



Quo vadis? The local government in Turkey after public management reforms

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journals.sagepub.com/home/ras**Evrin Tan**

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Abstract

In the 2000s, Turkey has reformed its public administration system in line with New Public Management (NPM) principles towards a more decentralized system. Although the initial aim of the reform process is set to achieve a decentralized and more efficient public management system, the empirical data and official statistics cast doubt on whether this outcome will ever be achieved. Analyzing local government legislation, the discretion of central government in local governance, and the changes in the status of local government in public governance, the article presents the evolution of the local government system in Turkey during the Justice and Development Party government.

Points for practitioners

The public management reform experience of Turkey resembles the NPM reform patterns in countries with Napoleonic state tradition. Similar to these countries, the emphasis on managerial practices over participatory elements has been prevalent in improving the efficiency and effectiveness of public services. Yet, the findings in the Turkish case challenge the proposition that managerial reforms alone, without improving local democratic governance, can enhance the efficiency and effectiveness of public services.

Keywords

developing countries, intergovernmental relations, public sector reform, regional and local government

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Introduction

Turkey, a profoundly centralized state, has enacted various local administration reform acts in the years 2003–05. The functions, roles, and responsibilities of local governments have been extended with new legislation. Public services, which used to be carried out by the central government, in health, tourism and culture, forest and environment, agriculture and village affairs, social care and child protection, youth and sports, industry and public works have been devolved to local government. The administrative and financial autonomy of the local government is recognized, and local government has obtained increasing discretion in economic activities and fiscal borrowing.

Fifteen years after the initial phase of the public management reform in Turkey, the local government reform experience of Turkey is mostly underresearched. The first comprehensive academic analysis of Turkey's reform experience, *New Public Management Reform in Turkey* (Demirkaya, 2016), was published in 2016 with contributions from renowned Turkish scholars. The book touches upon various aspects of the reform process, including the administrative and political background (Özden, 2017), its aims and underlying principles (Öktem and Çiftçi, 2017), and the legislative and regulative adjustments concerning local government (Gül, 2017). Yet, the question of whether the local government is empowered in terms of public governance following the public management reform process is largely left untouched.

This article aims to fill this gap in the literature by analyzing the changes in the status of local government in Turkey after the public management reforms. The article presents an overall analysis of the reform process and highlights the patterns in local government reforms. The empirical analysis focuses on the present discretion of central government on local governance and the role of local government in public governance by evaluating the trends in public finances, employment, and expenditure.

The public management reform process has revamped the Turkish public administration according to New Public Management (NPM) principles (Sezen, 2011). The principal aim of the reform was to increase public service efficiency and effectiveness through administrative and financial decentralization. Nonetheless, the empirical findings suggest that central government still preserves its influential position in local governance, and the findings do not suggest a significant improvement in the efficiency of public services. On the contrary, the increasing current expenditure despite the downsizing in the number of municipalities and public employment suggests that efficiency in local governance has decreased. These findings challenge the prospect of the NPM reforms to increase public service efficiency. The article takes a critical view on the outcome of the reform process in Turkey and argues that efficiency in public services does not solely rely on the marketization of public services or the adoption of management practices, but also needs the empowerment of the participatory processes.

An overview of Turkish local government

The Turkish public administration system was established on the basis of a strong central authority that presides over local administration through a tutelage relationship. This system is usually known in public administration literature as the ‘Napoleonic’ administrative tradition (Peters, 2008). Some general features of this administrative model are a highly centralized state structure, dependency on deconcentrated central field agencies, and the constitutional status of local administration bodies (Hesse and Sharpe, 1991).

Turkey is a unitary state and has two tiers of administration; the central and the local administration. In 1999, as part of the EU membership process, regional development agencies were created based on the NUTS system. However, these agencies do not have administrative competencies, and legislatively they are under the jurisdiction of the central authority.

The Turkish state is divided into 81 provinces, which are headed by an appointed governor. The governor is the highest ranked representative of the central authority in provinces and their main function is to be a channel between the locality and the central authority. Today, the governor has a more regulatory position on local issues rather than being the final decision-making authority. Provinces are subdivided into districts, which are headed by appointed district governors (*kaymakams*). Local governments in provinces are governed by the elected authorities. The principal local government is the municipality. There are five categories under municipal administrations; metropolitan, provincial, metropolitan district, district, and town. Other types of local government are the Special Provincial Administrations (SPAs) and Villages.

Municipalities are the backbone of the Turkish local government, and 93.3 percent of the Turkish population lives in municipalities (Turkish Statistical Institute, 2014). Following the municipal amalgamation in 2014, the number of municipalities in Turkey has decreased from 2950 to 1396. Today, there are 30 metropolitan municipalities that have particular jurisdictional powers and structures different from the rest of the municipalities. Metropolitan municipalities were established in 1984 for larger urban areas where the population exceeds 750,000 inhabitants. In contrast to other municipalities, metropolitan municipalities have two tiers of administration in which the metropolitan administration (second tier) is vested with responsibility for coordinating the district municipalities (first tier). Nonetheless, all municipalities share the same responsibilities in public service provision.

The second type of local government, SPAs, are responsible for the provision of services in rural areas outside the jurisdiction of municipalities. SPAs are established following the French example of the *département* system. The main legislative body of the SPA is an elected provincial council, but the governor is the official head of the SPA. Therefore, for many years, the status of SPAs has been contested as a local government due to the central government’s direct involvement in the decision-making process. Following the legislative changes in 2003–05, the status

of the governor has evolved from an administrative to a regulatory status. Villages are another form of local government established in small communities in rural areas. An elected alderman's council and an elected *muhtar* govern them. Although villages are recognized as public organizations subject to the Law on Villages (issued in 1924), they do not have allocated financial resources to carry out their own services. Therefore, all public services in villages are delivered by SPAs. The legal framework for each respective body is defined by separate laws and determined by the general principles on local administrations in the constitution.

In the Turkish constitution, two functional principles are defined to regulate the local administration system. The first principle, 'integral unity in administration', establishes a strong tutelage relationship between the central authority and local government. The second principle, 'decentralization', refers to the allocation of power to public bodies on functional and territorial bases (TODAIE, 2007: 13). The territorial public authorities are called 'local administrations' and they are established to meet the needs of inhabitants in a geographically defined territory (Gözler, 2003: 125). Legislatively, there are four types of local administration; that is, Special Provincial Administration, Municipality, Metropolitan Municipality and Village. The functional bodies, on the other hand, are public corporations established outside of the central hierarchy to cover scientific, economic, trade, social and technical functions which need a specialized expertise (TODAIE, 2007: 13). Here, 'decentralization' corresponds to a service-based allocation. State-economic enterprises (SEE), public universities, social security institutions, and regulatory and supervisory public authorities fall under this category.

Public management reform during the AKP government

The Justice and Development Party (AKP) announced its Urgent Action Plan shortly after winning the elections in 2002 to initiate the economic and social transformation of the country. In compliance with the plan, the official reform program was introduced in March 2003. The aim of the reform process is set as an 'efficient, participative, decentralized and transparent public management system'.

A threefold reform strategy has been designed: (1) changing the principles of the public administration system, (2) changing the local administration laws, and (3) changing the public personnel regime (Erdoğan, 2003). Accordingly, in December 2003, the draft act on the Law on Basic Principles and Reorganization of Public Administration was brought to the national assembly. The act was formulated to set the principles of the new public administration system and the legal basis for the subsequent reforms. The bill has identified the anticipated system as follows:

- Performance-based system and strategy planning will be set as essential for all public administration bodies.
- Local administrations will be responsible for all local areas where the jurisdiction is not specified in the constitution.

- Duties and competencies regarding the services in health, tourism and culture, forest and environment, agriculture and village affairs, social care and child protection, youth and sports, industry and public works will be transferred from the provincial organizations of ministries to municipalities, and to SPAs for the areas outside of the municipal borders. The provincial administrations of the respective ministries will be abolished.
- State enterprises in the areas where private enterprises are already present will be privatized or shut down.
- Further changes in the public personnel regime, the working procedures of local assemblies and regional development agencies will take place in future acts.

Some provisions in the draft act have been subject to change following the revision in the parliamentary commissions. The most significant revision took place on the devolution of education services. In the revised bill, the devolution of education services to SPAs has been removed due to their lack of capacity to deliver the services (Türkoglu, 2004). The revised bill was approved by the parliament in July 2004. However, the bill was partially vetoed by the president arguing that some provisions were conflicting with the 'integral unity in administration' principle, and the president sent it back to parliament for review. According to the constitution, parliament has the right to return the bill without any changes. In that case, the president has two choices, either to promulgate the act or to litigate the Constitutional Court. However, parliament did not send the bill back to the president, and the bill has been put aside ever since, despite the change of the president later to a pro-government holder.¹

The bill on the Public Administration Basic Law was a roadmap for public management reform rather than a detailed reform act. The initial strategy was creating a legal framework on the principles of the NPM system to be complemented by additional laws such as the rules on allocation of resources between central and local administration or auditing of local administrations. Nevertheless, the reform strategy of the government has changed following the veto of the president, and instead of a comprehensive piece of legislation, separate laws on the Special Provincial Administration Law, the Municipality Law, the Metropolitan Municipality Law, the Local Administration Unions Law, the Public Financial Management and Control Law, and the Law on the Establishment, Coordination and Duties of Development Agencies were subsequently enacted in following three years.

In June 2006, the Deputy Prime Minister, Mehmet A. Şahin assessed the reform performance of the government by underlining that '32 out of 45 targeted reforms in the Urgent Action Plan' have been realized. Reforms on 'redefining the liabilities and competencies of central authority', 'empowering the financial structure of local administrations', 'empowering the human resources of local administrations', 'transferring some provincial organizations and their personnel to provincial administrations', are mentioned as non-accomplished objectives related to public management. In the same assessment, the veto of the President on the

Public Administration Basic Law was mentioned as the reason why the rest of the anticipated laws were not enacted. However, the stagnation on reform process even after the election of a new president questions the reliability of the argument.

Indeed, the pace of the reform process has declined after 2005. There appear to be a variety of reasons for this ostensible change. For instance, 2007 was the election year, and public management reform was not a priority in the run-up to the public vote. In 2006, security had become a pressing issue in domestic politics. The assaults of the PKK² began to ramp up following the relatively peaceful years after the capture of the head of the organization in 1999. Given the concentrated Kurdish population in southeastern and eastern Turkey, the already heated political discussions around the fear of segregation made the government even more reluctant to take further political action towards decentralization. Moreover, the EU membership process stands out as another influential factor. The peak of the public administration reform process in 2002–05 has been marked with the aim of starting the full membership negotiation process, which eventually commenced in September 2005.

Nevertheless, the public administration reform process continued at a slower pace after 2006. Ultimately, new laws were enacted to fix the emergent contradictions following the structural reforms in 2003–05. Capacity problems, redundant administrations, overlapping competencies between local–local or central–local administrations, and coordination problems have become pressing issues. In response to these challenges, the most significant structural change took place in metropolitan municipalities. The law on the new metropolitan municipalities (2014) has expanded the metropolitan municipal borders to the provincial borders and created 14 new metropolitan municipalities. By expanding the metropolitan municipal border to the provincial border, the SPAs within the provincial borders are abolished, and the town municipalities are transformed into district municipalities. New metropolitan municipalities with wider economies of scale are expected to generate higher revenue to meet the expectations in terms of public services. The question is, can we identify this reform as a reversing trend on the decentralization trajectory of Turkey? Although this law was clearly an act of recentralization at the local level, the reform was not about returning the power to central government. The metropolitan municipalities have higher fiscal autonomy in comparison to other types of local administrations, and the expanding administrative discretion of local government in provincial borders can even be interpreted as empowering the local government against central government. The caveat is that the size of the metropolitan municipality does not necessarily match with the size of the urban zone, which is the source of generating income. Considering that own-source revenues largely rely on property taxation, the municipalities without a condensed population at the urban center are more likely to fail to generate higher income in property taxation. Especially, metropolitan municipalities in provinces with smaller urban centers and wider territories (e.g. Konya), in provinces with a less populated urban center and more populated rural/town areas (e.g. Muğla, Kahramanmaraş), and poorer provinces with

a bigger population (e.g. Van) are at higher risk of being adversely affected by the law. In time, these municipalities may require the involvement of the central government in public service delivery or can be heavily indebted to the central government for investments, which would undermine the role of local government in public governance.

Table 1 gives an overview of the reform process in local government and highlights the identifying characteristics of two stages in the reform process.

The discretion of central government over local governance following the reform process

After a decade-long reform process, the public administration in Turkey has been overhauled towards a more decentralized system. The field agencies of many ministries have devolved their functions to local administrations, and they have been abolished. The financial and administrative autonomy of local administrations has been guaranteed by law. Moreover, the legal status of new public bodies at the local level such as development agencies and unions of municipalities has been recognized.

Nevertheless, it is important to acknowledge the reform process as a structural transformation of the state apparatus towards a more efficient, regulatory state rather than the mere empowerment of the local government (Tan, 2014). The Public Financial Management and Control Law has introduced managerial responsibilities and instruments such as strategic planning, *ex-ante* control and *ex-post* auditing, and performance-based budgeting to all public administrations. The overall assessment of the reform agenda indicates the aim to transform the administrative state into a managerial state in line with New Public Management (NPM) principles.

The reform process in Turkey shows similar characteristics to the reform patterns in Napoleonic state traditions. In their study, Pollitt and Bouckaert (2004: 96–98) describe discernible reform patterns in different administrative traditions. They identify four archetypes of public management reform patterns: maintainers, modernizers, marketizers and minimal state. Turkey has shown similar characteristics to the second group of reformers alongside France, Italy, and Belgium, which devolved central state functions to local and regional governments and adjusted managerial practices such as strategic planning and performance budgeting in the reform agenda. The so-called ‘managerial modernizers’ emphasize the managerial transformation of the state more than the participation of citizens in governance. Given the similarities in the administrative and legalistic traditions, it is not surprising that Turkey has opted for a similar reform pattern.

Despite the similar reform pattern to the cases of France, Italy, and Belgium, the legal, political, and societal idiosyncrasies in the Turkish case have not only shaped the path and nature of reforms but also affected the central government’s discretion over local governments.

Table I Overview of the local administration reform process in Turkey.

	<i>1st Phase: Structural Reforms (2003–05)</i>	<i>2nd Phase: Revisions and Adaptations (2006 onwards)</i>
<i>Legislation</i>	<ul style="list-style-type: none"> • Public Financial Management & Control Law (2003) • Metropolitan Municipality Law (2004) • Special Provincial Administration Law (2005) • Municipality Law (2005) • Local Administration Union Law (2005) 	<ul style="list-style-type: none"> • Law on the Establishment, Coordination, and Duties of Development Agencies (2006) • Law on Allocation of Intergovernmental Transfer Shares across Special Provincial Administrations and Municipalities (2008) • Law on Establishment of District Municipalities within the Metropolitan Municipal Borders (2008) • Law on Employment of Contracted Personnel in Permanent Position (2013) • Law on the New Metropolitan Municipalities (2014)
<i>Characteristics</i>	<ul style="list-style-type: none"> • Structural change in public administration system • Increased financial and administrative autonomy for local government • Transfer of service responsibilities from central authority to local government • New management practices and values (e.g. performance-based budget planning, strategic plans, <i>ex-ante</i> control and <i>ex-post</i> auditing, financial transparency, effectiveness, efficiency, and accountability) • From tutelage to coordination between central and local authority 	<ul style="list-style-type: none"> • Fixing the contradictions in the post-reform area. (e.g. capacity problems, overlapping competencies, redundant administrations, coordination problems . . .) • More streamlined and larger metropolitan municipalities • Fewer municipalities with larger economies of scales. • Abolition of redundant local administrations such as first-tier municipalities or SPAs in metropolitan municipalities.

Administrative discretion

The tutelage relationship described in the constitution has been preserved as it is. In particular, the clause on the ‘integral unity in administration’ (Art. 127) has been instrumental in several lawsuits in the Turkish Constitutional Court for the

annulment of the reform acts. The Court rejected most of the cases by stating that the ‘integral unity in administration’ implies that the center can delegate some of its responsibilities to the local administration as long as the ‘administrative tutelage’ is preserved. In other words, the administrative and financial autonomy allocated to local administrations is evaluated not as devolution but as delegation. However, this perception is in contradiction to the philosophy of the anticipated system, as the center preserves the actual decision-making authority despite the local administration’s administrative and financial autonomy. On the other hand, the European Charter on Local Self-Government, which was ratified by Turkey in 1993, acknowledges the subsidiarity principle in local governance (Art. 4). The subsidiarity principle appears both in the Public Administration Basic Law and in other local administration laws as the basis of public service delivery. Yet, the Constitutional Court interpreted the subsidiarity principle in public service delivery as unconstitutional and contrary to the tutelage relationship between central and local government. Since international laws are binding and cannot be taken to the Constitutional Court, this creates a legal contradiction according to some scholars (Keleş, 2011: 511). Consequently the legal framework – and primarily the constitution – remains an important source of contradiction.

Nonetheless, the administrative discretion of central government over local administration has been notably reduced. The most striking change occurred on the role of the appointed governor over local government. The final decision-making authority of the governor over administrative and financial issues has been replaced with a regulatory role. According to the new municipal law, the central authority upholds the administrative discretion in the following circumstances:

- The municipalities require the consent of the governor on territorial changes regarding the borders of municipalities and neighborhood administrations (*mahalles*).
- The veto power of the governor on municipal decisions, including the general budget, has been abolished with the new law. Yet, all municipal decisions are required to be sent to the governor within seven days to become valid. The governor also has the right to litigate the case to an administrative court within ten days following the decision.
- In case of serious disturbances in public services, and if the mayor is not able to overcome the problems, the Ministry of the Interior delegates responsibility to the governor to re-establish order.
- To appoint the general secretary in the metropolitan municipalities, the consent of the Ministry of the Interior is required.
- The mayor can be removed from their post by the decision of the Council of State.³ In addition, Article 127 of the constitution allows the Ministry of the Interior to remove the elected members of municipalities based on the tutelage relationship (Keleş, 2011: 402).

Furthermore, the supervision and control mechanisms of the central administration over local government have changed. In the previous system, the *ex-ante* approval of the governor was required for the municipal council's deliberations and the municipal budget. The new system replaces this control mechanism with modern auditing practices. This system foresees an internal audit by the municipal council or by private auditors, and an external audit by the Court of Accounts and the Ministry of the Interior. The Ministry oversees the administrative unity of activities. The Court of Accounts, on the other hand, controls the financial accounts and supervises the performance management of local administrations.

Yet, there are some critics arguing that the new provisions supplement the discretion of the Ministry of the Interior over local government. For instance, Marcou (2006) argues that according to Article 30(b) of the new municipal law, the Ministry of the Interior can request the Council of State to dissolve the municipal council without the need for investigation or prosecution, if the latter 'has taken decisions on political issues not related to the functions conferred on the municipality'. In that case, the Council of State shall decide on the fate of the municipal council within one month from the request. Moreover, the Ministry of the Interior can ask the Council of State to postpone any new meeting of the municipal council until the final decision. Based on that, Marcou argues that the new provision can be an instrument for the Minister to apply pressure upon local governments.

Financial discretion

Ekici and Toker (2005) argue that financial control remains an effective control mechanism on municipalities, especially for those with limited financial resources. There are different means for the central authority to exert financial control. First, local administrations are highly dependent on the general budget. Among the OECD countries, Turkey has one of the lowest ratios of local tax revenue to GDP,⁴ and local administrations have limited taxation autonomy. According to 2011 data, 78 percent of local taxes are based on tax-sharing in which the revenue sharing can be changed unilaterally by the central government, and for the rest of the local taxes, the central government sets the rate and the base of the local tax (see OECD Tax Autonomy statistics). Among seven taxes assigned to municipalities (i.e. environment cleaning, advertising, communication, electricity and liquid petroleum gas consumption, fire insurance, entertainment and property taxes), only in property tax do the municipalities have the discretion to set the tax level. SPAs, on the other hand, do not have any taxation authority; they receive only a share of the real estate tax. Moreover, Turkey is one of the few OECD countries where the central government has high discretion over intergovernmental transfer shares. According to the 2010 data, 58 percent of earmarked transfer shares from the general budget are categorized as discretionary and non-matching, and the rest of intergovernmental shares are categorized as not earmarked and discretionary (see OECD Statistics on Intergovernmental Grants by Type – percentage of total

grants revenue). The central administration also has discretion over local debts and aid. Municipalities and affiliated corporations, whose half of the capital is controlled by the municipality, require the consent of the Ministry of the Interior to take domestic loans exceeding 10 percent of their budget. For the loans from external sources, municipalities require the approval of the Treasury. On the other hand, financial aid is allocated on the basis of conditionality. This aid is not subject to objective criteria and cannot be utilized outside the allocation purposes.

Political discretion

The New Public Administration system empowers the elected central and local politicians while reducing the discretion of the appointed bureaucrats in public administration. However, this shift brings the political competition in central government closer to the local government. For instance, pork-barrel politics in investment decisions and social services have been extensively used by the AKP to promote their candidates in local elections (Buğra and Candaş, 2011; Çınar, 2016). Buğra and Candaş (2011) give the example of the Social Solidarity Fund, which was mobilized by the central government before the 2009 local elections to triple the amount given in aid to the poor in support of their local candidates. When the Turkish Electoral Council intervened to stop the distribution of social aid, the decision of the Council was not implemented by the governor, and later Erdogan, the prime minister at that time, backed the action of the governor by stating that providing aid to the poor is part of the culture. Similarly, Celbis et al. (2014) point to political bias in the public investment decisions of regional transportation and communication in Turkey.

Moreover, the Ministry of the Interior, with the consent of the Prime Minister, can suspend the mayor from their post. According to the 4737-coded parliamentary question, in the three years following the 2009 local elections, a total of 1097 prosecutions were opened against mayors predominantly on the basis of corruption and the fight against terrorism. The distribution of charges among the political parties in percentages is as follows: 42.39 AKP, 27.99 CHP, 14.31 MHP, 5.47 BDP, and 9.85 others. These numbers largely correspond to the distribution of electoral votes among the political parties in the 2009 local elections. However, the distribution of suspended mayors according to the political parties is generally unbalanced. According to the same parliamentary question, a total of 36 mayors have been suspended during the investigation process. Their distribution among political parties has been as follows: eight AKP, six CHP, two MHP, 15 BDP and four others.

Evidently, competition among political parties constitutes an important dimension of the relations between the central and local administrations. Nevertheless, the presence of central government in local governance impels the municipalities to maintain a working relationship with the central government regardless of their political affiliation. In a recent study conducted among mayors of provincial

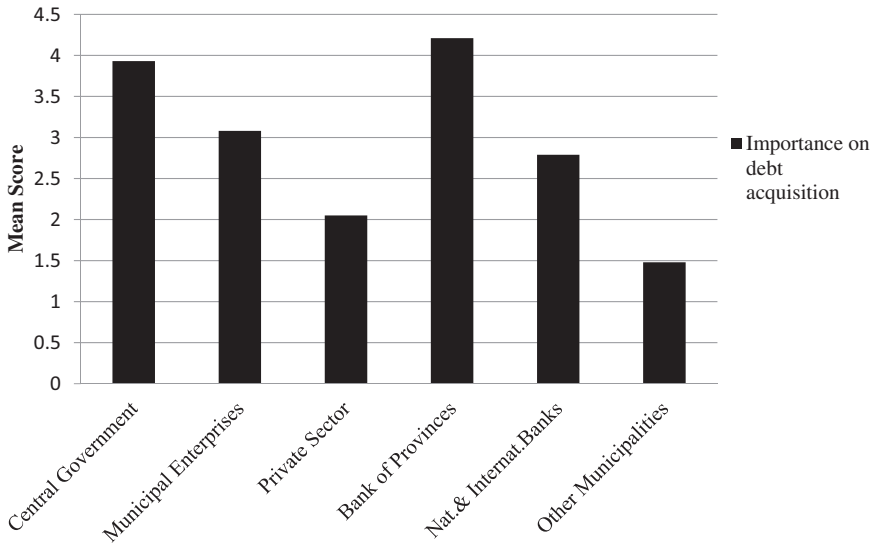


Figure 1 Influence on debt acquisition.

Source: Tan (2016).

municipalities in Turkey, the mayors were asked to assess the importance of central authority in local governance (Tan, 2016). The empirical findings point out that the central administration plays an important role in debt acquisitions and municipal decisions. In the study, the mayors have selected the Bank of Provinces (a state-owned development and investment bank) and Central Government as two primary sources of debt acquisition (see Figure 1). Since a primary function of the Bank of Provinces is to provide interest-free loans to municipalities, it is understandable why the Bank has been a popular choice. Yet, the central government is the second most preferred choice ahead of other national and international private and public sources.

In the same study, the mayors were also asked to assess the importance of the communication with various actors. The two most popular choices after the municipal assembly are the governorate and the agents of the central government (see Figure 2). The graph implies that for the mayors, communication with the central administration is more important than the local actors, such as NGOs, urban councils, *muhtars*, and private enterprises. These findings point to central government maintaining a strong position in local governance despite the financial and administrative decentralization process.

An interesting outcome of the study is that the mayors' expectations from central government differ regarding local governance. Two opposing positions are noticeable in the responses: (1) more involvement of the central government, especially in assisting the municipalities on investments and providing additional

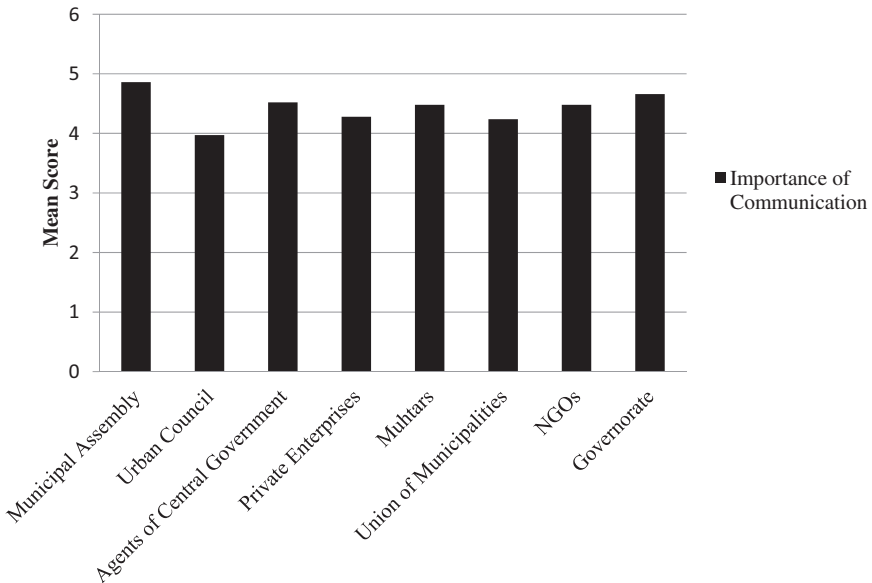


Figure 2 Influence on communication.

Source: Tan (2016).

funding from central budget, (2) an increased financial autonomy or tax exemptions on municipal services. The responses vary ostensibly according to the socioeconomic development of provinces. Municipalities in more socioeconomically developed provinces favor increased financial autonomy, whereas municipalities in less developed provinces expect a greater presence of central government in local governance.

Trends in local government statistics after public management reforms

In order to better assess whether the reform process has empowered the local government's position in public governance in comparison to the central government, I have analyzed the trends in budget, expenditure and public employment following the reform process.

The trends in local government and general budget indicate a convergence after 2012. Following the local administration reforms in 2003–05, we observe a steady deterioration in local government budget balance until 2009. In 2009, the Law on the Allocation of Intergovernmental Transfer Shares across Special Provincial Administrations and Municipalities came into force. The law was enacted to improve the financial situation in local government in order to better match with new public service responsibilities. Before this legislation, the intergovernmental transfer shares to local government were based only on the population

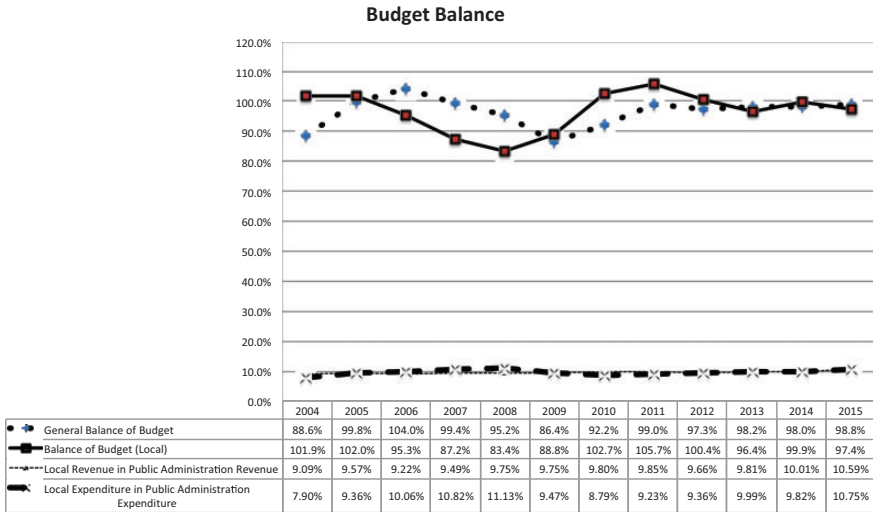


Figure 3 Trends in public sector finances (2004–15).
 Data Source: Republic of Turkey – Ministry of Development.

criterion. This legislation has changed the transfer formula for SPAs by reducing the weight of the population criterion to 50 percent and adding other criteria: geographic size (10 percent), number of villages (10 percent), rural population (15 percent) and development index (15 percent). For municipalities, the weight of population criterion has reduced to 80 percent and another criterion based on the development index (20 percent) is introduced. Figure 3 shows a clear improvement in local government budget balance following the enactment of the law. Furthermore, 2009 was also the year when the global financial crisis was at its peak, and its impact is evident on the general budget balance. By 2013, we observe a clear convergence between the central and local governments’ budget balance. The graph also displays the changes in local revenues and expenditures according to the GDP. The trend on the revenues and expenditures at the local level do not point to any drastic change. This graph implies that the local administration reforms did not alter significantly the importance of local government in public sector finances.

Figure 4 shows three employment patterns in local government. The dashed line, indicating the share of local government in overall public employment, shows a downward trend. The share of local government in public employment from 2007 to 2015 has decreased overall by 5 percent. The second line, the dotted line, shows the share of employment in municipal enterprises to overall municipal employment. Here, we observe an upward trend from 5 to 10 percent unlike the former. Municipal enterprises operate under the corporate law and they have become popular areas of municipal employment following the new municipal laws,

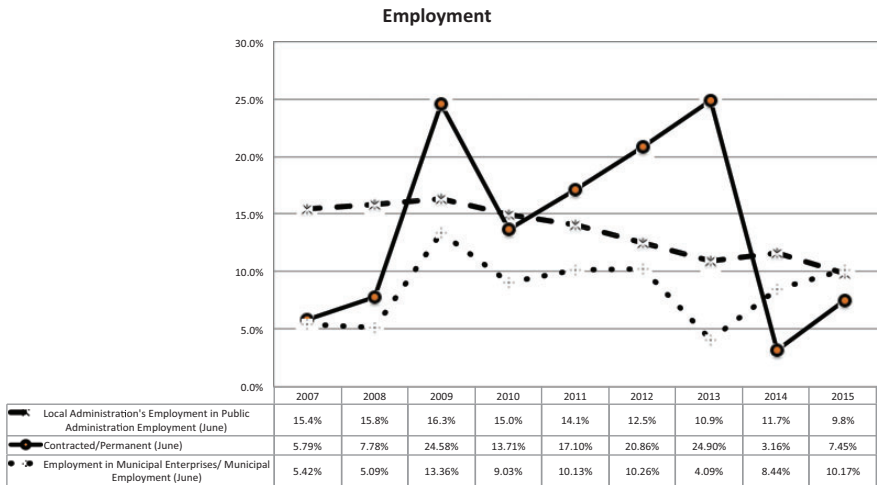


Figure 4 Trends in public employment (2004–15).
Data Source: Republic of Turkey – Ministry of the Interior General Directorate of Local Administrations.

as a result of more flexible rules in recruitment and dismissal of employees. The third line reflects the ratio of contracted personnel to permanent personnel in local government. This line shows characteristics of the sawtooth pattern, and two peak points are discernible in 2009 and 2014. The stark decline in the pattern after each respective year occurs as a result of two legislative changes. First, in 2009, a new law on the employment of contracted personnel was enacted. The law introduced new quotas and regulations on the employment of contracted personnel at the local level. Second, in 2013, a subsequent law allowed contracted personnel to apply for permanent positions. Both regulations were implemented to reverse the rapid increase in contracted personnel in local government. Yet, the upward trend in contracted personnel appears to be still strong despite the regulative changes.

The changes in the employment patterns together display a structural change in public sector employment. Municipalities are employing fewer but more contracted personnel, and they employ the new personnel in municipal enterprises, which operate under the corporate law. Furthermore, the opposite trends in the employment of contracted personnel and in the employment in municipal enterprises after 2013 imply that the decrease in the percentage of contracted personnel did not necessarily occur because of the growing employment in permanent positions. It rather shows a shift towards the employment in municipal enterprises. The financial and administrative freedom of the municipal enterprises on the personnel regime and public procurement has improved the popularity of municipal enterprises in local governance. The trends in public personnel employment in local government back up this statement.

The final graph focuses on the changes in public service expenditure. Figure 5 shows the changes in current expenditures and investments from 2004 to 2015. The broken line indicates a 10 percent increase in the share of current expenditures in the overall expenditures. In the meantime, the share of investments in the local expenditures has decreased by about 3 percent. The increase in the current expenditures despite the decrease in the number of public employees in the same period indicates that expenditure on public personnel has increased. As the current expenditures are extensively about salaries and performance payments, the data do not suggest an increase in the efficiency of public personnel employment. In addition, the decrease in the share of investment in expenditures signifies a decrease in the effectiveness of public spending in local government. This finding challenges significantly the success of the reform process with regard to more efficient and effective public sector management at the local level.

To sum up, the analysis of the trends in public sector finances, employment and expenditure in the ten years following the local government reforms in 2003–05 does not suggest an empowerment of local government in comparison to central government. The overall success in maintaining the budget balance and the decrease in public service employment in local government despite the increase in public service responsibilities did not lead to increased efficiency and effectiveness in public governance considering the increase in current expenditures and the relative decrease in investments. Together with the responses of mayors on the involvement of the central government in local governance, the findings suggest that while richer municipalities with better access to local resources have benefited from the increasing deregulation and decentralization in local governance, the municipalities with limited financial resources are adversely affected in terms of financial autonomy. Despite the reduction in the number of municipalities and the

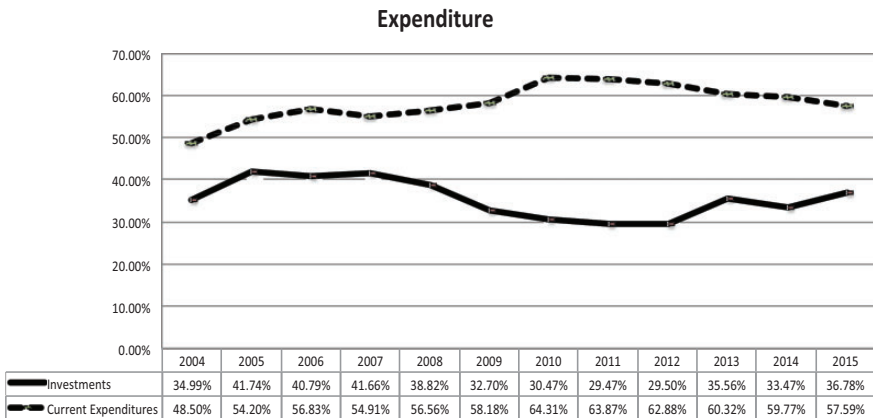


Figure 5 Trends in expenditure (2004–15).

Data Source: Republic of Turkey – Ministry of Development.

enlargement of the metropolitan municipal borders, the data from 2014 and 2015 do not point to an improvement in the overall trend.

Conclusion

Turkey has experienced an extensive public management reform in the 2000s and restructured its public administration system according to New Public Management principles. An identifying characteristic of the reform process was decentralizing the central authority towards local government. The decentralization of the central authority was not only initiated to empower the local government but also to increase the efficiency and effectiveness of public service delivery. To assess the impact of local government reforms, the article focused on the changes in the central government's discretion in local governance and in local government's position vis-à-vis the central government in public governance. The findings point out that despite the increasing administrative and financial autonomy of the local government, the central government still upholds its influential position in local governance. Ten years after the initial decentralization reforms, the overall assessment of local government does not indicate a significant improvement in the local government's role in public governance in comparison to the pre-reform period.

What can we learn from Turkey's experience with public management reforms? The pattern in the reform process shows a clear resemblance with the NPM reform trajectories in France, Belgium, and Italy. The common characteristic of these so-called 'managerial modernizers' is prioritizing managerial practices over participatory practices. Turkey has experienced severe economic fallout following the political and economic crises in 1999 and 2001,⁵ and the newly-formed AKP government set a clear neo-liberal reform agenda to downsize the public sector through privatizations and to increase its efficiency through NPM reforms. In a similar fashion to managerial modernizers, the local government is empowered through financial and administrative decentralization. Yet, the political aspects of decentralization have been largely disregarded. In particular, the distrust in the Kurdish political movement that is deeply embedded in the state and the wider societal level has limited the extent of political decentralization towards local government.

On a more theoretical level, the data graphics on local government's trajectories contradict the promises of NPM for higher efficiency in public governance through managerial reforms. The increasing current expenditure despite the reduction in public employment and the marketization of public services implies that higher efficiency in local governance is unlikely to be achieved. Despite the aim to create an 'efficient, participative, decentralized and transparent public management system', the local government reform process in Turkey has never prioritized participation in local governance but has emphasized managerial reforms and marketization of the public sector to improve efficiency. The findings of this article challenge the proposition that managerial reforms alone without improving the

local democratic governance can enhance the efficiency and effectiveness in public service delivery. On the contrary, in the absence of a socioeconomic basis to support the decentralized local governance, decentralization can adversely affect public service efficiency and the dependence of local government on the central authority.

Notes

1. President Abdullah Gül was a former minister in the AKP government.
2. The PKK is an internationally recognized terrorist organization, which has been involved in armed conflict with the Turkish state since the 1980s with the initial aim to create a Kurdish state, that later evolved to Kurdish autonomy following the capture of the head of the organization, Abdullah Öcalan.
3. The Council of State is the supreme level court for administrative justice.
4. According to the 2013 data, local tax revenues correspond to 2.6 percent of the GDP while the OECD average is 3.9 percent (see OECD Revenue Statistics, 1965–2014).
5. The Turkish economy had shrunk by 6.1 percent in 1999, and in 2000 the value of the Turkish lira had decreased by 40 percent.

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