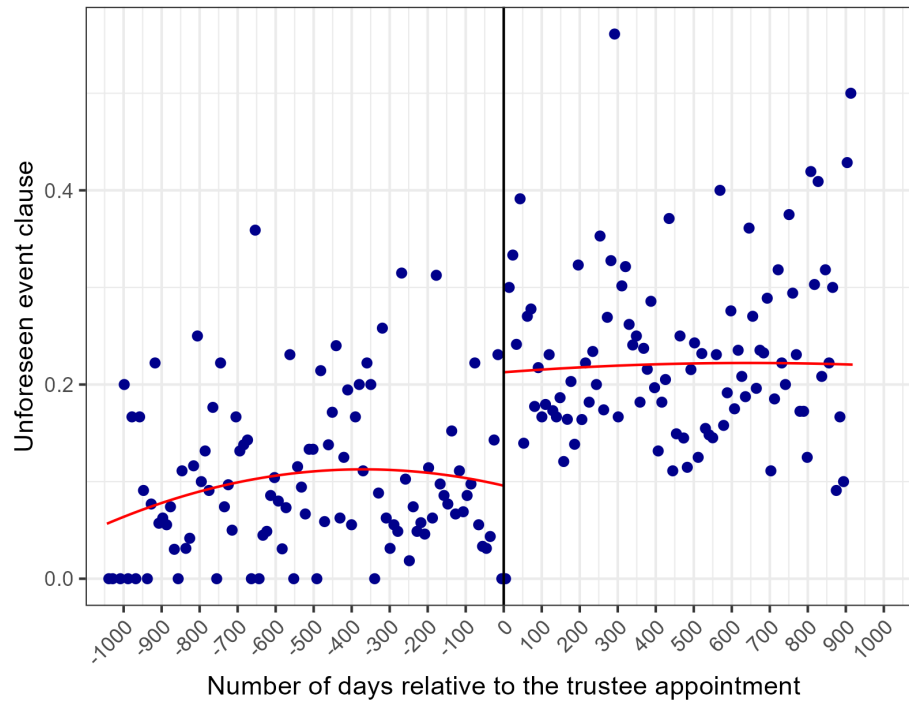
Figure A.5: Bunching around the threshold for expanded discretion: elected (DBP) vs. trustee mayors



Notes: The figure plots distributions of estimated cost of contracts under elected (DBP) and trustee mayors. The dashed line corresponds to the threshold value below which the procuring authority attains more discretion in contract awarding process.

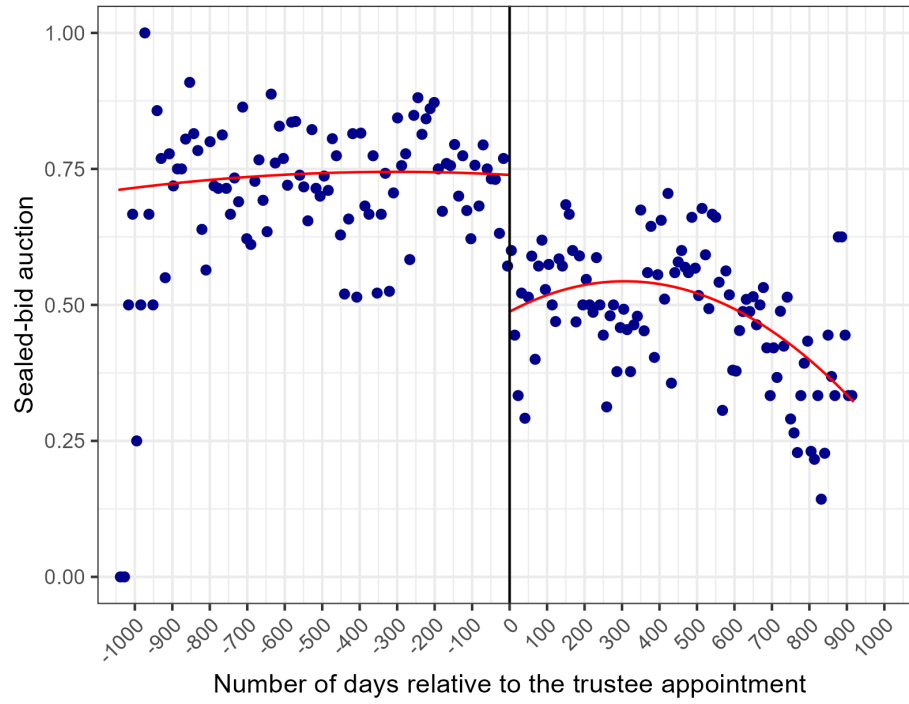
A.6 RDiT Analysis: RD Plots and Estimates

Figure A.6: Regression discontinuity (RD) plot: unforeseen event clause



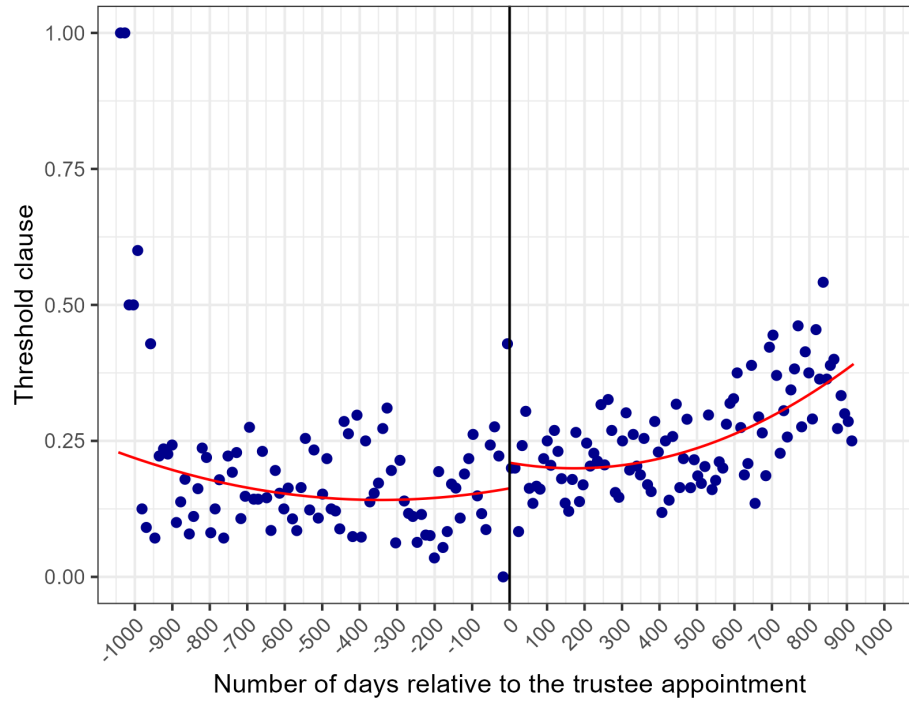
Notes: The figure presents the RD plot for the use of unforeseen event clause with binned sample mimicking the underlying variability of the data (Calonico et al., 2015). The dependent variable is a binary indicator of whether the contract is awarded with the unforeseen event clause. The cut-off is the trustee appointment day. Polynomials of order 2 are fitted on each side of the cut-off using a triangular kernel.

Figure A.7: Regression discontinuity (RD) plot: sealed-bid auction



Notes: The figure presents the RD plot for the use of sealed-bid auctions with binned sample mimicking the underlying variability of the data (Calonico et al., 2015). The dependent variable is a binary indicator of whether the contract is awarded with a sealed-bid auction. The cut-off is the trustee appointment day. Polynomials of order 2 are fitted on each side of the cut-off using a triangular kernel.

Figure A.8: Regression discontinuity (RD) plot: threshold clause



Notes: The figure presents the RD plot for the use of threshold clause with binned sample mimicking the underlying variability of the data ([Calonico et al., 2015](#)). The dependent variable is a binary indicator of whether the contract is awarded with the threshold clause. The cut-off is the trustee appointment day. Polynomials of order 2 are fitted on each side of the cut-off using a triangular kernel.

Table A.5: Regression discontinuity in time (RDiT) estimates using manual bandwidth: 360 days

| | Unforeseen event | | Sealed-bid acution | | Threshold clause | |
|-------------------------|---------------------|---------------------|----------------------|----------------------|-------------------|-------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Trustee mayor | 0.209*** (0.069) | 0.240*** (0.056) | −0.243*** (0.092) | −0.262*** (0.070) | −0.060 (0.074) | −0.057 (0.066) |
| Num.Obs. | 7812 | 7812 | 7812 | 7812 | 7812 | 7812 |
| Covariates | No | Yes | No | Yes | No | Yes |
| Year FE | No | Yes | No | Yes | No | Yes |
| Province FE | No | Yes | No | Yes | No | Yes |
| Procurement type FE | No | Yes | No | Yes | No | Yes |
| Industry FE | No | Yes | No | Yes | No | Yes |
| Kernel | Triangular | Triangular | Triangular | Triangular | Triangular | Triangular |
| Num.Obs.Effective.Left | 1358 | 1358 | 1358 | 1358 | 1358 | 1358 |
| Num.Obs.Effective.Right | 1819 | 1819 | 1819 | 1819 | 1819 | 1819 |

Notes: The table reports estimates obtained from RDiT estimations using [Calonico et al. \(2015\)](#) with triangular kernel and the manually chosen 360-day bandwidth for both sides of the cut-off. The dependent variables are binary indicators of whether the contract is awarded with the respective contract awarding method. Controls include population and number of enterprises at the municipality level, and the level of nightlight at the district level. *Procurement type FE* indicates the type of the procurement: goods, services, or construction. *Industry FE* variable indicates the industry code of the procurement and include 44 levels. Standard errors are clustered at the municipality level. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

B Appendix: Alternative Mechanisms

B.1 Adverse Selection of Governors as Trustee Mayors

Table A.6: Adverse selection of governors as trustee mayors

| | Unforeseen events | Sealed-bid auctions | Threshold clause |
|---------------------|-------------------|---------------------|------------------|
| Trustee Governor | −0.018 (0.037) | −0.050 (0.077) | 0.086 (0.082) |
| Year FE | Yes | Yes | Yes |
| Province FE | Yes | Yes | Yes |
| Procurement type FE | Yes | Yes | Yes |
| Industry FE | Yes | Yes | Yes |
| Num.Obs. | 1825 | 1825 | 1825 |
| R2 | 0.145 | 0.300 | 0.371 |
| R2 Adj. | 0.084 | 0.250 | 0.326 |

Notes: The table reports results from OLS estimations on the sample of contracts awarded by all district governors before the trustee appointments take place. The dependent variable is a binary indicator of whether the contract is awarded with the respective contract awarding method. The main explanatory variable, *Trustee Governor*, is a binary indicator of whether the contract is awarded by a governor who has been appointed as a trustee mayor later on. Covariates include population and number of enterprises at the municipality level, and the level of nightlight at the district level. *Procurement type FE* indicates the type of the procurement: goods, services, or construction. *Industry FE* variable indicates the industry code of the procurement and include 44 levels. Standard errors are clustered at the province level. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

B.2 DiD Analysis: Geographically Matched Sample

Table A.7: DiD estimates: monthly share of contract awarding methods

| | Unforeseen events | | Sealed-bid auctions | | Threshold clause | |
|--------------------|-------------------------|-------------------------|----------------------------|----------------------------|--------------------------|--------------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Trustee | 0.209 [0.108, 0.310] | 0.191 [0.087, 0.294] | -0.287 [-0.408, -0.165] | -0.283 [-0.409, -0.157] | 0.048 [-0.057, 0.153] | 0.059 [-0.041, 0.159] |
| Controls | No | Yes | No | Yes | No | Yes |
| Control group mean | 0.14 | 0.14 | 0.59 | 0.59 | 0.25 | 0.25 |
| Num.Obs. | 3771 | 3771 | 3771 | 3771 | 3771 | 3771 |

Notes: The table reports the DiD estimates obtained from staggered DiD estimations using [Callaway and Sant’Anna \(2021\)](#). The outcome variable is the monthly share of the respective contract awarding method. Controls include population and number of enterprises at the municipality level, and the level of nightlight at the district level. Bootstrapped-based 95% confidence intervals are given in parentheses and are robust to multiple hypothesis testing.

Table A.8: DiD estimates: monthly share of spending based on contract prices

| | Unforeseen events | | Sealed-bid auctions | | Threshold clause | |
|--------------------|-------------------------|-------------------------|----------------------------|----------------------------|---------------------------|--------------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Trustee | 0.235 [0.128, 0.342] | 0.217 [0.108, 0.327] | -0.225 [-0.362, -0.089] | -0.219 [-0.363, -0.076] | -0.010 [-0.127, 0.108] | 0.002 [-0.104, 0.108] |
| Controls | No | Yes | No | Yes | No | Yes |
| Control group mean | 0.16 | 0.16 | 0.63 | 0.63 | 0.22 | 0.22 |
| Num.Obs. | 3722 | 3722 | 3722 | 3722 | 3722 | 3722 |

Notes: The table reports the DiD estimates obtained from staggered DiD estimations using [Callaway and Sant’Anna \(2021\)](#). The outcome variable is the monthly share of spending with the respective contract awarding method and calculated based on contract prices. Controls include population and number of enterprises at the municipality level, and the level of nightlight at the district level. Bootstrapped-based 95% confidence intervals are given in parentheses and are robust to multiple hypothesis testing.

B.3 DiD Analysis: Excluding Municipalities with Violent Events

Table A.9: DiD estimates: monthly share of contract awarding methods

| | Unforeseen events | | Sealed-bid auctions | | Threshold clause | |
|--------------------|-------------------------|-------------------------|----------------------------|----------------------------|--------------------------|--------------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Trustee | 0.205 [0.122, 0.288] | 0.211 [0.123, 0.300] | -0.281 [-0.428, -0.134] | -0.291 [-0.445, -0.137] | 0.021 [-0.133, 0.176] | 0.024 [-0.119, 0.166] |
| Controls | No | Yes | No | Yes | No | Yes |
| Control group mean | 0.12 | 0.12 | 0.61 | 0.61 | 0.26 | 0.26 |
| Num.Obs. | 4074 | 4074 | 4074 | 4074 | 4074 | 4074 |

Notes: The table reports the DiD estimates obtained from staggered DiD estimations using [Callaway and Sant’Anna \(2021\)](#). The outcome variable is the monthly share of the respective contract awarding method. Controls include population and number of enterprises at the municipality level, and the level of nightlight at the district level. Bootstrapped-based 95% confidence intervals are given in parentheses and are robust to multiple hypothesis testing.

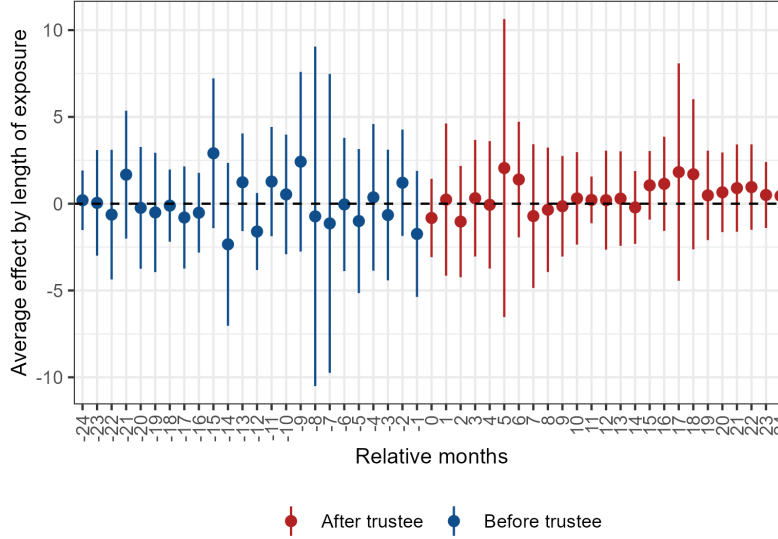
Table A.10: DiD estimates: monthly share of spending based on contract prices

| | Unforeseen events | | Sealed-bid auctions | | Threshold clause | |
|--------------------|-------------------------|-------------------------|----------------------------|----------------------------|---------------------------|---------------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Trustee | 0.241 [0.161, 0.322] | 0.253 [0.159, 0.347] | -0.234 [-0.390, -0.078] | -0.234 [-0.399, -0.069] | -0.007 [-0.155, 0.141] | -0.019 [-0.155, 0.117] |
| Controls | No | Yes | No | Yes | No | Yes |
| Control group mean | 0.13 | 0.13 | 0.65 | 0.65 | 0.22 | 0.22 |
| Num.Obs. | 4033 | 4033 | 4033 | 4033 | 4033 | 4033 |

Notes: The table reports the DiD estimates obtained from staggered DiD estimations using [Callaway and Sant’Anna \(2021\)](#). The outcome variable is the monthly share of spending with the respective contract awarding method and calculated based on contract prices. Controls include population and number of enterprises at the municipality level, and the level of nightlight at the district level. Bootstrapped-based 95% confidence intervals are given in parentheses and are robust to multiple hypothesis testing.

B.4 Monthly Spending via Procurement

Figure A.9: Dynamic effects: monthly total spending via procurement



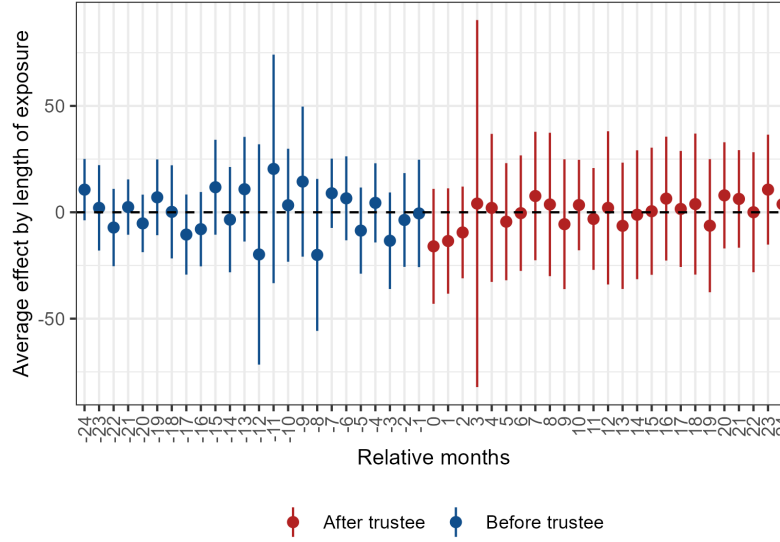
Notes: The figure plots the dynamic effects from staggered DiD estimations using [Callaway and Sant'Anna \(2021\)](#) based on length of exposure to the treatment. The outcome variable is the monthly total spending via procurement. Bootstrapped-based 95% confidence intervals are given in parentheses and are robust to multiple hypothesis testing.

Table A.11: DiD estimates: monthly total spending via procurement

| | Total spending in procurement (in million TL) | |
|----------|---|--------------------------|
| | (1) | (2) |
| Trustee | 0.546 [−0.553, 1.645] | 0.947 [−0.654, 2.548] |
| Controls | No | Yes |
| Num.Obs. | 4681 | 4681 |

Notes: The table reports the DiD estimates obtained from staggered DiD estimations using [Callaway and Sant'Anna \(2021\)](#). The outcome variable is the monthly total spending in public procurement calculated from contract prices (in million TL, in real terms). Controls include population and number of enterprises at the municipality level, and the level of nightlight at the district level. Bootstrapped-based 95% confidence intervals are given in parentheses and are robust to multiple hypothesis testing.

Figure A.10: Dynamic effects: monthly per capita spending via procurement



Notes: The figure plots the dynamic effects from staggered DiD estimations using [Callaway and Sant'Anna \(2021\)](#) based on length of exposure to the treatment. The outcome variable is the total monthly spending via procurement. Bootstrapped-based 95% confidence intervals are given in parentheses and are robust to multiple hypothesis testing.

Table A.12: DiD estimates: monthly per capita spending via procurement

| | Per capita spending in procurement (in million TL) | |
|----------|--|---------------------------|
| | (1) | (2) |
| Trustee | 1.233 [−12.463, 14.929] | 3.243 [−9.750, 16.236] |
| Controls | No | Yes |
| Num.Obs. | 4681 | 4681 |

Notes: The table reports the DiD estimates obtained from staggered DiD estimations using [Callaway and Sant'Anna \(2021\)](#). The outcome variable is the per capita monthly spending in public procurement calculated from contract prices (in million TL, in real terms). Controls include population and number of enterprises at the municipality level, and the level of nightlight at the district level. Bootstrapped-based 95% confidence intervals are given in parentheses and are robust to multiple hypothesis testing.

C Appendix: List of DBP Municipalities with Appointed Trustees

Table A.13: Metropolitan Municipalities, in Alphabetical Order

| Name of the Province | Appointment Date | Name of the Trustee | Governorship Office | Province Category |
|----------------------|------------------|----------------------|-------------------------------|-------------------|
| Ağrı | 03.01.2017 | Musa Işın | Governor of the Province (GP) | 3rd |
| Batman | 11.09.2016 | Ertuğ Şevket Aksoy | GP | 3rd |
| Bitlis | 27.11.2016 | Ahmet Çınar | GP | 4th |
| Dersim | 17.11.2016 | Olgun Öner | Vice GP | 4th |
| Diyarbakır | 01.11.2016 | Cumali Atilla | Etimesgut, Ankara Governor | 2nd |
| Hakkari | 11.09.2016 | Cüneyt Epçim | Vice GP | 4th |
| Mardin | 17.11.2016 | Mustafa Yaman | GP | 2nd |
| Siirt | 17.11.2016 | Ceyhun Dilşad Taşkın | Vice GP | 4th |
| Şırnak | 11.09.2016 | Turan Bedirhanoglu | Vice GP | 4th |
| Van | 17.11.2016 | İbrahim Taşyapan | GP | 2nd |

Table A.14: District Municipalities, in Alphabetical Order

| District / Province | Appointment Date | Name of the Trustee | Governorship Office | District Category |
|---------------------|------------------|---------------------|----------------------|-------------------|
| Akdeniz / Mersin | 18.12.2016 | Hamdi Bilge Aktaş | GP | 1 |
| Akpazar / Dersim | 10.05.2017 | Kenan Aktaş | Mazgirt, Dersim Gov. | 4 |
| Artuklu / Mardin | 13.12.2016 | Şakir Öner Öztürk | GP | 3 |
| Atabağı / Siirt | 18.03.2017 | Mehmet Kocabey | Baykan, Siirt Gov. | 4 |
| Bahçesaray / Van | 16.02.2017 | Serhat Karabektaş | GP | 6 |
| Balveren / Şırnak | 17.03.2017 | Turan Bedirhanoglu | Şırnak Vice Gov. | NA ³³ |
| Başkale / Van | 22.01.2017 | Abdulselam Öztürk | GP | 4 |
| Başverimli / Şırnak | 11.09.2016 | Savaş Konak | Silopi Gov. | 2 |
| Baykan / Siirt | 20.12.2016 | Mehmet Kocabey | GP | 4 |
| Beğendik / Siirt | 30.03.2017 | Hakan Şeker | Pervari Gov. | NA |

³³Some rural towns have municipalities even though they are not a district. Hence they do not have governors and are not subject to the district categorization. Such municipalities are marked as Not Applicable (NA).

Table A.14: Continued from previous page

| District / Province | Appointment Date | Name of the Trustee | Governorship Office | District Category |
|----------------------|------------------|---------------------|------------------------|-------------------|
| Beşiri / Batman | 11.09.2016 | Mustafa Maslak | GP | 4 |
| Beytüşşebap / Şırnak | 03.03.2017 | Murat Şener | GP | 4 |
| Bismil / Diyarbakır | 02.04.2017 | Turgay Gülenç | GP | 3 |
| Bozova / Şanlıurfa | 09.01.2017 | Zekeriya Göker | Elazığ Vice Gov. | 4 |
| Bulanık / Muş | 11.09.2016 | Ömer Şahin | GP | 4 |
| Cizre / Şırnak | 11.09.2016 | Ahmet Adanur | GP | 2 |
| Çaldıran / Van | 15.02.2017 | Tekin Dünder | GP | 4 |
| Çatak / Van | 06.01.2017 | Hacı Asım Akgül | GP | 4 |
| Çukurca / Hakkari | 12.08.2016 | Mehmet Mut | GP | 4 |
| Dargeçit / Mardin | 11.09.2016 | M. Yaşar Yeşiltaş | GP | 4 |
| Derik / Mardin | 11.09.2016 | M. Fatih Safitürk | GP | 4 |
| Dicle / Diyarbakır | 14.02.2017 | Alparslan Kılıç | GP | 4 |
| Digor / Kars | 09.02.2017 | Mustafa Güngör | GP | 4 |
| Diyaadin / Ağrı | 11.09.2016 | Mekan Çeviren | GP | 4 |
| Doğubayazıt / Ağrı | 24.01.2017 | Ulaş Akhan | GP | 3 |
| Edremit / Van | 11.09.2016 | İbrahim Özkan | Van Vice Gov | 3 |
| Eğil / Diyarbakır | 07.03.2017 | Kürşad Atak | GP | 4 |
| Erciş / Van | 11.09.2016 | Mehmet Şirin Yaşar | GP | 3 |
| Erentepe / Muş | 13.06.2017 | Hacı Arslan Uzan | Bulanık, Muş Gov | NA |
| Eruh / Siirt | 11.09.2016 | Murtaza Dayanç | GP | 4 |
| Esendere / Hakkari | 07.02.2017 | Mahmut Kaşıkçı | Yüksekova, Hakkari Gov | NA |
| Fındık / Şırnak | 19.01.2017 | Osman Demir | Güçlükonak, Şırnak Gov | NA |
| Gercüş / Batman | 11.09.2016 | Ünal Koç | GP | 4 |

Table A.14: Continued from previous page

| District / Province | Appointment Date | Name of the Trustee | Governorship Office | District Category |
|------------------------|------------------|----------------------|---------------------|-------------------|
| Gökçebağ / Siirt | 06.02.2017 | Ceyhun Dilşad Taşkın | Siirt Vice Gov | NA |
| Görümlü / Şırnak | 02.10.2017 | Savaş Konak | Silopi Gov. | NA |
| Güroymak / Bitlis | 28.11.2016 | Ufuk Özen Alibeyoğlu | GP | 4 |
| Gürpınar / Van | 03.02.2017 | Osman Doğramacı | GP | 4 |
| Halfeti / Şanlıurfa | 23.12.2016 | Şeref Albayrak | GP | 6 |
| Hani / Diyarbakır | 05.10.2016 | Şaban Arda Yazıcı | GP | 4 |
| Hınıs / Erzurum | 11.09.2016 | Bülent Ay | GP | 4 |
| Hizan / Bitlis | 24.12.2016 | Bülent Hamitoğlu | GP | 4 |
| Hoşhaber / Iğdır | 11.09.2016 | Bilgehan Karanfil | Iğdır Vice Gov | NA |
| İdil / Şırnak | 21.09.2016 | Ersin Tepeli | GP | 4 |
| İkiköprü / Batman | 11.09.2016 | Mustafa Maslak | Beşiri, Batman Gov | NA |
| İpekyolu / Van | 11.09.2016 | Önder Can | Van Vice GP | 3 |
| Karaçoban / Erzurum | 28.12.2016 | Muhsin Duran Kalkan | GP | 4 |
| Karakoçan / Elazığ | 31.01.2017 | Cemil Sarıoğlu | GP | 4 |
| Karayazı / Erzurum | 05.12.2016 | Kamil Aksoy | GP | 4 |
| Kayabağlar / Siirt | 12.04.2017 | Musa Uçgöl | Kurtalan, Siirt Gov | NA |
| Kayapınar / Diyarbakır | 12.08.2016 | Mustafa Kılıç | GP | 2 |
| Kızıltepe / Mardin | 04.12.2016 | Ahmet Odabaş | GP | 2 |
| Kocaköy / Diyarbakır | 06.02.2017 | Yusuf Turhan | GP | 4 |

Table A.14: Continued from previous page

| District / Province | Appointment Date | Name of the Trustee | Governorship Office | District Category |
|---------------------|------------------|----------------------|---------------------|-------------------|
| Konakkuran / Muş | 10.05.2017 | Soner Kırılı | Malazgirt, Muş Gov. | NA |
| Kömür / Adıyaman | 29.08.2018 | Adem Kaya | Adıyaman Vice Gov | NA |
| Kulp / Diyarbakır | 23.01.2017 | Fatih Dülgeroğlu | GP | 4 |
| Kumçatı / Şırnak | 06.01.2017 | Turan Bedirhanoglu | Şırnak Vice Gov | NA |
| Lice / Diyarbakır | 02.10.2017 | Sinan Başak | GP | 4 |
| Malazgirt / Muş | 12.02.2016 | Soner Kırılı | GP | 4 |
| Mazıdağı / Mardin | 11.09.2016 | Halit Benek | GP | 4 |
| Muradiye / Van | 17.01.2017 | Mehmet Fatih Çelikel | GP | 4 |
| Mutki / Bitlis | 23.12.2016 | Mehmet Kılıç | GP | 4 |
| Nusaybin / Mardin | 11.09.2016 | Ergün Baysal | GP | 3 |
| Ovakışla / Bitlis | 03.11.2016 | Bülent Tekbıyıkoglu | Ahlat, Bitlis Gov | 4 |
| Ömerli / Mardin | 06.01.2017 | Erol Korkmaz | GP | 4 |
| Özalp / Van | 11.09.2016 | Serdar Karal | GP | 4 |
| Rüstemgedik / Muş | 14.04.2017 | Hacı Arslan Uzan | Bulanık, Muş Gov | NA |
| Saray/ Van | 15.02.2017 | Mehmet Halis Aydın | GP | 4 |
| Savur / Mardin | 01.03.2017 | İdris Koç | GP | 4 |
| Sırtköy / Şırnak | 08.11.2016 | Ersin Tepeli | İdil, Şırnak Gov | NA |
| Silopi / Şırnak | 11.09.2016 | Savaş Konak | GP | 2 |
| Silvan / Diyarbakır | 11.09.2016 | Murat Kütük | GP | 3 |
| Sur / Diyarbakır | 11.09.2016 | Bilal Özkan | GP | 2 |
| Suruç / Şanlıurfa | 11.09.2016 | Tarık Açıkgöz | Şanlıurfa Vice Gov | 3 |
| Şemdinli / Hakkari | 07.12.2016 | M.Fuat Türkman | Bingöl Vice Gov | 4 |

Table A.14: Continued from previous page

| District / Province | Appointment Date | Name of the Trustee | Governorship Office | District Category |
|---------------------------|---------------------|---------------------------|------------------------|----------------------|
| Tekman / Erzurum | 06.01.2017 | Kemal Karahan | GP | 4 |
| Tutak / Ağrı | 12.01.2017 | Erkan İsa Erat | GP | 4 |
| Tuzluca / Iğdır | 11.09.2016 | İbrahim Civalek | GP | 4 |
| Uludere / Şırnak | 27.01.2017 | Mehmet Fatik Yakınoğlu | GP | 4 |
| Uzgörür / Muş | 11.09.2016 | Ömer Şahin | Bulanık, Muş Gov | NA |
| Varto / Muş | 11.11.2016 | Mehmet Nuri Çetin | GP | 4 |
| Veysel Karani / Siirt | 23.12.2016 | Mehmet Kocabey | Baykan, Siirt Gov | NA |
| Viranşehir / Şanlıurfa | 09.01.2017 | Ömer Çimşit | GP | 3 |
| Yenişehir / Diyarbakır | 08.12.2016 | Mehmet Özel | GP | 2 |
| Yolalan / Bitlis | 24.12.2016 | Bülent Hamitoğlu | Hizan, Bitlis Gov | NA |
| Yüksekova / Hakkari | 19.12.2016 | Mahmut Kaşıkçı | GP | 3 |

D Appendix: Contractors of Trustee Mayors

D.1 Repeating Contractors

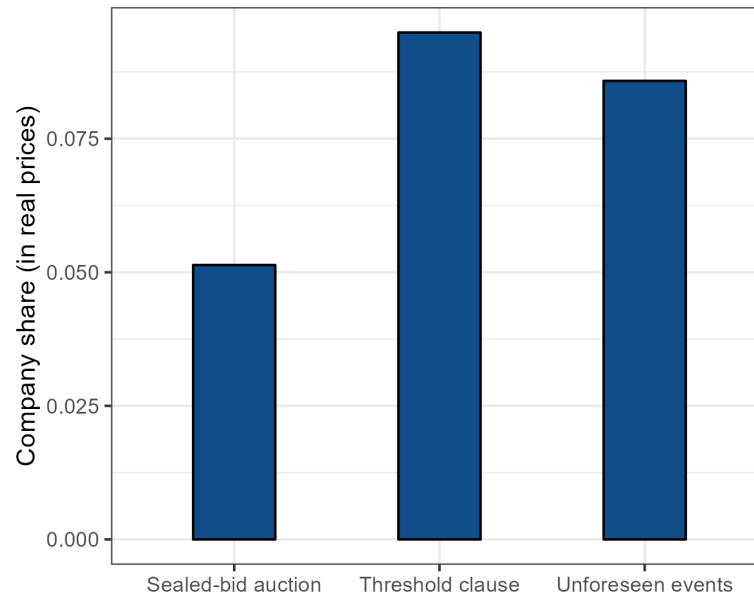


Figure A.11: Average company shares for each auction method in trustee-run municipalities

D.2 Local vs. Non-local Suppliers

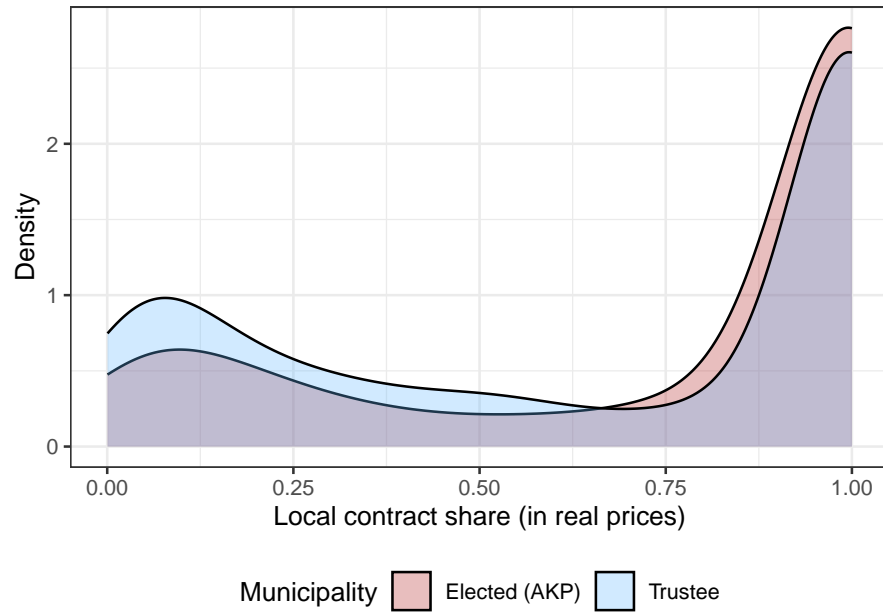


Figure A.12: Local contract share distribution of companies that secured state contracts with the unforeseen event clause

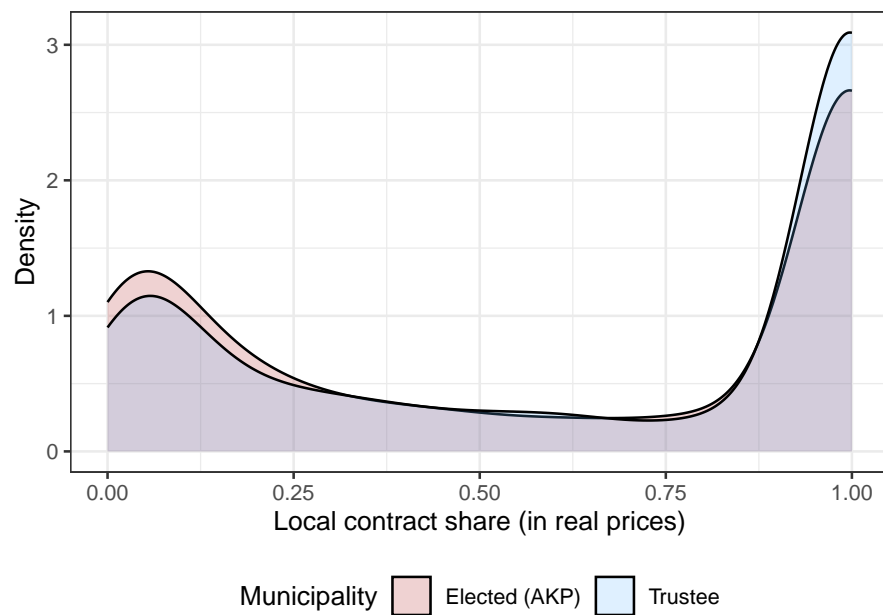


Figure A.13: Local contract share distribution of companies that secured state contracts in sealed-bid auctions

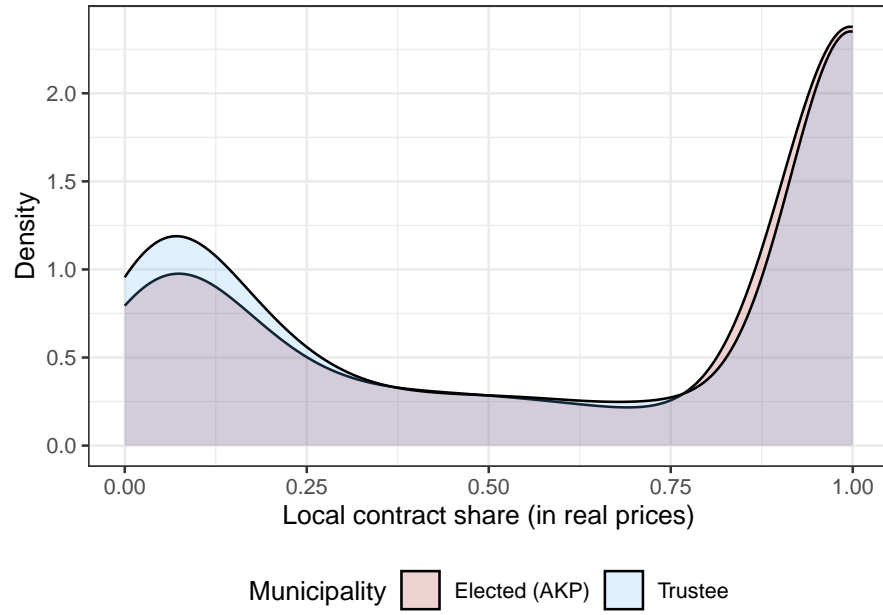


Figure A.14: Local contract share distribution of companies that secured state contracts with the threshold clause