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AN EXPLORATION OF THE THEORY AND PRACTICE OF THE NEW PUBLIC MANAGEMENT

A case study of Turkey, with particular reference to the Turkish Health Sector

Thesis submitted in accordance with the requirements of the University of Liverpool for the degree of Doctor in Philosophy

by

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CONTENTS

ABBREVIATIONS

NPM:	New Public Management
ISI:	Import-Substitution Industrialization Strategy
SEE:	State Economic Enterprises
SPO:	State Planning Organization
HCEA:	High Committee of Economical Affairs
SAL:	Structural Adjustment Loan
IMF:	International Monetary Fund
WB:	World Bank
OECD:	Organization of Economic Cooperation and Development
PUMA:	Public Management Committee of OECD
NAP:	National Action Party
NSP:	National Well-being Party
UTFT:	Undersecretariat of Treasury and Foreign Trade
ANAP:	Motherland Party
TIGEM:	General Directorate of Agricultural Operations
USAS:	A state-owned airline catering company
PMHPPF:	Privatization, Mass Housing and Public Participation Fund
PPA:	Public Participation Agency
IPATME:	Institute of Public Administration for Turkey and the Middle-East
CC:	Constitutional Court
IT:	Information Technology
DYP:	True Path Party
MTMs:	Market-type mechanisms
Doner Sermaye:	Revolving Capitals, a sui-generis method of commercialization in government
TMO:	Agricultural Harvests Office
CB:	The Central Bank of Turkey
Sayistay:	The Court of Public Accounts
INTOSAI:	International Union of Supreme Audit Institutions
VFM:	Value for money
TQM:	Total quality management
DIT:	The Department of Industry and Trade
TSE:	Turkish Standards Institution
TUBITAK:	The Supreme Board of Science and Technology
MERNIS:	The information technology project of the Ministry of National Education
R & D:	Research and Development
BOT:	Build-Operate- Transfer method
Torba butce:	Consolidation of budget
NPA:	New Public Administration
MoH:	Ministry of Health
SSK:	The Social Insurance Company
GNP:	Gross National Product
OECD:	Organization of Economic Cooperation and Development
WHO:	World Health Organization
WB:	World Bank
NHS:	The British National Health Service
MTMs:	Market-type Mechanisms
CO:	Contracting Out

CC:	The Constitutional Court
HRM:	Human resources management
FP:	Family Practitioner
HEs :	Health enterprises
TTB:	The Turkish Physicists Association
EOT:	Establish-Operate-Transfer Model
GHIS:	General Health Insurance Scheme
TQM:	Total quality management
SPGK:	The Health Reform Project Coordination Unit, within MoH.

Hasta Haklari Dernegi:	Patients' Rights Association
Medical Director:	Head of MoH hospitals.

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ABSTRACT

Title: An exploration of the Theory and Practice of the New Public Management: A case study of Turkey, with particular reference to the Turkish Health Sector (Ph.D. thesis submitted to the University of Liverpool, 1999)

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The New Public Management (NPM) involves blurring the differences between public and private sectors in favour of the latter; developing smaller, flexible, mission and output-oriented, decentralised, consumer-oriented, and market-based public organizations instead of rule-driven, highly hierarchical, centralised, bigger bureaucracies envisaged by the traditional-weberian public administration approach. It symbolises a shift from "administration" approach to "management" thinking.

Currently NPM represents one of the megatrends in public administration, giving rise to increasing interest among students and practitioners of public administration. It has also been the subject of considerable debates on the extent, usefulness and applicability of its underlying concepts and principles as tools of management in various countries with their different settings.

This research provides both descriptive and analytical information on the experience of many OECD countries in their implementation of NPM. However, the focus is on the Turkish experience, as a case study, with particular reference to the health sector which has been described as "the field in which NPM developed most". Researchers will find the Turkish case as unique with its attributes of both developed and developing countries. Using the means of qualitative research, that are interviews and document analysis, the study explores the issues of applicability and actual implementation of NPM in Turkey, identifies both potential and problems of the implementation of the elements of NPM, and presents some lessons that could be derived from the Turkish experience.

Conclusions are drawn that NPM could successfully be implemented in such developing countries as Turkey, those which have modern and western-like institutions, provided that the methods and contents of the reforms are tailored to suit the specific conditions and administrative culture of the particular country. Although the "one size fits all" approach of many advocates of NPM seems quite simplistic and unrealistic, a growing use of major elements of NPM has been witnessed in an increasing number of countries. Important reasons for this acceptance of NPM are the present dissatisfaction with traditional bureaucracies, cultural and institutional diffusion, requirements of global financial institutions, and increasing consciousness among the public over their rights, and the functions of the public servants. Overall, the research suggests that NPM approach will possibly remain the dominant paradigm in the public sector of many countries mainly due to the ineffectiveness of the traditional systems, despite the fact that it has internal controversies and needs more research and implementation to mature.

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INTRODUCTION

> Efficient management is key to the [national] revival...And the management ethos must run right through our national life -private and public companies, civil service, nationalized industries, local government and the National Health Service
>
> (Michael Heseltine, 1980)

> Ours is now a pluralistic society in which every major social task has been entrusted to large organizations ... But it is managers and management that make institutions perform. Performing, responsible management is the alternative to tyranny and our only protection against it.... For management is the organ, the life-giving, active, dynamic organ of the institution it manages.
>
> Peter Drucker, 1974, p. x

During the last two decades, a practical administrative-managerial reform movement has been evolving in various Anglo-Saxon countries of the Organization for Economic Cooperation and Development (OECD). It has also been introduced in non-OECD countries under different labels: New Public Management (NPM), New Managerialism, Reinventing Government, and Entrepreneurial-Managerial Public Administration. Increased interest in NPM has given rise to such claims as "an inevitable movement" (Osborne and Gaebler: 1992), "a paradigmatic change" which "would fit administrative systems of almost all countries and cure their inefficiency and bureaucracy illnesses" Sceptics of NPM, however, object to these claims and call into question NPM's "one size fits all" approach.

JUSTIFICATION for the PRESENT STUDY

Although the New Public Management has attracted a live and scholarly interest among students of different disciplines such as public administration, public management, public policy, political science, institutional economics, and accountancy, many claims of the advocates of NPM still remain empirically untested. For instance, if NPM is such a "global phenomenon", it ought to be embraced by non-Anglo-Saxon countries, particularly the developing countries. Likewise, it should be tested by empirical field study in different sectors of a national economy, not only by cross-sectoral analysis. The lack, or at least the inadequacy, of research in the two fields mentioned above provides a justification for the present study.

This research attempts to make a useful contribution to the field of knowledge concerning NPM. The methodology will be based on field study of its implementation in a non-Anglo-Saxon country with diverse characteristics of western and non-western world. Special attention is given to the health sector which has attracted wide attention in terms of major elements of NPM (WHO: 1996). It is hoped that the study will also help students of NPM to make comparative assessments of its implementation in other countries, predominantly within the OECD, and to make informed judgement on the impact of the changes.

A brief survey of the NPM experiences of other major OECD countries will also create, it is hoped, interesting comparison with a relatively less developed country. These methods will help improve existing knowledge and understanding of the nature, diffusion and the future of NPM on a cross-country setting.

The RESEARCH QUESTIONS

This study examines the potential for importing, and implementing, major concepts and elements of NPM into the Turkish public sector organizations. The specific research questions which relate to the goals stated above, and will be raised in this thesis, are as follows:

- What is the New Public Management and what does it involve?
- Is NPM indeed applicable to the whole western and semi-western world? Does this Anglo-American managerialist trend work out in continental European states with highly varying political cultures, different administrative institutional traditions and varying governance styles? If so, how has it been implemented in public sectors of different countries?
- How typically private sector business management applies in the fundamentally different public sector, and how does this have serious consequences for the underlying public sector values?
- What conceptual frameworks are appropriate for conducting comparative evaluation of administrative reforms across nations? That is how are we to identify and compare the

character, extent, and consequences of administrative reforms in different countries?

- What evidence is there to convince us that a fundamental (paradigmatic) transformation of administration has now become a worldwide phenomenon?
- Is it the case that a convergence of the structural forms of administrative states is occurring, as NPM implies? If so, is such convergence mimetic or, alternatively, is it caused by identifiable, similarly convergent forces that mediate the relationship between national politics and administration?

Based on these questions, the *core research question* that this thesis intends to find an answer for is:

What is NPM?; how is it actually implemented in various country settings?; if it is a global phenomenon, how Turkey , a relatively less-developed country but with western-style institutions and a well-rooted bureaucracy, copes with it?; is it true that there is a fundamental reform process which leads to NPM-type changes taking place in the Turkish public governance system?; if so, how can it be explained?; and what are the forces leading to and consequences of NPM in Turkey?; is the health sector reform process an indicator of the cross-sectoral NPM-type changes in the Turkish public sector?; and which lessons can be derived from the Turkish experience with NPM-type reforms for other countries?

Each chapter of this thesis seeks an answer for at least one part of the above question, as explained in the section on "Organisation of the Study".

The RESEARCH DESIGN of The STUDY

Research design is defined as "the plan of procedures for data collection and analysis that are undertaken to evaluate a particular theoretical perspective " or "...a strategy whereby the theory can be at least indirectly tested" (Zayed: 1994). It includes information about "what, where, when, how, and why the research was conducted?", which all comprise the data universe.

It is necessary, at the outset, to acknowledge the complexity of this study. NPM is still in its development stage, in theoretical perspective, thus it is subject of a number of controversies. Some of its elements are frequently contradictory in nature. This often stems from the fact that practice precedes theory. It is also a largely defined concept, containing non-related measures of reform. Likewise, the Turkish public sector organizations are large and diverse in terms of size and process, which makes it difficult to cover every aspect of their operations. Keeping these factors in mind, a descriptive, qualitative study design has been preferred for this research, since it will enable us to gain better understanding of what is being done in these organisations. The main elements of the research design of this study will be discussed in the following paragraphs.

a. The Methodology

The dominant methodology in the study of public administration in the last four decades has involved comparative study (Guess: 1989). The foundation of the belief in comparative study, which was laid by CAG (The Comparative Administration Group) led by Fred Riggs, was that in order to gain an understanding of the relationships between institutions, structures and cultures, data had to be gathered within a model of political and administrative system which would facilitate cross-country and cross-cultural comparisons. This approach was essentially initiated by American political and social scientists, and evolved through studies driven largely by the US foreign aid program.

Once you would not wish to embrace the more radical claims of some members of the group, for instance the statement that the comparative method facilitates meaningful comparisons of a cross-cultural and cross-national nature, in all circumstances, you would wish to embrace more cautiously the argument that comparative inquiry enhances our understanding of the relationship between institutions, policies, programs and values within any one country or institution.

Indeed, comparative method is central to social science, particularly to public administration research. For instance, Hood (1989) states that, "today, public administration scholars live in what is much more a global village conceptually, in that it would be hard to write an acceptable research degree thesis in the subject today which did not draw on an international literature for its conceptual framework. It is hard to see this trend going into reverse". Furthermore, as Bekke et al. (1996) argue, "comparative analysis is necessary for the identification of key concepts, of relations among concepts, and of the underlying logic or dynamic of the relations. Comparative research is also an antidote for the narrowness sometimes associated with studying a single system".

This study of the application of the ideas of NPM in Turkey attempts to secure an understanding of not only the formal policies or decisions regarding the practices of NPM in Turkey but also to assess the extent to which the ideas underlying NPM have been embraced by public service managers and political leaders, and to analyse the impact of this upon the practices of NPM and the likely sustainability of NPM in Turkey. The study proceeds by surveying the developments in those countries with the focus on the strategies employed to secure a commitment to NPM amongst the officers of the public service. In particular the experience of the UK, Canada, New Zealand, Sweden and France is looked at. This is then contrasted with the programs and processes as they have emerged in Turkey.

In considering the precise methods to be employed, the study of NPM in the initial group of western countries was, as a result of the constraint of time and finance, confined to an analysis of published works, including academic analyses, government publications, and discussions with my supervisors and staff in LIPAM. The approach to the study of Turkish experience was based on the analysis of official documents, speeches and statements by senior public managers and politicians, and interviews with departmental officials both individually and in groups.

In order to assess the extent to which the underlined ideas of NPM had permeated the organisation and culture of the Ministry of Health and influenced attitudes and values of public managers, a large number of health managers were interviewed both individually and in groups. It was presumed that face to face interviews, rather than the use of structured questionnaires, would provide a better understanding of these factors. The group interviews in particular provided valuable insights into the values, attitudes and approaches of public managers. These enabled us to comprehend the extent to which the philosophy of NPM was understood and embraced by the Turkish public managers in both day-to-day operations and in the more strategic aspects of planning the work of their departments over time.

NPM techniques have been embraced in Turkish public service only since mid-1980s, although the need to improve efficiency and effectiveness of the public sector was felt long before, by governments of different orientation, particularly by Ozal government. The pronouncements and policies of the recent governments are analysed in order to demonstrate the climate and the environment into which the ideas of NPM were being introduced. This is done because it is the premise of this study that the techniques of NPM are likely to succeed and "take root" only in circumstances in which both a convenient administrative environment and an appropriate organisational culture exist.

The timing of this study coincides with the early stages of NPM programmes. Given the significance of the organisational culture as stated above, it is therefore inevitable that any conclusions are of a tentative nature. It is hoped that this study will provide a foundation for further studies when NPM programmes in Turkey have matured and changes in the organisational culture and climate have developed.

As stated above, this research is based principally on qualitative methods for two reasons. First, the aims identified at the outset necessitated open, in depth, and detailed inquiries which in turn require the use of qualitative research methods, in that the researcher should not be constrained by predetermined categories and questions. Second, the reform process is still in its evolutionary stage in many organisations. Thus it would be almost impossible to apply quantitative methods where even standardised response categories could not be predetermined.

b. The Collection of Data

The collection of data for the case studies on Turkey was carried out during the researcher's two visits to Turkey in 1997 and 1998. During the first trip, which lasted some two months, May and June 1997, the data on the NPM-type changes in the Turkish public administration was collected. Since this part of the research required a cross-sectoral and cross-institutional outlook, various public organisations were visited, including The Unit for Administrative Development in the Prime Ministry, The Court of Public Accounts, The State Personnel Agency, The Ministry of Finance, the Prime Ministry Undersecretariat of Treasury, and the State Planning Organisation. The collection of data for the case study on the NPM-type changes in the Turkish health sector was carried out during the researcher's second visit in May and June 1998, and took place in Ankara, Istanbul, and Konya Provinces. In this context, headquarters of the MoH and the Turkish Union of Physicians, a number of public hospitals, and provincial directorates of the MoH in Ankara, Istanbul and Konya were visited. The researcher also met a considerable number of academics who have extensively written on the health reform issues.

c. The Sources of Data

Two main sources of data were employed for this research: document analysis (both original and secondary documents) and interviews. The following paragraphs will elaborate them further.

(i). Document Analysis

Document collection was made in both the UK and Turkey. Although most of the original documents were collected in Turkey, the documents issued by international organisations and management consultants on the issue of Turkish public sector, especially health sector reforms, were obtained in the UK.

Although acquiring the related documents in the UK was relatively easy, thanks to the efficient interlibrary loan service, obtaining the necessary documents in Turkey proved occasionally difficult for a variety of reasons, ranging from rigid bureaucratic traditions such as unwillingness to provide information to researchers to unavailability of certain key documents. Despite these difficulties, the researcher managed to collect a vast number of key documents from a variety of institutions, libraries, and persons. In addition, a large number of published works, including books, political party manifestos, domestic journals, newspapers, provided some useful information for this study. A substantial amount of information was also gathered from internet homepages of certain organisations. Interestingly, these included the documents which the researcher failed to collect from their headquarters.

(ii). Interviews

Another important source of information for this research was interviews. The interview process took place in two phases. The total number of interviewees are 48; 19 on the first, and 29 on the second visit.

During the first visit to Turkey, the interviewees were selected as a cross-institutional perspective. Persons from several key institutions for the development of the NPM-type reform process were interviewed in order to have a broad picture of the reform process. The second visit was devoted to the examination of NPM-type reforms in the health sector. Consequently, interviewees comprised persons from health sector staff, and other people who have been involved in the health sector reforms, including senior and middle level officials in the Ministry of Health, officials in line departments of the MoH in the provinces of Konya and Istanbul, managers and other staff of health facilities, particularly top managers of a number of hospitals and academics.

Since this research has been qualitative in nature, more emphasis was given to representativeness of the sample chosen and, more importantly, their knowledge and role in the reform process than the number of interviewees. In other words, as the aim of this research is to identify the scope, nature, and extent of a new radical reform movement, the quality of persons, in terms of their involvement in the reform process and their role in actual implementation of the reforms, was more important than their numbers. As Patton (1990) puts it, "there are no rules for sample size in qualitative inquiry", therefore it is the quality of the interviewees and the aim of the research that determine the size of the sample. The only criterion was the quality of information from the proposed interviewees.

The interviews were "semi-structured"; the researcher had a list of questions, which was prepared to help the researcher to organize himself rather than to restrain the natural flow of interviews. The questions varied in each case depending on the interviewee but they always focused on at least some of the central issues.

Interviewees varied on the issue of co-operativeness. Although most of them were willing, a few declined to be interviewed. These were, significantly, managers among the staff of a well-known research hospital in Ankara. The common reason was ascribed to internal problems within the hospital. In addition, some managers, management consultants, and other health care staff accepted the researcher's offer of an interview, but discussed the issue off-the record.

Interviewees provided a large volume of information, some of which proved to be irrelevant in cross-checking with primary and secondary documents.

ORGANISATION of The STUDY

This dissertation is presented in eight chapters, grouped into three sets of interrelated chapters, in addition to this introductory part.

The **first part** examines the notion of the New Public Management, its theoretical basis and actual implementation. It includes issues stemming from the claims and the implementation of NPM. Chapter One is devoted to literature review on the definition, extent, theoretical basis, and implications of NPM; although this method will be found spread over the thesis where necessary. It was necessary to have a "shopping basket" for the changes associated with NPM: Chapter One also lists and describes major concepts which are related to the NPM approach, and identifies elements of NPM. Chapter Two explores implementation of NPM in several OECD countries, as it is the OECD countries that embraced the major elements of NPM first and furthest. This will provide an overview of NPM implementation in these countries.

The **second part** investigates the Turkish case of NPM. Chapter Three gives a brief history of the development of the Turkish public administrative system, its roots, major attempts at administrative reforms, and the state of the Turkish bureaucracy in pre-reform era. This historical survey helps to put in context the theoretical concepts and developments: whether indigenous theoretical and practical influences can be identified in the implementation and development of NPM in the Turkish case. With this background, Chapter Three goes a step further: the study of radical economic, political and administrative reforms taking place since the early 1980s. As response to the IMF and WB-supported "Structural Adjustment Programme", these reforms have impacted on the Turkish system of governance in several ways: it provided a proper environment for administrative, cultural, and managerial changes; it helped NPM approach to enter into the country and to take root, and it weakened and transformed the traditional bureaucracy to a significant degree, with the help of other trends of globalization and development of IT. Chapter Three also explores the NPM-type reforms and other changes in Turkey, and investigates the issue of whether NPM comes of age in Turkey.

One significant finding of Chapter Three is that the effect of the NPM process in Turkey is two-fold. On the one hand, it has weakened, demoralized and divided the traditional bureaucracy and has created an alternative class of the new public managers, while trying to transform the existing administrative culture through such measures as courtesy campaigns, customer-oriented public policies, and education and training. On the other hand, it encouraged extensive use of private sector management techniques in the public sector in order to increase efficiency, and to change the present rule-oriented, elitist administrative culture into a consumer-driven and output-oriented, entrepreneurial one, based on a management (not administration) philosophy. These two trends are examined in the later sections of this study: Chapter Five investigates the former, while Chapter Six scrutinizes the latter.

The **third part** further elaborates the NPM-type changes in Turkey, by focusing on one sector of the economy. In line with the design of the second part, this part also investigates the issue in two sections. Chapter Six examines the environment, dynamics, process, and implications of the NPM-type reforms in the Turkish health sector and critically studies the implementation of major elements of NPM in the health sector context. Chapter Seven focuses on the people side of NPM, and suggests that the administrative culture of the Turkish health sector has been changing towards an entrepreneurial, managerial, customer and mission-oriented one, as a result of the NPM-type reforms, indicating a shift from the traditional-hierarchical bureaucracy to a new kind of organization, with the distinguishing characteristics of teamworking, empowerment, and "can-do" culture.

The **last chapter**, Chapter Eight, is devoted to conclusions, and aims to summarize the main findings of the thesis and to discuss some of them, as well as to make suggestions for further research.

CHAPTER 1

THE NEW PUBLIC MANAGEMENT: ORIGIN, NATURE, THEORETICAL BASIS AND CLAIMS

INTRODUCTION

The rise of the New Public Management (NPM) has been one of the megatrends in public administration, since the beginning of the 1980s. It is mainly a practice driven movement, theorised by observing the common trends in major OECD countries in the field of public management. Therefore, it has neither a specified founder, nor a "holy book" which clearly identifies its main tenets, principles, and techniques. This fact leads to a wide array of different views on the nature, principles, and characteristics of NPM, as well as on its implications on the state, society, and individual public organisations.

This chapter surveys the existing literature on the origin, theoretical basis, critiques, and the most frequently used concepts and techniques of NPM, and examines the claim of its advocates that "it is a new, politically neutral, and global movement". This will serve two purposes. First, it will make a substantial contribution to the scholarship on NPM by putting the literature on the origin, theoretical basis, and claims of NPM together, and thus will help the reader to understand the notion of NPM better. Second, it will serve as the conceptual basis for the later chapters of the study.

PRACTICE PRECEDES THEORY: The MANAGERIAL REFORM TREND

Since the end of the 1970s, substantial reforms have taken place in the public sector of most Western countries. However, there is no single, agreed name for this reform trend. The reforms of the past fifteen years have been variously named as 'management revolution' (Wilson and Hinton: 1993), 'reinvention of government' (Osborne and Gaebler (1992), "the new managerialism" (Zifcak: 1994), 'liberal revolution'(Caiden:1988), and 'revolution' (Holmes and Shand:1995, Gray and Jenkins:1995).

Like its names, there are divergent views on the dynamics of these reforms. The most widespread explanation is the financial crisis of the post-1973 era: governments had no longer been able to escape financial and institutional reforms as well as the budgetary retrenchments, because of the economic recession of 1970s and 1980s and huge public sector deficits. However, there are several other possible ways of explaining this tide of reform. For instance, many authors attribute it to its link with the dominant New Right ideology in major western nations. Likewise, Hood (1990, 1991) links the rise of the New Public Management with several other world-wide developments in public administration, arguing that it is combined with four other administrative megatrends, namely, the attempts to slow down or reverse government growth in terms of overt public spending and staffing; the shift toward privatization and quasi-privatization, with renewed emphasis on subsidiarity in the service provision; the development of automation, particularly information technology in the production and distribution of public services; and the development of a more international agenda.

Holmes and Shand (1995) define them as reactions to the perceived excesses of the welfare state, as reflected in the growing size of government and associated fiscal deficits in the macro term and in the recognition of limits to government's ability to solve all our problems in the micro term. The essential differences between many earlier reform efforts and the current reforms, in their words, are

> their greater scope, in many cases involving significant changes to the boundaries and structure of the public sector, a greater sense of urgency, a more comprehensive or strategic approach to reform, recognizing the interdependence of different aspects of reform, and in many cases a realization that change cannot simply be imposed from the top and that appropriate signals and incentives to all participants are necessary.

R.C. Mascarenhas (1993), observing the public sector reforms in developed countries since 1980s, argues that the changes have not occurred only in organizational structures of political institutions and administrative agencies, but also in their objectives, values and cultures as well. Controversially, he characterizes the public sector reforms of 1990s as irreversible because they "...[are] reflecting the changing values in their respective societies" and "...signify a change in culture from one of routine bureaucratic response to public demands to that of an enterprise culture based on incentives and performance oriented".

Reinvention of Government

Reinventing Government is an American contribution to the literature of the NPM. Taking its name from David Osborne and Ted Gaebler's bestseller book (1992) "*Reinventing Government: How the entrepreneurial Spirit is Transforming the Public Sector*", it has become a buzz word for scholars of public management and practitioners around the world (Campbell:1995). Although the idea of Reinventing Government has no apparent difference from the new public management literature around the world (i.e. UK) as content and prescriptions, it has become a cult book for practitioners in government agencies, thanks to the use of this book in Vice President Al Gore's election campaign and President Clinton's recommendations to all elected officials in USA to read this book (Campbell:1995, Butler:1994). Later, vice-president Al Gore used its title as the theme for the President's reform programme in the federal government. The concept of reinventing government is summarized in ten principles for a good government, as Osborne and Gaebler (1992) mention in their book:

1- Catalyzing public, private and voluntary sectors 2- Competition between service providers 3- Empowering citizens 4- Decentralizing authority 5- Driving by goals not by rules and regulations 6- Earning money, not just spending it 7- Focusing not on inputs but outcomes 8- Market mechanisms rather than bureaucratic mechanisms 9- Prevention of problems rather than treatment 10- Redefining clients as customers.

Public management: a third approach?

There is a common assumption that management in the public sector is different from management in the private sector, and little can be learned across the sectoral divide. A more recent view suggests that "government has everything to learn from more efficient practices in the private sector and should, literally, become more business like" (Gunn: 1988). We might call the former 'classical' or 'public administration perspective' and the latter 'business management perspective'. To avoid the extremes of both perspectives, a middle-way approach has been developed recently that we might call 'public sector management approach'.

Introducing their own government model as a "third choice", Osborne and Gaebler criticize the public administration and business administration models in their well-known book "Reinventing Government": "...our fundamental problem today is not too much government or too little government...Our fundamental problem is that we have *the wrong kind of government*. We do not need more government or less government, we need *better* government." (Osborne and Gaebler: 1992).

The THEORETICAL FRAMEWORK of NPM

In his essay, "Administrative Reform in Public Management: Paradigms, Principles, Paradoxes and Pendulums", Peter Aucoin (1990b) identifies two sets of ideas which influence the shape of the current tide of reform, namely, Public Choice Theory which focuses on the need to reestablish the primacy of representative government over bureaucracy, and the managerialist school which focuses on the need to reestablish the primacy of managerial principles over bureaucracy (Aucoin: 1990b). Taken together, he further argues, these two sets of ideas constitute the theoretical base of what is popularly called NPM. However, as will be explored later, several principles and concepts of NPM are inherent from such other theories and disciplines, such as TQM, Institutional Economics, and Principal-Agent Theory. The following section will explore these theories in detail.

a. Managerialism

The first paradigm of administrative reforms of the last two decades emanates from the literature on the private sector such as Peters and Waterman's "In Search of Excellence" (1982). As Hood (1991) suggests, the paradigm of managerialism has dominated modern thinking on administrative reform.

The term "*managerialism*" is usually defined as the import of private sector concepts and techniques into the public sector. It can be attributed to the temptation of social scientists to produce a term which would cut across the particular language of individual projects for reform such as the Next Steps of the UK, the French Project de Service and Canadian Public Service 2000. Although there is no consensus among the scholars on the definition and ingredients of the subject-matter of managerialism, the subject is variously described as an ideology as a culture change in its own right, or as a particular style of management, authors observe overlapping features of these descriptions as follows:

- management is superior to administration,

- therefore private sector is superior to public sector,
- good management is an efficacious solution for a variety of economic and social problems
- it consists of a discrete body of knowledge which is universally applicable and therefore portable.
- and the slogan "bureaucracy is inefficient, innovation is good".

In a similar vein, Pollitt (1992) identifies five elements in what he terms "managerialist ideology":

1. Social progress requires continuing increases in economic productivity
2. Productivity increases come from applying sophisticated technologies
3. The application of these technologies can only be achieved through a disciplined work-force
4. "Business success" depends on the professionalism of skilled managers
5. and to perform their crucial role, managers must have the right to manage.

Likewise, Aucoin (1990) distinguishes three assumptions of the managerialist paradigm: "(a) the capacities of modern complex organizations to realize their objectives can be enhanced by management structures and practices which debureaucratize organizational systems. In so doing, bloated bureaucracies can be trimmed of fat and become economical in their use of organizational resources, (b) productivity can be improved by doing things more creatively and thus more efficiently, and (c) effectiveness can be achieved by paying closer attention to the organization's mission, its personnel and its customer/clients".

The appeal of the managerial paradigm has two dimensions, as Aucoin rightly suggests: a critique of bureaucracy as a mode of management and organizational design and replacement of "administration" with the private sector term of "management".

Holmes and Shand (1995) have developed a normative model on the basic characteristics of "a good managerial approach" to give a guideline for assessing what all countries have comprehended in terms of the new managerialism. The model has eight components:

(i) a more strategic or results oriented (efficiency, effectiveness and service quality) approach to decision-making

(ii) the replacement of highly centralized hierarchical organizational structures with decentralized management environments

(iii) flexibility to explore alternatives to direct public provision which might provide more cost effective policy outcomes

(iv) focusing attention on the matching of authority and responsibility as a key to improving performance, including through such mechanisms as explicit performance contracting

(v) the creation of competitive environments within and between public sector organizations

(vi) the strengthening of strategic capacities at the center to "steer" government to respond to external changes and diverse interests quickly, flexibly and at least cost

(vii) greater accountability and transparency through requirements to report on results and their full costs

(viii) service-wide budgeting and management systems to support and encourage these changes.

Although the model reflects their view on managerialism and is open to criticism, it would be reckoned as a good effort to end the confusion on the definition, description and application of the subject-matter. Despite the fact that there is no Weberian-style "*ideal type*" for the new managerialism, the above model is an attempt for such a work, along with a few OECD reports on public management reforms in the member states. However, it is important to note that the new managerialism is a dynamic and developing concept; therefore its content and extent would change in time. Nevertheless, this fact does not prevent the possibility (and the need) to develop an ideal type for the managerialism.

Managerialism: a new ideology?

With the dominance of the new public management in administrative reforms in the last two decades and worldwide intellectual acceptance of managerialist ideas, a set of questions comes to mind: has managerialism become a new ideology for developed countries? If so, can this emerging ideology replace such other widespread ideologies as socialism, capitalism, democracy and pluralism? To what extent do the managerialist ideas explain the truth about the developments in western societies ?

In regard to the ideological characteristics of managerialism, one has to distinguish two different approaches. The first approach takes it as a critique to the new public management in general and to managerialism in particular, arguing that ideologies are not in the position of seeking the truth neutrally. They suggest that the definition of ideology includes advocacy. The second approach derives from the views of social scientists who regard ideology as a logical way which helps one to categorize the things and relations and thus to understand the truth (Enteman: 1993).

In order to clarify the subject, it would be useful to give a clear definition to the term "ideology". The term "ideology" has been suffused with ambiguity and confusion since its origin (Enteman:1993) and used in a variety of ways such as highly politically partisan beliefs (Pollitt:1990), and an impractical theory or system of theories.

Enteman (1993) uses the word "ideology" to mean "that set of principles upon which the political, economic and scale order of a society is based". In this respect, all societies must have some ideology whether or not we can identify it. The decision-makers in a society must go ahead and make the decisions on the basis of some set of principles whether those principles have been articulated, or not. If the old principles no longer apply, and there is no new principle to replace the old ones, people responsible for making decisions will make their decisions according to implicit principles. That is what, Enteman argues, has been happening since 1970s.

Having accepted Hartley's definition of ideology, Pollitt illustrates the ideological character of managerialism. The main facts about managerialism which put the new public management into the category of ideologies are:

- it consists of values , ideas and beliefs about the state of the world
- it consists of some kind of relatively systematic structuring
- it concerns social groups and social arrangements
- it has been developed by a social group and thus is a socially-derived link between the individual and the group
- and it provides a justification for behaviour.

The managerialism of the last two decades, according to Pollitt, is not simply a set of broad assumptions about the techniques and justifications of management. Rather, it is an ideology subject to variety, controversy and rapid change as well as the last historical phase of management thought which focuses on the importance of the cultural change in public services (Pollitt:1990).

However, perhaps the most logical explanation of the ideological nature of the managerialist ideas has been offered by a philosophy professor, Willard Enteman, although he is not an advocate of managerialism.

Enteman's Managerialist Ideology

In his book "Managerialism: Emergence of a New ideology", Willard F. Enteman (1993) argues that managerialism constitutes a new ideology which states that society is made up of numerous sub-units (groups, corporations or organizations) and denies that the nature of society is an aggregation of individuals and that society has an overarching essence. In the real world, the political entities and such notions as a particular state, a country or a single society does not make sense. For example, there is no single nation which can be called the United States or the United Kingdom, and it is not individuals that compose the nation of the US or the UK. Instead, it is the groups, organizations and similar divisions that collectively form a nation.

There is no direct relationship between individual preferences and social choice. Individuals qua individuals are abstractions, so that they have no impact on the social decision -making. Individuals can seize the opportunity to put an impact on social choice only through membership in organizations or groups, by and large, struggling for some group representation; because the groups have their impact on the social decisions through their managers.

In the managerial society, government is only a part of the managerial process. Governments are the entities that exist in the shape of abstractions as individuals in that they do not exist independently. The sub-units which constitute the government such as departments, judicial divisions, agencies and legislative units are the real entities and parts of the transaction process.

On the issue of decision-making in a society, Managerialism concludes that all social decisions are a result of the interaction between the units which construct the society. This interaction is made through their managers, since organizations have no concrete bodies in the real world. The interaction among units does not necessarily mean a face-to-face bargaining process but it can occur over a long distance and among managers who even do not know each other's name.

In Enteman's description of the ideology of managerialism, there are no binding legal limits. With regard to moral limits on the range of decisions, the transaction process itself has no moral limits, but individual management may make self-imposed limits and adopt such positive moral goals as an attempt to aid in environmental and social efforts. The logical continuum of this explanation is that the managerial units may represent interests which are moral or immoral, legal or illegal. For example the Mafia would be one of such units as well as a university.

According to Enteman, managerialism is an ideology created by managers to explain the developments of community in the advanced industrialized countries and works for managerial class; therefore it is an ideology for managers. When it comes to its relations with other ideologies, he maintains that managerialism is not a compromise. Rather, it is an alternative ideology which claims that it "...provides a more useful clinical description of what has been occurring in advanced industrialized societies than any existing ideologies offer, including capitalism, socialism and democracy". Managerialism reflects the works of Giovanni Sartori and Robert Dahl. Although it is a proper ideology, it does not claim that it has found the eternal truth; contrary to Marxism, it would be replaced by a new ideology.

b. The Public Choice Theory

Although managerialism has enjoyed an unprecedented popularity in the last two decades, as Keraudren (1995) suggests, it has two major weaknesses: it is intellectually inconsistent and has an excessively inward looking vision of the relationship between the administration and its environment. Its "...preoccupation with the environment and external social impact limits it horizons to questions of technique, rationalization, adaptation and mastering the internal organization of the administration".

In this regard, the Public Choice theory posits a more rational understanding of the relationship between the administration and its environment. For example, Niskanen, one of the pioneers of the theory of Public Choice, regards bureaucracies of the modern world as maximizing their size in terms of human resources and budget and monopolizing information on policy in order to convince politicians to spend more. Because of this ambition of the bureaucracy to maximize its size and thus impact in the decision-making, a structural problem of "bureaucratic over-supply" is imposed on citizens. By the nature of this relationship, according to Niskanen, the contact between the civil servant and the citizen is limited and the wishes of the voters are distorted by the bureaucracy's monopoly of information. Furthermore, bureaucrats seek their own interests or their own vision of the general interest in their relations with elected politicians; hence there is usually a distrust between elected representatives and unelected bureaucrats. The suggestion of the Public Choice theory for a solution to this problem is to introduce competitive market conditions into public services.

The paradigm of Public Choice Theory, particularly Niskanen's "budget maximizing bureaucrats" thesis has been very influential in the last two decades when budget deficits have become a major problem for economies throughout the world and budget restraint has been a major concern in the developed countries as well as the developing nations. In addition, the crisis in representative government in the context of the modern administrative state and the need to reformulate the basic principle of representative government have led the appeal of the basic tenets of Public Choice Theory to extend "beyond the confines and particular institutional arrangements of the American political system", although the theory was developed to apply to the US system of congressional government (Aucoin:1990).

However, Public Choice Theory has gathered a wide range of criticisms, such as the critiques to "identification of interest and formalizing rationality", to "the relationship between individual choice and collective action", to "the information monopoly", and to "underestimating electoral strategies in establishing regulatory policies" (Keraudren:1995).

Although the Public Choice and New Managerialist theories seem to be workable with each other at the first glance, it is possible to see significant clashes between the two in application. In some areas such as the politics-administration relations this clash is very apparent, showing itself in recent reform attempts in public management (Aucoin: 1990).

c. Other Theories

Although Aucoin's (1990) formula of "NPM = managerialism + public choice theories" is popular, it is seriously incomplete, as Gruening (1998) suggests. Many elements, features, concepts and tools of NPM can be traced back to influences of other theories as well. For instance, *decentralization* has long been advocated by followers of Public Choice, Transaction Cost Economics, and New Public Administration theories / movements. Similarly, *accountability for performance* can be traced back to Classical Public Administration and their idea of "benchmarking public organizations", as well as to Public Choice. Likewise, certain elements of the *customer* concept, such as one stop shops, were recommended by NPA movement as well as by TQM. Interestingly, five of the ten principles of "Reinventing Government" approach are elements of TQM; namely redefining clients as customers, focusing not on inputs but outcomes, prevention of problems rather than treatment, empowering citizens, and decentralizing authority. Table 1 puts together the theoretical origins of major elements of NPM.

Table 1: Major elements of, and concepts and tools used by, NPM and their theoretical backgrounds

The concept and tools	*Theoretical Approaches*
Sep. Prov./Prod.	Public Choice, Principal-Agent, Transaction Costs
Contracting Out	Public Choice, Austrian School, Tran. Costs,
User Charges & Vouchers	Public Choice, Rational Public Management
Customer concept	TQM, NPA, Rational Public Management
Flexible Management	Rational Public Management, Managerialism
Impr. Acc & Fin. Man.	Class. Pub. Adm., Neo-Class. Pub. Adm., Prin.-Agent
HRM	New Managerialism, Principal-Agent, Rational Pu. Ma.
Strategic Plan. & Manag.	Neo-class. PA, Organic PA
Use of IT	Business Process Reengineering,
Account. for Perform.	Class. PA, Neo-class. PA, Principal- Agent, Pol. Anal.
Competition	Public Choice, New Managerialism
Sep. Politics & Admin.	Class. PA, Neo-class. PA, Policy Analysis, Pol. Sci.
Legal Spending Constraints	Public Choice
Budget Cuts	Class. PA, Neo-class PA, Public Choice, Policy Anal.
Reorganization of Admin. Struct.	Class. PA, Neo-class. PA, Policy Anal., Rational PUMA
Performance Measurement	Class. PA, Neo-Class. PA, Principal-Agent, Rat. PuMA
Performance Auditing	Class. PA, Neo-Class. PA, Principal-Agent, Rat. PuMA
Decentralization	Almost all of them
Evaluation	Neo-Class. PA, Pol. Anal., Rational PUMA

Source: Gruening (1998) (Adjusted)

As can be clearly seen from the table above, most of the concepts and techniques utilized by NPM are not new. This leads us to the question of "what is new about NPM?". As explained in various parts of this thesis; it is the mix of the above concepts and techniques, the renewed emphasis on them, and more importantly, their practical use to form a fashionable global movement in public management that are new and interesting.

The MAJOR PRINCIPLES and CONCEPTS of NPM

Although the New Public Management has become a new orthodoxy in public administration, "it has not yet occasioned a great deal of serious debate" (Hood: 1990). The inadequacy of comprehensive study and serious debate on the nature of NPM manifests itself on studies of its contents. Although it is possible to draw several common points in the outlines given by various authors, there still remain confusing and paradoxical concepts and principles, as shown in the following section.

Contents of the New Public Management

In the absence of an agreed, clear, detailed, and comprehensive framework, NPM seems to be left as a basket of divergent principles and methods which differs from author to author. Although there are several listings of components of NPM made so far, the contents of these listings vary to a significant degree. For instance, Christopher Hood, who first labeled the new paradigm in managerial reform as the New Public Management, identifies seven doctrinal components for NPM (Hood: 1991): unbundling of the public service into corporatized units by product; more contract-based competitive provision, with internal markets and term contracts; stress on private sector styles of management practice; more stress on discipline and frugality in resource use; more emphasis on visible hands-on management; explicit formal measurable standards and measures of performance and successes; and greater emphasis on output controls.

Similarly, Rhodes (1991) suggests that, the determined effort to implement the "3 Es" of economy, efficiency and effectiveness has been the major manifestation of NPM. However, he does not confine NPM to the 3Es and distinguishes its following central doctrines: a focus on *management* rather than policy and on *performance appraisal* and *efficiency*; the *disaggregation of public bureaucracies into agencies* which deal with each other on a *user-pay* basis; the use of *quasi-markets* and *contracting out* to foster *competition*; *cost-cutting;* and a style of management which emphasizes, among other things, *output targets, limited term contracts, monetary incentives* and *freedom to manage*.

According to OECD (1995), NPM is a new paradigm for public management, aimed at fostering a performance oriented culture in a less centralized public sector and characterized by:

a- closer focus on results in terms of efficiency, effectiveness and quality of service

b- the replacement of highly centralized, hierarchical organizational structures by decentralized management environments where decision on resource allocation and service delivery, and which provide scope for feedback from clients and other interest groups

c- the flexibility to explore alternatives to direct public provision and regulation that might yield more cost-effective policy outcomes

d- a greater focus on efficiency in the services provided directly by the public sector, involving the establishment of productivity targets and the creation of competitive environments within and among public sector organizations

e- the strengthening of strategic capacities at the centre to guide the evolution of the state and allow it to respond to external changes and diverse interests automatically, flexibly, and at least cost.

Since the New Public Management is not yet a coherent set of mutually reinforcing principles, as stated above, one often has to make inferences by extrapolating the paradigm's defining characteristics from recent efforts at managerial reform. One such work comes from Vincent Wright. In his article on the programmes of administrative reform being pursued in Western Europe (Wright: 1994), he aggregates the recent managerial reform attempts in eight headings:

1- Reduction in size, resources and scope and direct leverage of the national public sector: cutback management, privatization, deregulation and debureaucratization, and decentralization.

2- Improving the monitoring capacity of the administration by reforming budgetary, planning and evaluation procedures of the public sector: better value for money based on three Es: economy, effectiveness and efficiency, marketization, and technological reforms.

3- Improving the management of the public sector through fragmentation, regulation, competition, "hands-on" management, precision, output orientation, privatization, parsimony and customerization.

4- Dismantling the traditional statutory framework for civil servants which was based on permanence, tenure, full-time work, equal pay for people of the same rank and a sharp public-private distinction.

5- Democratizing the public sector

6- Rendering the public sector more user-friendly

7- Reorganizing the structures of the public sector and

8- Transforming the culture of the public sector.

Likewise, in its comprehensive survey (OECD: 1991), OECD Public Management Commission has identified two waves of public sector reform in its member countries: The first wave focused on *cost-cutting* and *retrenchment* and the second involved a *rethinking of the role of the public sector*, with an emphasis on *cost-effectiveness* and a stronger *managerial approach* (i.e. raising the performance of public sector organizations and making greater use of the public sector). The later wave constitutes the basis for the *reinventing government* or in a broad sense *New Public Management* paradigm

(Kamenski, 1996).

Lastly, Stephen Osborne (1996) identifies 3 types of interdependent changes which have been put into reality in the plural states of our times since the late 1970s: meta, macro and micro level changes. At the *meta* level, the problem is ideological in character: what the role of the state should be in meeting social and economic needs of citizenry. The decline of the Keynesian consensus of the 1960s and social welfare state, rise of minimal- liberal state and free market alternative, hegemony of capitalism in economic field and liberalism in social-political field...etc. are main changes in this level.

At the *macro* level, the relationships between key players in the plural state such as central-local government relations and its implications for public services, and the relations between different sectoral providers of public services: government, private and non-profit sectors has been changed gradually, generally at the expense of the government side.

The *micro* level consists of skills which are required for the operational management of public services such as skills of contract management, performance and quality management, balancing choice - quality - value for money through plural service provision. Most elements of NPM are related to this level of changes.

The techniques and tools used within the framework of NPM reforms

Considering the eclectic nature of NPM and divergent views on its contents, it is of importance to have the knowledge of what the elements of the NPM involve, and what kind of techniques and tools have been employed in order to put these principles into practice. In order to reach this end, a comprehensive model, which aggregates most of the techniques and tools used within the framework of NPM reforms and derived from the related literature, is offered in Appendix 1. Having served as a "shopping basket" for NPM reforms, this model will help to discover whether NPM is diffused to a particular public sector setting: the more these techniques and tools, the more NPM.

As Appendix 1 demonstrates, NPM has been eclectic in nature, serving as a vehicle for synthesizing and expressing ideas and recommendations from different schools of thought and sources about how public administration should be changed. This fact complicates any assessment over the diffusion of NPM to different country settings, as well as the issue of its desirability and feasibility. This complicated structure of NPM, with its large number of often independent concepts and techniques, in turn, would lead to the confusion that "NPM is a synonym for public service reform in general" and to such suggestions as "the concept of NPM is... so broad, that any reform would fit within it" (Kettle and Dilulio: 1991). Obviously, this makes any study of NPM difficult.

In order to overcome this conceptual barrier, this study will develop a list of the components of NPM (table 2). The main components of NPM would be divided into two brands, based on the major theoretical sources of NPM changes, namely Public Choice and Managerialism. Since the Public Choice theory mainly deals with the bureaucratic inefficiency and makes suggestions on this basis, the first brand of NPM includes such measures as curbing the powers and privileges of the traditional bureaucracy, transforming the traditional bureaucratic structure, culture and process towards a more results-oriented, entrepreneurial and managerial one. Since the second theoretical source of NPM, managerialism, incorporates the importing of private sector management techniques into the public sector, the second brand of the proposed list of components includes the introduction of new management concepts and techniques such as consumer/customer orientation, competition and other market-type mechanisms, and performance management, into the public sector organizations. However, it is important to note that the second brand of NPM could be extended or shortened according to the development of the management thought and techniques and their adoption in the public sector, as new management techniques continuously enter the arena.

Table 2: The major components of NPM

1. *The shift from traditional public administration to public management*
   - De-bureaucratization
   - Reorganization of the state
   - Creating a new public managers

2. *New (private sector) management concepts and techniques*
   - Shift from citizen to consumer / customer
   - Market-type mechanisms
   - Participation and partnership with private and voluntary sectors
   - Empowering organizations, managers, and communities
   - Extensive use if IT and encouraging IT-related innovations
   - Separating service provision from its production
   - Measuring, evaluating, and rewarding performance
   - Strategic management

THE MAJOR CRITIQUES OF NPM

Like any other approach or theory in social science, NPM, too, could not escape from criticism. However, since there are several descriptions for NPM, the ideas of its critics equally fluctuate among a variety of often fleeting sources. Furthermore, as Hood (1990) suggests, none of the criticisms have been definitively tested. Among them, some important criticisms are as follows.

One criticism asserts that NPM is "...like the Emperor's New Clothes in the well-known Andersen story- all hype and no substance, and in that sense a true product of the style-conscious 1980s" (Hood: 1991). According to this approach, the new managerialism has changed little despite its rhetoric. All the old problems and weaknesses remain in the public sector. Likewise, Pollitt, one of the major critics of NPM, identifies it as " *neo-Taylorism*" and a revival of scientific management paradigm and points to the controlling, measuring and monitoring activities (Pollitt: 1990). Through referring to the Audit Commission's "value for money" studies and the "three Es" (economy, effectiveness and efficiency), he compares the NPM approach, particularly the Thatcher governments' applications in this direction with Gulick's POSDCORB and finds several similarities.

Another common criticism is the assertion that the new managerialism is a means for particularistic advantage. It is serving the career interests of a managerial class; top managers and officials in central departments, business schools teachers and management consultants.

A widespread criticism is the claim that the new managerialism has damaged the public service ethic as well as being ineffective in its ability to deliver its main claim to lower costs. From this viewpoint, NPM has resulted in a deification of management and a middle-level bureaucratization of new reporting systems in many cases. NPM reforms have destabilized the bureaucracy and have weakened or destroyed essential competencies at the front line.

The last criticism is the denial of the universality claim of NPM. Despite the claims of the advocates of NPM, according to this approach, different administrative values have different implications. The next section will discuss this point.

TOWARDS A NEW GLOBAL PARADIGM IN PUBLIC MANAGEMENT?

As with numerous previous administrative theories, the new managerialism has been presented as a framework of general applicability. The advocates of NPM argue that a new global paradigm in public administration is emerging, and that the world-wide ascendancy is inevitable as the acceptance of progressive paradigm at the end of last century (Osborne and Gaebler: 1992, Hood: 1996). Similarly Peter Aucoin, in Hood's quotation, suggests that "What has been taking place in almost every government in developed political systems...is a new emphasis on the organizational designs for public management...This internationalization of public management parallels the internationalization of public and private sector economies" (Hood: 1996). The logic here is that almost a century long hegemony of progressivism in public administration is going to come to an end, and a counter-trend, NPM, is going to replace the old-fashion doctrines of public administration. It would be useful here to examine briefly what advocates of NPM calls the old-fashion-progressive - classical public administration approach and the shift towards NPM. This will also lead us to the question of the relationship between the new managerialism and cultural change.

Progressive Public Administration

Progressivism can be interpreted in many different ways. It is generally accepted, however, that the progressive era public administration approach has had two central tenets: hierarchism and rule-dominated state structure. In Hood's quotation (1996), anthropologist Mary Douglas gives the military structure as a good example for the ideal type progressive organization. A mandarin class of career public officials must be separated from what are assumed to be corrupting influences of the world outside, as soldiers are quartered in barracks in order to keep them separate from society at large and in hierarchist way of life, according to this approach. Perhaps, one of the best examples of progressive public administration is the German public administration tradition with its tenured public servants, its independent public bodies such as Bundesbank and its highly juridified style.

Although some principles of the progressive public administration such as the security of tenure have still defenders in some quarters, the doctrines of progressive public administration are unfashionable today.

NPM and the Cultural Theory

But how can we explain the rise of NPM in these conditions? Hood (1996) attempts to explain this thrust by borrowing the "down-grid" and "down-group' analysis of the cultural theorists, the two main coordinates of organization. "Going down-group means making the public sector less distinctive as a unit from private sector, i.e. its staff, its reward structure, and its methods of doing business. Going down grid means reducing the extent to which discretionary power, particularly over staff, contracts, money, is limited by uniform and general process rules"(Hood: 1996). In this context, he associates NPM with driving public administration to "down-group" and "down-grid". The direction of most recent public administration reform is away from the high-group, high-grid pattern of the progressive era style. This is similar to Douglas and some other cultural theorists' perception of the change in capitalist societies that there is a cultural shift away from hierarchist attitudes toward a more pervasive individualism. According to Hood, the apparently sustained nature of the erosion of progressivism in many countries such as the UK and New Zealand, has been spreading from less to more radical assaults so that the thrust from agencification to market testing in the UK can partly be explained through such an underlying cultural drift.

Is this change universal?

The claim of NPM to universality has been laid down in two ways: One way is the assertion *of the portability and diffusion* of NPM and arguing that it has been developed as a vehicle to solve management problems in many different countries, organizations, policy fields and levels of government. In many different contexts, similar remedies could be given along the lines of the principles of NPM.

The other claim is its *political neutrality.* It is presented as an apolitical framework within which many different values and political views could be pursued easily. The advocates of NPM argue that it is simply not part of the New Right ideology or any party programme; it can accommodate different political priorities by changing the settings of the management system, without the need to rewrite the basic principles of the new managerialism. The application of NPM by Labour governments of Australia and New Zealand are the best examples of this.

Examining various critiques of orthodox public administration which are fatalistic, hierarchist, individualist and egalitarian critiques, Hood (1996) reaches the conclusion that none of these approaches would ever achieve permanent all-out victory over the others, because each of the different approaches is rooted in a historically recurrent and internally consistent view of public management. Although, the direction of change is towards a managerially-oriented approach in many countries, it does not mean that the progressive public administration will disappear globally. Contrary to Osborne and Gaebler's claim that there is a global and inevitable shift to a coherent new paradigm (Osborne and Gaebler: 1992), the future shape of public administration will be multiple rather than a single one for several reasons.

First, the movement towards NPM is far from universal. For instance, "the bureaucracy of the EU showed no discernible movement from progressive principles of lifelong career service and highly legalistic operating procedures" up to now (Hood: 1996). In general, NPM has had less impact on international bureaucracies than on national ones. In addition, the tenets of progressivism themselves may have been adopted for different reasons to suit particular domestic political agendas rather than reflecting a putative global efficiency drive.

Second, the NPM reforms in several OECD countries may not constitute a new paradigm. The emphasis and extent of reform is different in each case (OECD: 1995). Spain and France, for example, have concentrated on regional devolution as the fundamental of their reform programmes while the UK and New Zealand have focused on managerialising their public services.

Contemporary debate in public administration focuses largely on two opposite understandings of state, namely the Public Bureaucracy State and Minimum Purchasing State. However, there are other possibilities between them. Hood (1996) gives two example for these possible models, the Headless Chicken State and Gridlocked Contract State, as shown in Table 3:

Table 3. Alternative Futures for Public Management

Degree of generalised rules	*High*	GRIDLOCKED CONTRACT STATE Private Providers, "iron rule book" (juridification), no political mediation *Example*: 1980s US health care	PUBLIC BUREAUCRACY STATE Extended public provision by distinctive public sector organization *Example*: traditional German public sector style
	Low	MINIMAL PURCHASING STATE Maximal corporate presence, state as an "intelligent" consumer *Example*: Los Angeles local government	HEADLESS CHICKEN STATE Distinctive but turbulent public sector: " no-one in charge" management *Example*: Spanish regional government reform
		Degree of separation of public and private sectors	

Source: Hood: 1996, p. 167

It is possible to produce more models according to characteristics of special cases. It is not certain that public administration in the near future is going towards a new global paradigm. According to Hood (1996), a plural future is more likely to be seen for two significant reasons. "First, a sense of history and an awareness of the diversity of agendas which lie behind apparently consensual criticism of progressive public administration suggests that no single recipe is likely to command universal support so long....(Second) is the well-known tendency for public management reform efforts to have unintended consequences". Although much of the current debate ignores these intermediate possibilities between market and state solutions, the intermediate possibilities are more likely to happen.

National styles of public management

A theory of public administration and management depends on its object of inquiry; that is, the national state and administration. There are clear and significant differences in government and administrative styles and traditions of different countries.

For instance, government and administration do differ substantially in the UK, USA and other Anglo-Saxon countries from those in continental European countries. Likewise, it is likely that there are more similarities between the governance and administrative problems of two less-developed countries than between a developed and a less-developed country. Furthermore, it is possible to mention some groupings among the developed countries according to administrative cultures and institutions. Therefore, an administrative style or technique developed in one country would sometimes not fit another country with different administrative and political tradition. For instance one could easily suggest that "Anglo-American public management...differ from public management in continental Western Europe (Kickert and Jorgensen: 1995). Hence the question of whether NPM reforms of the Anglo-Saxon states are also the main reform issue in the continental European countries with higher political and public trust for the public sector, different public governance styles and different state traditions, is essential for any work investigating the public management reforms of a non-Anglo-American country.

In this way, we come to the determination of cultural and traditional factors in public management reforms, the impact of state traditions as well as other factors. For instance, Kickert and Jorgensen (1995) put the question of "why most European states are reluctant to embrace NPM?" and attempt to explain it by environmental factors, especially state formulation. Most European states differ in many aspects from the Anglo-Saxon type of state, having two basic characteristics in common which distinguish them from the American pluralist and majoritarian type of democracy. First, most of them do not have a pluralist but a corporatist type of democracy, although the type of corporatism varies among European states. Second, most of them do not have majoritarian but a multi-party "consensus" democracy which scarcely give a ruling party or elite the power to make managerial reforms easily.

From the point of view of the influence of national governance styles on managerial reform, it is important to note the differences in state society relationships, in the relationships between central and local governments and in the cultures and structures of the civil services among countries. For instance, the top-down oriented state-society relationship in Anglo-Saxon countries is different from the consensus type corporatist style of most of the Continental European countries. Regarding the types of relationships between central and local government, some states have very decentralized position, unlike the centralized position of the UK.

However, Kickert and Jorgensen seem to have failed in explaining why Netherlands and Denmark have experienced NPM despite the fact that they have different state-society relationships, central and local government structure and civil service culture from the Anglo- Saxon countries. This, in turn, gives the advocates of NPM evidences to claim that NPM is neutral, universal and applicable anywhere.

Variations of the Applications of NPM

Logically, there is no necessity for a public management system to change in all respects at once; many variations are possible, because the environment for change as well as other dynamics vary among countries. For instance, there are apparent differences among OECD countries in terms of NPM implementation. Since the major source we have in hand about NPM applications is the OECD public management reports which are slightly pro-NPM, it is necessary to approach the subject cautiously in terms of reliability. Even these reports, however, mark significant differences within the OECD member countries in adopting NPM. Some OECD countries like the UK, New Zealand, Sweden and Australia seem to have put more emphasis on NPM reforms than countries like Germany and Japan.

For instance, in Germany, we cannot see the strong emphasis on performance related pay as we observe in the UK, Sweden and Denmark. Japan, as another extreme example, has rather strengthened the National Personnel Authority while the UK has been decentralising its personnel management as part of the Next Steps Initiative. It is possible to see small groupings within the OECD member countries in order to focus on NPM-type reforms. Roughly, it is possible to identify three groupings as indicated in the table below.

Table 4. NPM emphasis in OECD countries

Low	*Medium*	*High*
Greece, Spain, Germany, Switzerland, Japan	France, Denmark Finland, Italy, Turkey Netherlands, Portugal Austria, USA.	Sweden, UK, Canada New Zealand, Australia

Sources: OECD PUMA reports and Hood (1995).

Since the political arena is not static, especially in our day, however, the above table can change any time with new developments or with different approaches to the subject. The scarcity of reliable comparative studies is leading academics to avoid generalizations on this issue. In addition, as Hood (1995) rightly suggests, "even within the group of countries in which more emphasis seemed to be placed on public management reforms, it is not clear that the direction of change was the same".

With regard to the reasons of this variation, Hood (1995) identifies four explanations. These are, at the same time, the reasons of the rise of NPM since the 1980s: Englishness, the impact of the agendas of conservative and liberal parties (in particular the New Right ideology), government size and macroeconomic performance. Some other environmental factors such as the institutional and political traditions, the impact of administrative law (especially for continental European states), can also be added to this list (Kickert and Jorgensen: 1995).

CHAPTER 2

NEW PUBLIC MANAGEMENT IN ACTION: OECD COUNTRIES' EXPERIENCES WITH NPM

INTRODUCTION

This chapter attempts to analyze the experience of major OECD countries in response to the major reform dynamics that have given rise to NPM. Since NPM is a broad subject which entails a large number of concepts and techniques, this chapter will have to suffice giving a brief description of the measures taken in the name of NPM reforms, in order to stay within the limits of what could be reasonably done in a single chapter.

One important benefit of studying the reform experiences of the countries which have gone furthest in NPM development is to add a comparative dimension to the Turkish experience in a broader context, which will be the subject of the later chapters. In addition, since NPM is practice driven, it is of importance to search out for best practices in public management in a variety of jurisdictions.

In order to avoid shortcomings of "comparing the systems and experiences of two countries", such as difficulty of generalization; the number of comparative experiences was broadened to include the UK, the home country of the Westminster model; New Zealand, the country where NPM reforms have gone furthest; Sweden, the model country for Social Democratic movements of numerous nations; France, with its Napoleonic administrative system and culture; and Canada, a country with a Westminster Model but with federal governance structure.

A Common Agenda in OECD Countries?

Perhaps the most apparent shift to entrance into "the age of administrative reform" has been witnessed in OECD countries (OECD: 1990, 1993,1995; Holmes & Shand: 1995; Kickert & Jorgensen: 1995). OECD has conducted two major surveys to categorize some of the most important reform initiatives in its member countries. Although administrative reforms in these countries show difference in nature, timing and style, the surveys have come to the conclusion that there are a number of trends common to all of these countries such as increased service provision and customer orientedness, cost and result-consciousness, informatization, evaluation of results, human resource management and performance budgeting, all the elements of NPM (OECD: 1995). The introduction of new governance and management systems, privatization and such market type mechanisms as competition and service quality, ...etc. are the fundamental themes for these initiatives. (Thompson: 1992, Kickert & Jorgensen: 1995).

However, some of the findings of OECD have been criticized as being biased: "It is...precarious to discern similarities in such very different countries as Japan, the US, Australia, West European Countries and Turkey as well as the former Yugoslavia. One can hardly escape the impression that the OECD findings ere somewhat biased towards a predominantly Anglo-Saxon trend of managerialism and market-orientedness" (Kickert & Jorgensen :1995).

Nevertheless, in his less comprehensive and better comparable survey on reforms of Australia, New Zealand and the UK, Aucoin (1990) reaches almost the same conclusions as OECD. He asserts that some common type of managerialism is emerging in western countries. Likewise, examining the developments in the same countries, Mascarenhas (1993) also confirms the emergence of NPM, which he calls "*enterprise culture*". Approving of the emergence of the new managerialism, Hood gives a different name to the public management developments in western countries in recent years: "the new public management". We will use all these terms with the same meaning for the study purposes.

The rest of this chapter will deal with the reform experiences of the some of the OECD countries where NPM has gone far ahead.

The UNITED KINGDOM (UK)

The UK has experienced a period of radical changes in government, since the Conservative government came to power in 1979. The extent to which public sector institutions have been affected by the government reforms is so wide that "there is scarcely an area of public domain that remains untouched" (Thompson:1992). Thompson aggregates the main themes and characteristics of government policy since the beginning of the Thatcherite period in 1979 into seven categories, namely; privatization, delegation, competition, enterprise, deregulation, service quality, and curtailment of trade union powers.

Before investigating what sort of changes have come into being in the UK in detail, it would be useful to examine the socio-economic and political environment which facilitated the reform in public management.

The Environment for Reform

In his comparative work on the administrative reforms of the UK and Australia in 1980s, Zifcak (1994) distinguishes three environmental factors for the administrative reform in the UK in the 1980s: the economic decline, increasing criticism in the community regarding the size and role of government, the determination of the conservative-new right agenda and the need for managerial modernization in the political-administrative institutions at almost every level.

(i). The Economic Context

The 1970s witnessed a reversal of the good-working economic trends in the UK. The dramatic rise in inflation, the worsened state of the balance of payments, the decline of value of sterling and the high level of unemployment which had not been seen since the Great Depression had been indicating that the situation of the UK economy was heading to an uncontrollable level of decline. At the intellectual level, the failure of the Keynesian economic paradigm to solve the stagflation problem gave way to the monetarist alternative since 1973.

Heavily influenced by monetarist economists, the Conservative Party concluded that government should no longer engage in demand management, because government intervention distorts the economy. Rather, market should be left to correct itself. This belief manifests itself in the first expenditure White Paper of the Thatcher government in 1980. The government announced that the key in controlling inflation is to reduce government expenditure. To reverse the ill-performing economy, it is necessary to restore individual and corporate incentives for investment. To this end, taxes must be reduced. These measures, as Gamble (1985) suggests, were clear indicators of the departure from the post-war Keynesian consensus.

Among a wide range of measures and policies of economic character, it is the reduction of public expenditure that had important implications over the management of public services. Assuming the overspending on public services as the heart of economic illnesses of the country, the Thatcher government made substantial cuts in civil service personnel, imposed cash limits and reductions on public sector pay. Although the government could not reach its target in some sectors, the overall success was so great that one could call the policies as "management revolution" (Williams: 1988). However, these policies have caused a common feeling among the civil servants that they were, too, under attack (Zifcak: 1994) and have negatively affected the morale of civil servants (Williams; 1988).

(ii). The Social Context

The reversal of economic fortunes and weakening of Keynesian economic orthodoxy were paralleled by the attacks on the welfare state, its institutions, national minimum standards of living and a social wage (Farnham and Horton: 1993). The number of critics of government had risen, and their tone became more strident. The ideas of *economic liberals* such as Hayek and Friedman, *Political Economists* such as Lindblom and *Public Choice* theorists such as Buchanan and Niskanen became fashionable (Farnham and Horton: 1993, Zifcak: 1994).

The New Right ideas which have mainly been developed in the US have been embraced by politicians and think-tanks such as The Centre for Policy Studies, Institute of Economic Affairs, The Salisbury Review. While the Institute of Economic Affairs introduced Niskanen's ideas on the pathology of bureaucracy and organized several symposiums on the size and role of government, the Centre for Policy Studies has functioned as the means for carrying the arguments of the New Right from academic into the political arena. The latter was the intellectual home for major Thatcher advisors. These quarters have embraced enthusiastically the New Right idea that market offers freedom of choice to individuals, and thus it is a form of democracy, therefore the state must play a minimal role in socio-economic life.

It was not only the role of state that was challenged by the New Right. Especially Public Choice theorists attacked the civil service, arguing that bureaucrats, as a social class, are self-serving, and that their prime objective is to maximize their budgets and increase the influence of their bureaus. In this approach, the prime reason why government had grown significantly is the budget maximizing bureaucrats. These anti-bureaucratic views have been the main intellectual source which lie behind many managerial reforms such as the Next Steps.

The inefficiency and heavy hand of the public sector management also came under heavy criticism in that period and many argued that government affairs would be conducted more efficiently if the tenets of private sector were adhered to. Politicians have employed private sector managers as advisers on civil service efficiency programmes and private sector management techniques were tried in government but without notable success, as this approach gained currency.

(iii).The Political and Administrative Context

Since the Fulton Report of 1968, managerial modernization had been in the agenda of the British Public Service. Fulton made a wide range of recommendations for the reform of the civil service, including the "accountable management" (Zifcak: 1995). Nevertheless, the Fulton initiative was unable to produce radical changes and was generally adjudged to have failed (Greenwood and Wilson: 1989), as many other reform attempts in the British Public Administration such as PAR, CPRS and PESC did.

Having taken lesson from the previous experiences, the Thatcher government, elected in 1979, turned away from the classic government issues- the policy appraisal and planning mechanisms and the macro structure of departments- towards concentrating on resource use and constraints. By doing so, "the logic of Whitehall reform effectively coincided with Thatcherism's emphasis on the use of business techniques within the public sector generally" (Greenwood and Wilson: 1989). The principles underlying this approach is summed up by Gray and Jenkins in Greenwood and Wilson's quotation:

> The guiding principles are the pursuit of efficiency, effectiveness and value for money: responsibility is to be decentralized, lower level operatives made aware of and accountable for the costs of their operations, targets are to be established and individuals assessed according to their ability to achieve them. In brief we are offered a world where bureaucrats (and ministers) are redefined as *accountable managers*, public sector operations sub-divided into *businesses*, and the public seen as the *customer* (Greenwood and Wilson: 1989).

At this stage it would be useful to point out that, while the Conservative Governments' emphasis in central administration is not new and partly borrowed from the

Fulton Report, the strategy of organizational learning - acting on experience gained from earlier failed attempts at administrative reform- was newly introduced into the British administrative literature. This lesson taking from previous experiences has been important in implementing administrative reform in the UK since 1979. For instance, the initiators of managerial reform have emphasized the need to change the old bureaucratic culture in order to reform from within, as Fulton suffered from the lack of bureaucratic support.

The support of the strong Conservative governments is one of the most important motives behind the extent and momentum of the reforms. Furthermore, the Conservative governments have played an initiator role in some reforms. It draws largely from the ideology of the incoming Conservative governments since 1979. This ideological underpinning is important in that one could say " improved government efficiency can be seen as the Thatcher government's alternative solution for those parts of the public sector that could not be privatized or subject to the sanitizing forces of market"(Greenwood and Wilson: 1989).

The administrative reform initiatives of the Thatcher Governments

<u>The Rayner Scrutinies</u>

As indicated above, the political support has been important in post-1979 reforms in Whitehall. Perhaps because of this, these reforms have sometimes been judged as politically driven. The best example for this is Thatcher's personal support to the major reformers in the British civil service after 1979 such as Lord Derek Rayner and Sir Robin Ibbs.

Having been appointed by Thatcher as an adviser on administrative efficiency soon after the beginning of the Conservative government and having enjoyed strong prime ministerial backing, Rayner set a series of efficiency scrutinies within Whitehall. As other managerial reform programmes, while rhetoric refers to the three Es -efficiency, economy and effectiveness- the scrutiny programme was essentially concerned with "economy", focusing essentially upon cost reduction through streamlining administrative procedures. The most crucial roles in the scrutiny process were assigned by ministers and top management - the permanent secretary and deputy secretaries acting as the top board of the department- relying on the self-examination of the ministers and top officials. The Rayner scrutinies were quick studies under direction from centre. The efficiency Unit under

Rayner was a part of the Cabinet Office.

The scrutiny programme could be assessed as successful in terms of savings. For instance, the total savings of 1986 were calculated at 950m pounds against scrutiny costs of only 5m pounds (Greenwood and Wilson: 1989). However, the scrutiny technique used by Rayner had some limitations. To begin with, there was a tendency in departments to select safe scrutiny topics and keep secret the findings they dislike from Rayner. In addition, in the areas where the reason for inefficiency is the inability of the departmental staff rather than systems or procedures, the scrutinies are not expected to be fruitful.

Rayner's attempts at reform for creating a more efficient civil service were not confined to the scrutinies, although the scrutinies gathered attention mostly. He categorized his recommendations on reform in two groups: those related to institutions were designed to clarify arrangements for resource management and those related to people were designed to change the civil service culture. Among 266 scrutinies, two are particularly important : MINIS - management information system for ministers- in M. Heseltine's Department of Environment in 1979- and the Joubert Study, devised a structure which divided DOE into 120 cost centres as a basis for a financial management system.

The Financial Management Initiative (FMI)

FMI is entirely different from the earlier management initiatives in several aspects. Although it is a large, top-level system as PAR and PPBS and its goals are similar to the earlier systems; the government, taking lessons from the failures of the two earlier systems, allowed much more time for implementation of the FMI (Williams: 1988)

Gray and Jenkins list the stated purposes of the FMI as follows: "...to ensure that all managers at all levels...have

- clearly defined objectives and ways of operationalising them
- a distinct responsibility for resource use as well as operational effectiveness
- and the support, including relevant information, training and advice, necessary to achieve these (quoted in Williams: 1988, p.120-121).

The application of FMI began with drawing up plans for establishing FMI purposes. Departments were required to develop an information system to support these objectives, output measures and performance indicators (Carter, Klein and Day: 1992).

However, the establishment of a FMI unit in the Treasury to assist and guide the departments has made FMI a topdown initiative, like PPBS and PAR.

Unlike the Rayner scrutinies, FMI threatens the top. Mandarin or minister alike, can be harmed by setting out clearly defined objectives, assigning organizational responsibilities for resource use and performance and developing relevant information to assess performance.

The Top Management Programme is a six week intensive management training programme for top level managers of both public and private sector. Although the program is too brief, it would be accounted as a start of serious management training in the UK civil service. *The Senior Management Development Programme*, on the other hand, is a Cabinet Office programme which is offered to assistant secretaries and principals and is closely linked to the Top Management Programme (Tyson: 1990). By this programme, the eligible persons are provided five days a year of management and related courses training and developmental jobs throughout their careers.

<u>The Next Steps</u>

The dominant structural reform in the UK has been the Next Steps. Some authors regard the Next Steps Report as "the twentieth century's equivalent of the famous Northcote-Trevelyan report of the nineteenth century" (Jordan and O'Toole: 1995, p.3), since it set in motion enormous organizational and constitutional changes. The main motive in realizing this reform was the view that "management was undervalued in the civil service and that the public service had much to learn from the private sector when it came to management" (Holmes and Shand:1995). The private sector concept of " let managers manage" was the driving force behind the Next Steps (OECD: 1995). Holmes and Shand's stand in this argument is not in a sharp contrast with this view. They suggest that "...this initiative was driven by the need to get around the reluctance of the Treasury to provide departments with the flexibility necessary to enable public servants to manage or indeed to require them to manage, in a sense broader than simply not overspending the appropriation" (Holmes and Shand:1995, p.565).

The line of argument in the *revolutionary* Government report " Improving Management in Government: The Next Steps" was mainly managerial (O'Toole and Jordan: 1995). The classic distinction between policy making and implementation is the force which lies behind the programme of Next Steps. It was considered necessary to define the responsibilities of the management of executive agencies more clearly in order to improve the economy, effectiveness, efficiency and quality of the delivery of goods and services to the citizens. More managerial autonomy, as it is thought, could put the executive agencies away from Whitehall politics and policies, so that the executive agencies could focus on the improvement of the quality of the services they produce. It would be worth noting that this purely managerial reasoning fitted the New Right ideology of Thatcherism, that the main function of the public services is to deliver goods and services to citizens rather than political functions (Kickert and Jorgensen: 1995). It would also be useful to note that this emphasis on quality, efficiency of service delivery and value for money draws the public service executive agencies closer to business management in terms of management styles.

It would not be an overoptimistic view to suggest that, therefore, the Next Steps programme was only the next steps in the Conservative Government's long-running Efficiency Strategy, albeit one of the most radical and vital parts of that strategy. Now, it is almost old hat- overtaken by more radical ideas only a couple of years after the programme was introduced. In other words, it is now only a part of the move to break up big government, or at least big government units, and to establish a less unified civil service. The government stated in its report of 1991, "Improving Performance in Government : the Next Steps, that, there is the need for new steps to keep the momentum of reform in central government going. It called for quite dramatic structural changes to stimulate new ways of thinking within the administration.

The point of the report's distinction was that the execution of policy could -and should- be hived off into executive agencies, leaving ministers and their immediate staff as core ministries. The delivery of services would fall to a host of new agencies, taking over relevant ministry units and staff, working within policy framework agreements with their parent ministries under chief executives with considerable managerial independence as regards organization, staffing and finance.

Executive agencies facilitate the introduction of management techniques through separation from politics and facilitate adaptation of internal structures to their own needs through their separation from one another. While the Next Steps programme was not yet a dismantling of the administrative state, one might call it the first step in that direction.

The Reforms of the Major Government

In his article "*Reinventing British Government*". Prof. F. F Ridley (1995) compares the administrative reforms of the Thatcher and Major governments and reaches the conclusion that 'it was under John Major that the real intellectual turn was made". Although the steps taken by Thatcher government mark the beginning of the process of the dismantling of a unified state administration, the interests of the Thatcher government was largely confined to depriviliging civil servants and reducing their numbers, privatization of public enterprises and "cost-cutting efficiency within the administration", except the Next Steps Programme.

The reforms such as contracting out of some state services and market testing, with such reports as Competing for Quality (1991), The Citizens' Charter (1991) and The Civil Service: Continuity and Change (1994) constitute a new model of the state. Intellectually, this model has many similarities with "*reinventing government*" and would be nearer a revolution rather than a reform, if it is fully implemented. Thanks to these reforms, Britain is far ahead of other western countries in its thrust toward political and managerial restructuring of the administrative state. The shift here is much more than a rolling back the state or a laissez-faire state, perhaps it is a kind of "rolling back the public administration".

The Citizen's Charter

Taking the citizen as customer or the logo of "customers are kings" is one of the key ideas in the process of dismantling the state administration (Ridley: 1995). Many reforms such as contracting out depends heavily on the concept of superiority of customers (Lovell: 1992).

The Citizen's Charter was the first Majorite policy initiative. On becoming Prime Minister, Major felt the need to have his own distinctive personality in an environment of a divided Conservative Party and in the shadow of unwillingly outgoing Prime Minister Thatcher who "...had stamped her own views on the political community with unprecedented vigour" (Pollitt: 1994).

It is a broad and developing programme rather than a single package, and has been visualized as a ten year programme of radical reform. Therefore, it is far from straightforward and criticized as being internally incoherent and not clear conceptually (Pollitt: 1994). It is also difficult to summarise the Citizen's Charter for the above reasons. However, the six principles of public service which has been offered in the Government's first report on the charter would be useful to understand what the charter is all about. These principles are:

- Setting, monitoring and publication of explicit standards.
- Information for and openness to the service user
- Choice wherever practicable, plus regular and systematic consultation with users
- Courtesy and helpfulness
- Well publicized and easy to use complaints procedures
- Value for money.

Through this initiative, each agency or public service is asked to develop its own charters. Now, there are hundreds of individual charters, covering a wide range of public services and utilities, such as the Patient's Charter, Student's Charter and British Rail Passenger's Charter. To monitor and control the individual charters, a Citizen's Charter Unit, which was given the authority to veto any draft departmental charters which did not appear to measure up to requirements, was established in the Cabinet Office. Moreover, a telephone helpline was set up in order to receive complaints about application of the principles mentioned in the charters. To encourage a competition among them in which they have to show measurable improvements in quality, The Citizen's Charter Advisory Panel awards Charter Marks to public service organizations.

The reactions to the Citizen's Charter have varied. Some have applauded the charter as a right response to the peoples' worry and complaints about standards in public services, while some academics and politicians criticized it as a political investment to gain 1992 national elections and a pre-election gimmick designed to reduce the Conservatives' relative unpopularity on public service issues. It is important here, however, to note that there is *a political consensus* on the idea of Citizen's Charter, and as Pollitt (1994) argues, all three of the main political parties have at one time or another claimed parentage of the charter concept. Evidently, therefore, the general idea of a charter was one whose political time had come, even if the parties argued over precisely what its contents should be.

Nevertheless, there are significant problems with its applications. First, while the official version of what is happening is "management is being decentralised and citizens are being empowered", the Central Government intervention in the application of the initiative is high. The Charter is itself a central initiative and closely associated with the Prime Minister and is driven and co-ordinated by a central unit. Second, there are tense criticisms on the theoretical ground of the Citizen's Charter. The overemphasis on individualism, hostility to representationalism and negligence of collective voice of citizens is a major theme on the tongues of critics. According to Pollitt, for instance, "the theoretical citizen cherished by the Conservative government is not a member of any pressure group but rather a heroic lone consumer with time, money and information to back up his or her individual choices. This paragon sounds suspiciously middle-class and relatively rare" (Pollitt: 1994). In addition, the problems with the roles given to managers in choosing minimum, average and best practice standards, and the coherence and applicability of the six principles of the public service have been observed.

Contracting Out

In the government report of 1991, Competing for Quality: Buying Better Services, the main idea was the contracting out much of the work of public administration. Although there were some partial and voluntary contracting out applications in supporting works in mainly local government and the compulsory competitive tendering programme had been launched earlier, this is a comprehensive and well-planned reform programme and a fundamental element of the new model of state.

Competition through Market Testing

Competition is one of the fundamental elements of the Major Government's managerial reform programme. One of the most important managerial initiatives has been the Market Testing Programme associated with the White Paper "Competing for Quality" which defines the tasks of Government and the ways how they can be delivered. In other words, market testing is designed to give a proper answer to one of fundamental questions for citizens and political theorists: what is the scope of government? (O'Toole and Jordan: 1995).

In market testing approach, if it is not possible to contract out a work, it is going to be market tested to know whether it could be done better and more cheaply outside. In this context, it is essential for public administration to self-measure against potential competitors and adjust its own policies as if being in market. An activity currently performed in-house, according to the Efficiency Unit, is subject to competition, in market testing, since "the aim of market testing...is to promote fair and open competition so that Departments and Agencies can obtain the best value for money for the customer and for the tax payer" (Efficiency Unit, quoted in O'Toole and Jordan: 1995, p.181). To this end, departments and agencies charge for their services and managers have budgets to purchase them and can choose which supplier, the public service or outside the public service, provides the best "value for money". Hence, "market testing compares with "make and buy" decisions in private sector , and exists to ensure the efficient provision of services to the public" (O'Toole and Jordan: 1995, p.180).

As it has been seen, the private sector seems to be seen as a base in this programme. For example, "the terms of calls for tender are drafted in consultation with outside consultants and the private sector...to ensure, among other things, that new ways of delivering services are considered, the assumption again being that innovation may be found in private enterprise or, the other side of the coin, that the public service is likely be traditionalist in outlook" (Ridley: 1995). Furthermore, as in similar cases, the head of the unit which is responsible for the implementation of the programme has been imported from the private sector.

However, "The government's Guide to Market Testing" sets out a number of prior options, before a public activity is considered as a candidate for market testing:

...managers should consider in detail, and

-confirm whether it needs to be performed. If not it should cease

-confirm whether it is a suitable candidate for privatization, and, if so, act accordingly.

-when the Government wishes to retain responsibility for a service, consider whether competition for its provision should be introduced. The possibility of a Next Steps Agency should also be considered at this stage.

-In considering how to introduce competition a key decision will be whether for policy or management reasons to the work should be done by the private sector or whether to have an in-house bid (market testing) (Efficiency Unit: 1993).

Dismantling the Civil Service?

Earlier, Margaret Thatcher tried to deprivilege the state bureaucracy in various ways. It was apparent especially when it comes to conditions of pay and employment.

Although little has been put into reality, the propositions of the Megaw Report such as determination of pay by demand and supply in labour market has had a negative effect on the moral and privileges of the civil service. However, the biggest effect in this context has come from the Next Steps programme, since it has allowed certain executive agencies to recruit their own staff, has contributed to more flexibility of pay and grading structures, and introduced performance related elements in pay.

Another major change in the privileges of the civil service is that "security of tenure which had been assumed in he past has gone and staff have been made redundant or transferred to private organizations... as a result of contracting out"(Ridley: 1995). The immediate consequence of this, of course, is the fragmentation of the British Civil Service and loss of some civil service ethos.

CANADA and PS2000

Over the past few decades, Canada has been one of the leader countries in administrative reform and eager to innovate and experiment in public administration. Among its several attempts at administrative reform, the recent project "Public Service 2000 (PS2000)" has been perceived by many quarters as the most comprehensive and important of its kind. As it is reflected in its name, the main aim of the PS2000 project is to transform the nature of Canadian public management, renew the public service and prepare it for the challenges of the twenty-first century.

As the Conservative government reforms of the UK since 1979, it is a huge and radical project that " it was to involve over half the civilian work force of the federal government in radically changing to a management culture that would put clients and results first" (Caiden et al.: 1995). In their essay, "Results and Lessons from Canada's PS2000", Caiden et al. mention four reasons which were driving its designers to believe that its prospects for success would be high:

there had already been broad agreement on the need for reform

- PS2000 had been designed by public servants who presumably knew best what had to be changed and how to do it.
- It drew on the reforms being made in other countries as well as on Canadian experiences
- it focused on management rather than governance and policy concerns and was

expected to profit from business management experience and support (Caiden et al.: 1995).

As expected, PS2000 was not entirely new; its roots could be found in previous reforms such as the Glasco Commission in 1962, which referred the principle of "let managers manage" and Lambert Commission in 1979, which emphasized the need to make public managers more accountable. However, they were particularistic attempts and were far short of transforming the Canadian public sector and modernizing the public service.

Since the PS2000 is more comprehensive in its aims (changing the whole culture of public sector, making it less bureaucratic-less centrally co-ordinated- more flexible, encouraging greater delegation from central agencies to the line agencies and simplify administrative procedures) and its coverage (23 ministerial departments and 59 other agencies), the expectations from the initiative have been high. As it is a ten year project and we are half-way through that frame, it is too early to jump to conclusions about its successes and failures. Furthermore, the project has called for fundamental changes in attitudes, methods, thinking, rules, behaviours, institutions, skills, and organizational culture of the public sector. In other words, it is a call for a kind of revolution rather than reorientation or adjustment, which takes long time to manifest (Caiden et al.: 1995). Hence, we will describe the reform project here through its aims, similarities with and differences from experiences of other countries rather than results.

The Project

PS2000 is a project associated with the 1990 White Paper, "Public Service 2000: The Renewal of the Public Service of Canada" and is being implemented by senior public administrators under the co-ordination of a central body (The Privy Council, with close collaboration of the Public Service Commission and the Treasury). The 1990 White Paper set broad, open-ended goals which reflect some of the main themes of the new public management, as seen in the tables below.

Table 5. The themes of PS2000 task forces

Service to the public	Staffing
Staff training and development	Management category
Compensation and benefits	Classification and occupational group structure
Workforce adaptiveness	Resource management and budget controls
Staff relations	

Table 6. Old vs. desired new culture of public management

	From an "old", rule -oriented management culture	To a "new", people and results-oriented management culture
	From	To
What should change	Process	Results
	Conformity	Flexibility
	Rules	Judgment
	Risk aversion	Innovation
	Detailed central controls	Accountability for results
	Public servants: resources to be consumed	Public servants: assets to be developed
	Closed-in relationships with Canadians	Open, client-centered relationships with Canadians
What should be preserved	–Public Service values (e.g. loyalty, honesty, integrity, non-partisanship, prudence, professionalism, faithfulness to fairness and impartiality) –Public Service as a force for national unity –Departments and Agencies that work in support of ministers (i.e. no call to restructure departments and agencies or to change their mandates) +Ministerial responsibility	

Source: Caiden et al. : 1995

As can be seen from the tables above, the PS2000 has been balanced and selective in choosing what is going to be changed and what should be preserved. Having taken lesson from severe criticisms about the lack of care on the public sector values in the experiences of other countries, PS2000 chose to preserve. This point could be counted as one of the most positive sides of the project and would allow the PS2000 to seize an opportunity to introduce itself as an "ideal type" for the recent NPM-style public management reforms.

NEW ZEALAND

The recent New Zealand experience of public sector reform is arguably the most advanced, comprehensive and radical case of the New Public Management (Hood: 1991, Boston: 1995, Chapman: 1989).

The chief factor affecting the reform programme in New Zealand in the 1980s and giving impetus to it was the recognition of the need for radical economic reform and structural adjustment among the politicians and the public, after a decade of economic stagnation and decline in the economic competitiveness. In their comparative study, Byrne et al. (1995) identify seven main elements in the New Zealand reform process since the 1980s: political determination, agreed basic principles, political determination, clear objectives, sound legal architecture, demanding but realistic time-tables, a unified and motivated core of senior public servants and an effective information and public relations system.

The New Zealand's public sector reforms which have been a part of a remarkably comprehensive programme of economic, social and political reforms were initiated by the fourth Labour Government (1984-90) and subsequently continued by the fourth National Government (1990-). Like many other OECD countries' experiences of recent reform efforts, the chief objectives of the public sector reform programme have been " to reduce public expenditure, enhance efficiency and effectiveness of the public sector, improve the quality of goods and services provided by public services, and ensure that providers are responsive to the needs and interests of their consumers" (Boston, 1995, p.162). In other words, they have been very much in keeping with the doctrines of the new public management (Hood, 1990, Chapman, 1989). Consequently, "there is a shift from the use of input controls and bureaucratic rules to a reliance on detailed output measures and performance targets, various responsibilities have been devolved from central agencies to departmental managers, new reporting, monitoring and accountability mechanisms have been introduced, and a strong preference has been given to private ownership, contracting out, and contestability in the provision of public services." (Boston, 1995, p.162)

In addition, the use of short term contracts, performance agreements, and performance linked remuneration has been greatly extended, and there have been determined efforts to curb public expenditure and improve efficiency via cost-cutting, load-shedding and cuts in staffing levels. It is difficult to summarize all the public sector in New Zealand in detail, because of its far-reaching and widespread nature. However, it would be useful to outline major changes in order to compare them with other countries' experiences.

An **asset sale** programme was initiated in 1988. The governments have sold almost two-thirds of the state's commercial assets. Initially, more than twenty state-owned enterprises were sold. Further sales of state-owned enterprises and other sate assets, including some parts of electricity and coal industries, Works and Development Corporation and various local government trading organizations are under consideration.

The **provision of policy advice has been separated from executive functions** in government departments and public agencies, as suggested by public choice theory. The immediate consequence of this development has been the establishment of a large number of relatively small policy ministries such as the Ministries of Defense, Education, Health and Cultural Affairs; a wide range of departments with operational responsibilities such as the Education Review Office, the Serious Fraud Office and the Department of Conservation; and a number of non-departmental agencies, such as boards and commissions.

An extensive and systematic programme of **commercialization** (the placing of publicly-provided goods and services on a full cost-recovery or user-pays basis) has been commenced. Commercialization has been applied to a wide range of services such as weather information from the Meteorological Office, the use of facilities in national parks, various health and educational services, and data from the Statistics Department and, in time, has become one of the most important sources of revenue for public agencies.

Another important reform is that **commercial functions of the public agencies have been separated from non-commercial functions** through placing the commercial functions in SOEs, independent profit-making organizations. Soon after the State-Owned Enterprises Act, nine such SOEs were established, followed later by many others including international airports, major ports, Radio and TV networks. The new enterprises are organized for competing for private sector and state funds and operate as private businesses.

One major reform has been **contracting out** of a large number of public services to private sector suppliers. There has been several investigations on the possibility of the policy advice functions of departments which would means an end of the concept of public service, but so far this idea has not been implemented.

The extent of reform in the field of **financial management** has been more far-reaching. Some significant changes introduced via the Public Finance Act are " a shift from a programme-based to an output-based appropriation system, the removal of numerous input controls. the introduction of accrual accounting throughout the public sector, the imposition of a comprehensive capital charging regime, the production of a crown balance sheet of assets and debts, and the introduction of a new reporting and monitoring regime" (Boston, 1995, p.164).

Performance measurement is a central characteristic of the public sector reform programme in New Zealand. The chief executives are held responsible for the performance of their agencies to the ministers through annual performance agreements they are required to sign. The National Government is using the management boards comprising senior private sector executives in order to assist ministers to hold their ministries to account.

As argued above, the public sector reform programme has been undertaken as part of a much broader socio-economic reform series covering a wide range of fields, from the introduction of a monetarist macroeconomic policy and a microeconomic liberalization programme to local government reform and important changes in health, education, welfare and housing policies.

The impact of these reforms in public sector management have been significant. For instance, the total number of staff employed in the central government has been halved in less than a decade. However, the reduction in staffing levels has been due to thousands of redundancies as well as natural attrition, contracting out and privatization. In some cases, more than a third of departmental staff have lost their jobs.

This has had an adverse impact on career paths, organizational culture and departmental morale, in addition to its serious negative regional and social impacts.
Judging from the evidence currently available, however, there are major improvements in labor productivity and profitability in the SOEs. For instance, the Coal Corporation has increased its output of coal while it halved its staff numbers (Boston, 1995). Moreover, there is evidence of improvements in consumer service such as faster delivery of mail and speedier telephone connections.

Major characteristics of the New Zealand reforms

The recent New Zealand reforms has several *parallel points* with other reform efforts, in particular with the British Next Steps programme. Decentralization, delegation of power within the civil service, a shift from input controls to output targets and performance indicators, stress on contracting out and user-pays, emphasis on responsiveness and consumer satisfaction, an extended use of fixed-term employment, performance linked-remuneration and open competition, growing reliance on explicit contracts rather than implicit understandings, trust and loyalty, and a strong focus on separating policy advice and executive functions of civil servants are the major common points with its other counterparts around the world.

However, there are certain characteristics which are special to the NZ reforms. Firstly, by contrast to most of the other reforms of its kind, the reformists in NZ, in particular those in the Treasury, have drawn heavily on a range of theoretical literature in developing their policy proposals. In particular, public choice theory, principal-agent theory and the new institutional economics have been extensively used as the theoretical background for the changes. The impact of theory is very apparent from the justifications of the reforms as well as a reading of the major documents outlining the reform programme. Secondly, there has been a conscious and significant effort to develop an overall policy framework for the public sector reform. The most sophisticated and detailed one was the Treasury's "Government Management" (1987) which provides a detailed blueprint for the necessary reforms. Thirdly, major reforms in NZ are based on legislation such as the State-Owned Enterprises Act (1986), State Sector Act (1988) Finance Act (1989), and a number of other acts which focus on reforms in particular sectors.

SWEDEN

Reform Dynamics

Throughout the western world, public sector reform has gained momentum during the last decade and seems destined to remain one of the dominant features of political and economic debate in the 1990s and beyond. The momentum of reform has been felt even in Sweden where the extent of the public services is the most far-reaching in the western world. The ideological base for the reform programme of public services through market forces, tax cuts and privatization has been provided by the campaign of the Swedish Employers' Federation for a decade. This campaign reaped its first fruit in 1991, the year four right-wing parties took the power. However, it is not only centralist or right-wing parties who are in favour of the reform. The Swedish Social Democratic Party has also discussed reform for 20 years and completed some successful experiments before losing office in 1991. As Burkitt and Whyman (1994) argue, the driving force behind this change of power and the shift towards the public sector reform has been the changing citizen satisfaction and increased demand on a better provision of public services.

The second dimension of reforming the Swedish public sector is related to its size. Like many other capitalist economies, the growth of the Swedish public sector accelerated as a proportion of GNP after the second world war. Sweden witnessed a rapid increase in the size of its public sector in two decades after 1960, when it grew from 31 percent to 65 percent in 1986, while the OECD countries as a whole accounted for 30 percent in 1960 and 40 percent in 1980. Over one third of Swedish employees was working for the public sector in 1980, and two thirds of Swedish GNP passes through the public sector. Any reform programme which would result losses in state employment and social welfare cuts have to take account of possible resistance from state employees and from the people who are heavily dependent on state funds.

The increase in size of the public sector has also had some positive effects for the Swedish economy, such as its positive impacts on greater social equality and full employment. However, the negative side of this phenomenon has become more appeared on the reduction of the overall performance of the economy. The major problems stemming from rapid public service growth can be highlighted as follows: Increased demands from an aging population requires high cost welfare facilities, but any significant increase in welfare spending slows the growing rate of the Swedish economy, since the rate of public sector vis-à-vis GNP is already high. The post-Fordist flexible mode of production and the changing composition of demand for public services encouraged differential preferences to be reflected in consumption. Therefore, "the traditional, uniform nature of public sector provision became unpopular as more diverse requirements were expected to be met by it" (Burkitt and Whyman, 1994, p.277). In other words, the rise of neo-liberal market economics is another element which has forced Swedish governments to develop its market competitiveness, to reform its traditional state-sector organizations and to spend less on welfare facilities.

All these problems have driven the Swedish governments to reform the public sector, while retaining the priority of democratic control over market sources. By the late 1970s and early 1980s. criticisms were increasingly voiced against the centralist features of the bureaucracy. However, the opinion polls demonstrated that only a small minority of the public supported a reduced public sector until 1988, although by 1990 a majority supported a reduction. (Wise, Amna and Sinclair, 1994).

Earlier, socialist Swedish governments and public opinion had not preferred privatization in decreasing the burden of public sector on the economy. Rather, several approaches for welfare reform were developed.

Participatory democracy is the idea of Folkrorelsedemokrati, the Swedish movement for direct popular democracy, in the 1970s and has been advocated mainly by SSU (the social democratic youth movement). It rests on the idea that resolving the public sector dilemma requires making public sector more responsive to the citizens it is intended to serve. The adherents of this idea have proposed introducing co--operative self-management forms of service provision, replacing local administration with popular organizations incorporating the community into the decision making process of the public services. According to this idea, one way to make the public sector more responsive to its customers' wishes is decentralization. Moreover, "direct participation in organizing collective welfare need not weaken professional expertise, but might prevent it from perpetuating existing social inequalities and class differences by reducing the gap between providers and passive recipients" (Burkitt and Whyman, 1994, p. 280). They suggest that self-managed co-operative structures of public service provision would redress the imbalance between employees in the private sector and public sector organizations.

The idea of participatory democracy has been heavily influenced by Cole's "Guild Socialism" theory and the writings of Wigfors. The idea, especially the cooperative approach gained currency and became widely accepted in 1970s and 1980s: Even a government commission discussed it and accepted most of its recommendations in 1988. Nevertheless, the leadership of the labour movement chose to ignore the cooperative approach, while it largely accepted criticism of the inflexible, centralized organization of public services.

Public Competition is a market-based strategy developed by Saltman and Von

Otter primarily for health care. The aim of this strategy is similar to other alternative mechanisms for governance: to un-freeze service provision and develop an efficient and responsive health service. It entails employee participation in decision-making process of the service provision, more than one public agencies providing the same or similar services with full competition between them. In Burkitt and Whyman's words, the public competition model can be described as lateral re-entry: "exit from existing provision is possible, but only re-entry into public service network at a different unity or supply" (Burkitt and Whyman, 1994, p.283). As can be seen, this model does not give a place for private provision of service and seems to be an effort to enhance flexibility and profitability of public service organizations without harming the existing welfare state.

The public sector reforms in Sweden

The extent of reforms in Sweden has been wider than in many other European countries, but less radical than the programmes of New Zealand and UK. The Social Democratic Party's unwillingness to go all the way to open markets was a major constraint for reform in Sweden. The reform proposals of the Party was essentially based on principal-agent theory, rather than public choice and managerialism (Schwarts, 1993). With the Bildt government in 1991, however, Swedish public sector reforms have gained momentum. The first reforms of the Conservative government aim at exposing personnel to competitive pressures even if that is limited to competition among public providers; introducing full public-private competition and deregulating the economy. For the purpose of this study, the pubic sector reforms in Sweden can be summarized as follows:

<u>Reorientation to outcomes</u>

The Socialists put decentralized policy making to local government and introduced elements of consumer management on their agenda. As in many cases, this was reflected in a substantial reform of the budgetary processes. Block budgeting, which already existed in most central agencies involved in commercial activities, has been expanded to local government through three-year block grants. Many local governments resorted to widespread contracting out, when the central control over them was eased. As a result of this trend, more than 15 percent of public consumption is now *contracted out* (OECD, 1991). Another change in the direction of reorientation has been the introduction of <u>user</u>

fees for non-welfare state agencies: "Virtually all locally owned public providers of goods and services were formed into corporations charging users on a full cost recovery basis for publicly provided private goods" (Schwartz, 1993). There are also plans to extend user charges to education and health.

Competition

The social democrats introduced limited degrees of competition through the application of the concept "kollektiv-kappestrid" in order to shift towards a more responsive public service. As Schwartz (1993) argues, the theoretical base for these changes was mostly the principal-agent theory. Consequently, the social democratic version of public sector reform favoured giving public sector workers more operational autonomy, but subjecting them to consumer pressures by removing service monopolies. For instance, in health care, consumers were permitted to choose between different public sector providers. The chief aim of the social democrats in this respect was "...to benefit from market-driven productivity increases, but not in the way that would undercut the universality and publicness of the welfare state, the centerpiece of their long post-War tenure in office." (Schwartz: 1993, p.15). Therefore the Social Democrat governments only grudgingly allowed competition from, for example, cooperatives of parents in day-care, or cooperatives owned by their employees. However, the present Bildt government has made considerable effort to introduce full competition from private sector providers.

Creating wage discipline

Like many other countries, Sweden tried to introduce a more flexible use of public sector labour. However, the intention of government was to realize this reform through enhancing public sector employees' operational flexibility and control over their own jobs and to avoid the threat of redundancy. Hence, Swedish public employment has been stable since the early 1980s.

The social democrat government established the Ministry of Public Administration in 1982 to deal with public sector employees. The public service employees were given guarantees of new jobs and training if they were made redundant as a result of the efforts to redeployment and provide work flexibility in the public services. Until 1988, the Ministry of Public Administration tried to enhance employee participation as a way of increasing productivity. In 1988, one of former deputy ministers of the Finance Ministry has become the minister of public administration, starting a change in policy. From that time, the Ministry of Public Administration has attacked the so-called double imbalance in public sector wages in order to bring public sector productivity and wages more closely into alignment. In addition to these developments, the government has increased wage differentials in order to attract skilled labor, and decentralized the wage setting to the localities that do most implementation in order to hold down non-urban wages. Since these reforms have been realized without the will of the public service unions, Sweden has witnessed a greater militancy of public sector unions since the end of the 1980s. Nevertheless, to date, there has been no efforts in Sweden, to establish a special corps of administrators along the line of the New Zealandian SOEs.

Separation of policy making from implementation

As it is the case in New Zealand and the UK, Sweden also has devoted significant efforts to separate policy making and implementation. The central administration has shifted away from issuing detailed regulations to local governments and instead has permitted them to use various means towards centrally determined outputs of services. This includes functional consolidation of local agencies previously fragmented over a number of central ministries and concentration of policy setting over managerial issues into the newly-created Ministry of public Administration. As a part of this programme, the government has granted a number of local governments full operational autonomy on an experimental basis.

Decentralisation

As a part of a centrally guided attempt to adapt the welfare state system, decentralisation proceeded through 1980s in Sweden. One strategy was using parliamentary adoption of *framework laws* which replace older ones that regulated municipal activities in several sectors in greater detail. The framework laws were less detailed and described the general goals of programmes and general frameworks to be used by central agencies and local government.

As it has been seen, the decentralization process has been developed in Sweden towards delegating authority to local government. Thus, from 1980 onward, the local government share of provision of public services has been greater than central government (Wise, Amna and Sinclair, 1994). Central government redefined its role vis-à-vis local government from that of policy formulation, guideline writing, and prescriptive coordination to that of policy transmission and evaluation. However, it is of importance to note that, in Sweden, programme responsibility has been largely decentralized to the county and municipal level, but financial limits on local government revenues and expenditures have been established by the national government.

These institutional changes, at the same time, have been indicators of a transformation in priority among values. Demands for flexibility, local adaptation and individual choice have displaced to some extent the existing values of public agencies such as conformity and equal citizen access to public services . Since public services are largely delivered by local government institutions, decentralization and public service reform are strictly related to each other. As deregulation has taken place at local government level, local officials have more flexibility to introduce market-based service alternatives. Marketisation has become a forceful policy evident in a large number of local municipalities where the non-Social Democratic parties have been dominant. For example, child care services have been the subject of experimentation with alternative service delivery systems such as co-operatives and public-private partnerships.

FRANCE

The Napoleonic Model

Traditionally, French administrative system was designed according to the Napoleonic Model which puts overall emphasis on a hierarchical structure. The main characteristics of the Napoleonic Model can be summarized as follows: First, the administration is an agent of state power and represents the general interest. Administration is perceived as disinterested, dispassionate, distant and depoliticised, reflecting the grandeur and continuity of the state. Second, the administration, given its multiple roles, should be efficient. Third, the functional and territorial power was bestowed upon the bureaucracy. Fourth, while the administration must be powerful, it must be controlled in order to avoid administrative malpractice. Fifth, the administration was to be based on a centralized and pyramidal structure of decision-making. Finally, the bureaucracy should keep its uniformity in any case.

The administrative reforms since the 1980s

Since the early 1980s, several attempts have been made to rationalize, reform and modernize the French administration by the governments with various political conviction. For instance, the Socialist government, elected in 1981, revised the general code on the conditions of the Civil Service and widened the formal bureaucratic framework to include part-timers and employees and workers with short-term contracts. Beyond these attempts at the official level, however, there are a number of significant developments provoking the move towards essential changes in the structure, mission, culture and operations of French administration: the questioning the interventionist role of state, cutback management, politicization of the bureaucracy, introduction of new technologies and managerial techniques, territorial and functional decentralization and deconcentration, rising criticisms on the inefficiency, insensitivity, secrecy and inaccessibility of the administration, and the changing nature of policy making at the political level from parliamentary to executive responsibility. The following section will survey these developments briefly.

<u>Questioning of the interventionist role of the state and growing skepticism about its efficiency</u>

These vows comes from almost all main political groups, parties and other organizations with various political convictions. The neo-liberals have questioned the mission of the interceding and redistributive welfare state and claim that "less government is a better government". The Socialists, increasingly after 1983, came to recognize the limits of the state, while the Gaullist Right assert that the state should withdraw from its managerial role and play only the role of a last resort protector. In addition, public opinion has changed considerably from a pro-statist stand in the 1970s to one with skepticism and even hostility towards the excesses of the state. To this end, the impact of best-sellers such as "<u>Danseuses de la Republique</u>" by J.P. Gaudard are as important as more scholarly works such as "<u>La Machine Egalitaire</u>" by Alain Minc.

The immediate consequences of the above developments have been significant. While the Civil Service has been pushed on to the defensive about its role as being the principal servant of the state, the bases for its legitimacy, bureaucratic rationality and the protection of public good and general interests have been challenged. With the increasing neo-liberal onslaught, a fresh rhetoric for rationality, based on a reconciliation between market and society and competing and conflicting with the existing conventional-Napoleonic framework has become increasingly popular.

The anti-state ideas have not been left to rhetoric. Major market-based and anti-statist inspirations, in particular liberalization and deregulation, were important parts of Right-wing election manifestos in the 1986 and 1988 elections, and later pursued by the Socialists.

Speaking about *deregulation*, however, it would be useful to distinguish its two strands in the French case. The first strand contains a *lessening and simplification of large regulatory web* which discourage enterprise and suppresses initiative. Since Giscard d' Estaing's 96 proposed measures in the late 1970s, a number of attempts have been made to reduce red tape, excessive paperwork and decrease administrative burden on private sector. The second strand of deregulation entails *the introduction of market objectives and practices* into the machinery of state in several forms. First of all, the role of public-sector enterprises, including their employment, social and local economy functions has been redefined and, in some places replaced by market-oriented ones since 1983-84. The government reduced their subsidies dramatically, restructured and slimmed down their operations, and implemented measures to make them accountable for efficiency and profitability. A certain level of managerial autonomy has been granted to top managers of State enterprises, with the appointment of commercially-oriented managers at top level by both right and left-wing governments. The devolution of administrative responsibility to the existing *quasi-independent bodies* such as Competition Council and Audiovisual Council has been accompanied by the creation of fourteen such bodies since the mid-1970s. However, this has raised significant political, constitutional and administrative issues.

The *contracting out* of certain public services in central and especially local level to private and voluntary sector provides another sign for the move to bring market philosophy in French administration. Another significant measure is the introduction of *private sector management techniques*, incentives and even *personnel* into the public service. A striking sign for this is that the leading public administration teaching and research centres, Ecole Polytechnique and the ENA put *market-oriented commercial management* on their syllabus. It would not be overoptimistic to suggest that these moves increasingly narrowed the frontier between the public and private sectors in France. Already, private sector provision in such areas as training , social welfare, monitoring and broadcasting services is growing rapidly. Accordingly, the conventional state modernizing agencies established under the paradigm of traditional public administration, such as the Planning Commissariat and the DATAR, the major local and territorial planning agency, have been facing a rapid decline in their role and therefore prestige.

The speed and extent of *liberalisation* has not been less since the 1980s. Dismantling the price controls, the liberalization of the financial markets, easing credit control and privatization are major policies pursued within the liberalization programme in France.

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Cutback Management

Post-war France had witnessed a steady expansion of state and growth in the number of civil servants, facilitated by almost thirty years of economic growth. With the second oil shock (1973), however, this situation changed rapidly, and the problem of resources has become fierce. Low growth rate, rising unemployment and political resistance to increased taxation have increasingly squeezed revenues. In addition to these negative developments, the rising demands of citizens have helped the governments, irrespective of their political conviction, in the application of cutback programmes and in attacking the overprivileged bureaucrats who are cushioned against the impact of recessions. Along the line of 'public choice theory", the resource-consuming class of civil servants have increasingly been subject to attack from political side as well as from other interest groups and the public who have to pay more taxes.

A reduction in the number of public servants has been the major rhetoric of government in response to the above pressures. However, the radical proposals of Gerard Longuet for reducing the number of civil servants to 400 000 and putting the remaining 1600000 to separate agencies have never been taken into consideration. The number has widely expanded under the Socialist government of 1981, although small reduction has been made since 1983 as part of austerity measures.

The other major consequences of cutback management include a significant increase in the administrative authority of the prime minister's office and financial dominance of the Finance Ministry. More importantly, there has been a shift towards the reform of the French administration in the name of economy and cost-efficiency. The concepts of the NPM such as economy, efficiency, quality and productivity, have been imported through this favourable climate into the traditional French administrative system with a focus on such concept as public good.

Information technology and new managerial techniques

Development of information technologies in the public sector has been an important factor in the modernization of the French administration. As Wright argues, "acquired skills are being rendered obsolete and traditional demarcation lines between civil servants eroded. Technologically superior but hierarchically subordinate officials are questioning established patterns of authority and more participative management procedures...are providing the arena for such questioning" (Wright, 1994, p.127).

Raising the quality of public services

There have always been complaints and criticisms on the insensitive, secretive and unresponsive nature of traditional public administrations. The Napoleonic model of French administration is no exception in this respect. There have been a number of reform attempts in this respect: the humanizing of contacts with the public, the creation of user committees, the creation of the mediator in 1973 and the provision of access to government services. Whereas it would not be easy to suggest the full-scale meeting of the expectations from these reforms, the government has increasingly been under pressure from public and pressure groups to take further steps on this line.

CONCLUDING REMARKS

The reform attempts of OECD countries have many points in common. Although countries differ at the level of individual reforms and the rate of take-up of reforms, as well as emphasis on different aspects, objectives and speeds of reform process, reflecting the differing conditions and realities in each of the countries, the main aims have been the same: redefining the role of public sector and improving its performance. The brief survey in this chapter seems to verify the observation of OECD PUMA (1995) that it would be possible to identify seven key thrusts in public management reforms in OECD countries:

- a greater focus on results and increased value for money
- devolution of authority and enhanced flexibility
- strengthened accountability and control
- a client- and service-orientation
- strengthened capacity for developing strategy and policy
- introducing competition and other market elements
- and changed relationships with other levels of government.

CHAPTER 3

The GENESIS of NPM in TURKEY: DEVELOPMENT of the TURKISH ADMINISTRATIVE SYSTEM

INTRODUCTION

As the extensive literature (e.g., Barzelay: 1992 and 1998, Aucoin: 1990a,b) suggests, NPM is a reaction to the traditional public administration system characterised by hierarchy of authority, rigid bureaucracy, hegemony of detailed rules and procedures and orthodoxy. A survey of these traditional practices within existing organizations helps to throw light on the development of NPM in a particular country. The aim of this chapter. therefore, is to present a brief account of the origin and major characteristics of the Turkish traditional public administration system with a view to identify "what is going to change anyway?".

In addition, NPM reforms in Turkey, like anywhere else, have not been taking place in isolation. Rather, they have been developed in the context of, and to some extent as a result of, a broader socio-economic and political-institutional reform process which began in the early 1980s, and which is generally known as "structural adjustment". It is equally important, therefore, to investigate the internal and external environment of the reform process, and the dynamics of change, in addition to the socio-economic reforms of the last decade.

This chapter sheds light on the development of the Turkish administrative system from the Ottoman bureaucratic structure and culture to the structural adjustment and then to NPM process. It is the argument of this chapter that Turkey has experienced a two-step reform process in the post-1980 period. First, the structural adjustment programme of the 1980s has to a significant extent transformed the socio-economic profile of the country. The need to adapt the administrative structure and culture to the changing socio-economic environment, along with several other internal and external pressures, has brought a set of NPM-like reforms, which can be called "Turkish NPM".

1. The ROOTS of the TRADITIONAL TURKISH ADMINISTRATIVE SYSTEM AND CULTURE

> "......we need to consider two variables: power and performance. In general, these variables are positively correlated: the more powerful a bureaucracy, the greater its capacity to administer. By contrast, a powerless bureaucracy, under single-party domination, is administratively incompetent.
>
> However, there is a ceiling on this relationship. Beyond a certain level, when bureaucratic power becomes politically dominant - as it does, by definition, in a bureaucratic polity - the lack of effective controls by non-bureaucratic institutions destroys its administrative capacity. Corruption, laziness, and ignorance ultimately destroy any dominant bureaucracy that cannot be effectively controlled by other institutions." Riggs (1998, p.27)

The Turkish nation is unique in terms of its strong state tradition which dates back to the early civilizations. The Turkish administrative structure and culture have their roots in a variety of historical facts and events. Among them, four factors are remarkably important: the Ottoman state tradition and institutions; the Ataturkian principles, particularly the notion of Statism; the developments in the democratic era (1950-), and the planned attempts at administrative reform since the early 1960s. These factors and developments will be the subject of this section, for they will serve as background for the recent administrative/managerial reforms, and will help the reader to better understand the NPM-type changes in the Turkish public sector by putting them in a historical context.

a. Ottoman tradition and institutions

When established in 1923, the Turkish Republic had inherited the Ottoman bureaucracy which was based on four social classes, namely; ilmiyye (academics and clerics), kalemiyye (top bureaucrats and foreign office officials), mulkiye (top administrators in the central government and governors in the provinces) and seyfiyye (military officials). The Ottoman State (1299-1923) began to decline in the eighteenth century. There were many manifestations of decay and fragmentation towards the First World War which marked the end of Ottoman Era. Having observed the decay and inadequacy of administrative efficiency, a number of Ottoman rulers attempted to initiate reforms of the administrative system. Nevertheless, it has been widely argued that these initiatives brought only limited success, due to the fact that the focus of such reforms was directed towards improving the state of the Empire's political and financial affairs without taking account of the cultural and structural weaknesses within the administrative machine (Younis et al.: 1992, Shaw: 1977). As Younis et al. (1992) puts it, " this machine exhibited an unusual degree of elitism, favouritism, patronage. and a misplaced sense of aloofness and mission".

This system, with minor adjustments, continued its dominance during the years immediately following the declaration of the Republic. As Weiker suggests, eighty five percent of the professional top administrators of the Ottoman administration continued to held office within the Turkish administration after the establishment of the Republic (Weiker: 1981).

b. Ataturkian principle of Statism

Statism, a doctrine which promotes the central role of government especially in the process of industrialization, formed the dominant economic strategy in the Republican People's Party period (1923-1949), and was one of the main principles of the constitutional system since the early 1930s. Although the meaning and implications of "statism" was still a subject of controversy and confusion, it appeared on the scene as a pragmatic response to a situation in which the private sector was not strong enough to undertake the huge projects that an early phase of development requires because most of the available capital was in Government hands.

Among other things, one practical consequence of Statism was a huge growth in the number of government institutions and public employees accordingly. Between 1930 and 1950, 18 State Economic Enterprises, which received the major share of the public investment, were set up. The influence of statism on the bureaucratic class was also crucial for two reasons. First, bureaucrats increased their privileges and authorities over the public as result of the extensive public authority they could enjoy in the absence of a supreme power to control them. Second, their impressive pay and social status alienated them from the public (Ates: 1995). Since the early 1950s, when democratic governments (1950-1960) attempted to reduce some of these privileges, they began to challenge the political elite, resulting in a continuing struggle between political and administrative elites which manifested itself in the form of four military coups.

c. The developments in the Democratic Era (1950-)

At the end of the Second World War, Turkey introduced a multi-party political system in conjunction with the post-war conditions of the World. The newly emerging opposition parties applied pressure on government to re-organize the central administration in order to guarantee its efficient and effective management as well as to adopt new economic policies. The reason behind these pressures was the fact that the bureaucracy had come to share the Kemalist ideology of the Republican People's Party (RPP).

Taking into account the length of time the RPP had been in power, 23 years, the convergence of views is hardly surprising. Under the rule of Ataturk, the bureaucratic elite increased its economic and political power and social prestige, as a result of statist socio -economic policies and the Kemalist reforms which were dictated from above. In a sense, "...the intermingling of the need to support Kemalist ideologies and a successful administrative career meant that the Republican People's Party was bureaucratized and that the bureaucracy was politicized, that is bureaucratic and political power were fused together" (Younis et al." 1992, p. 22). Hence, the new government was skeptical of the trustworthiness of the bureaucracy in implementing new government policies.

Cognizant of the perceived fusion of the bureaucracy and the Kemalist Republican People's Party, the new (Democratic Party) government of 1950 attempted a series of administrative reforms, based on foreign experience, and with the help of foreign experts. However, the government favoured *ad hoc* foreign initiatives to carry out research into the administrative system, instead of establishing frameworks or strategies of comprehensive administrative reform.

Another step initiated by the Democratic Party governments was the *streamlining of the bureaucracy.* In July 1954, a law was passed to give effect to compulsory retirement of those civil servants found to be disloyal to the political authority. It was also designed to downsize the expanding Civil Service and the State Owned Enterprises. Such repressive measure was due to bureaucratic resistance to and inefficient implementation of, the policies of the Democratic Party governments.

The military intervention in 1960 was, in a sense, the triumph of the traditional bureaucratic elite over politicians. The military rule (1960-1963) had a number of significant impacts on the structure and operations of the public administration. The first impact was the introduction of a new constitution which paid more attention to the administrative affairs than the previous (1924) constitution. The significant changes introduced by the 1961 Constitution included forbidding civil servants to join political organizations and to discriminate against the public on grounds of political sympathy. This was a reaction to the practice of political affiliations within senior ranks of the Civil Service; arming civil servants with the right to abstain from "carrying out those duties that they had reason to believe to be against the law"; and emphasizing more on redressing grievances and on the rule of law.

Second but more important, although the 1961 constitution did not change the main principle of the 1924 constitution on sovereignty of the people, it specified that the nation would use its sovereignty through "*the authorized agencies*" such as universities, the Constitutional Court, the Council of State (the Turkish version of the French Conseil d'Etat) and Turkish Radio and Television -both independent of the government-. These institutions were expected to perform an enlightened supervision over parliament. For example, the mission of the higher tribunals was to test the *legal* accuracy of parliamentary acts and administrative decisions in question. Nevertheless, in practice "the courts also attempted to test the *political* and *administrative desirability* of the said decisions and acts. And these tribunals, on the whole, sympathetic to the views of the bureaucratic elite, did not always make decisions in an impartial manner" (Heper: 1990, p. 323).

Creation of the National Security Council (NSC) was another action of the bureaucratic elite to empower themselves against political elite. NSC which consists of the president, prime minister, a number of key ministers and some high-ranking commanders, was created by the 1961 Constitution to "offer information" to the Council of Ministers. NSC was empowered after the military intervention of 1971. The 1982 Constitution empowers it further, stipulating that the Council of Ministers has to give top priority to the suggestion made by the NSC.

Third impact of the 1960 military intervention was the creation of new central institutions to assist in the implementation of administrative reform measures with the hope that administrative development and reform would lead to socio-economic development (Ates: 1995). To achieve this end, the government established three institutions: the State Planning Organization (SPO) "to accelerate development through five-year plans" which was in fashion in the 1960s, The Institute of Public Administration for Turkey and the Middle East (TODAIE) to achieve administrative and managerial reform through training courses, and Units of Organization and Methods to distribute the responsibility of administrative reform to individual public organizations.

Although a number of serious attempts at administrative reforms were made in the 1960s, none of them proved adequate. These included MEHTAP (Central Government Organization Research Project) Report (1962) which was the result of a comprehensive analysis and research into the organization and functions of the central government departments by a committee chaired by Professor Tahsin Bekir Balta, the report by The Committee for the Reorganization of State Administration and Administrative Procedures (1963), The Report on Reforming Local Government (1966) by a committee headed by Professor Fehmi Yavuz, and the Report on the Performance of Public Economic Enterprises (Sabahatin Ozmen Report).

The right-wing coalition (1975-77) led to further turbulence and disenchantment in the Turkish Civil Service. as Dodd (1983 , p. 40) puts it, "Turkish bureaucracy could just live alongside and serve disciplined and orderly democratic government, but could hardly be expected to serve any governments like the rightist coalition Government (1975-77), which gave a larger place to religious influence, nor indeed those with strong leftist inclinations". This may be explained by the Kemalist inclination of the bureaucracy since the establishment of the Republic. As explained previously, the bureaucrats perceive themselves as guardians of the Kemalist state and its ideological principals and, consequently, "successive governments whose policies were at variance with these principles could not hope to gain their full support" (Younis et al.: 1992, p. 27).

d. Administrative Reform as an Instrument of National Development

Turkey has entered its planned development period with the 1961 Constitution. Article 41 of the 1961 Constitution states that " ...making development plans is one of the missions of the state". Article 129 further states that, "Economic, social and cultural developments are realized through plans". Similarly, the 1982 Constitution also gives a great place to development plans with its Article 166 and perceives development plans as a vehicle for social order and national development.

The logic of the idea of planned development requires that one of the chief missions of state administration is to achieve the targets set by development plans in an effective and efficient way. Therefore, the efficiency, effectiveness and rationality of administration are crucial for the success of development plans, since the state administration is the main vehicle for their implementation. Perhaps this is why, development plans often devote importance to administrative reform. On the other hand, administrative reforms have been often seen in the context of development plans; all the administrative reform attempts have been made according to the targets and approaches of the five year plans, especially after the 1960s (Karaer: 1991). Thus it has been the development plans that manifest the approaches towards administrative reform, and give a clear idea about the policies, approaches and priorities of the governments that initiate the plans.

The First Five Year Plan (1963-1967), which was made by a bureaucrat-dominant left-wing government, perceives public administration as an important vehicle in putting the targets of the plan into reality. Given the existing inefficiency and failure of the administrative system to adopt new managerial techniques and achieve contemporary level of organization, a radical reorganization was necessary (Plan, p. 80). The Plan foresaw several principles for a possible administrative reorganization such as clarification of the missions of the state organizations, devolution of authority, better communication and a reform in the personnel administration. Moreover, it proposed a reorganization in the State Economic Enterprises and laid down some principles for reform such as providing an independent operational environment for institutions to contribute towards their profitability, rationality and efficiency (Plan, p. 79). The first five year development plan would be criticized because of the fact that it overemphasized technical and organizational aspects of reform but neglected or gave lesser place to the cultural, behavioral and political aspects which were equally decisive for the inefficiency of the Turkish administration.

The Second five year plan (1968-1972) devoted a special attention to the organizational growth and suggested a reorganization of the central institutions of the ministries and a broader reorganization of the administrative system according to the principle of "decentralization".

The Third five year plan (1973-1977), which was created by the Leftist-Islamist coalition government, placed a greater importance on the managerial aspects of public administration for the first time. The plan argued that, to achieve the targets suggested in the development plans depends primarily on efficiency, effectiveness, responsiveness, economy and productivity of the administration, which the Turkish administration lacked. The plan mentioned a number of managerial problems of the Turkish administration, including; inadequate responsiveness to the changing social fabric, lack of flexibility, confusions about mission, power and responsibility in some organizations, irrationality of some organizations, red tape, use of classical rather than modern techniques, expensive and slow services and poor public relations.

In order to cure these ills, the third plan suggested a broader and more comprehensive administrative reform programme, including a number of managerial ones. The suggested reform programme included changes in the laws, administrative structures of some organizations and improvements in training conditions and possibilities of the employees. However, as some critics (e.g., Karaer: 1991) argue, the third five-year plan lacked a theoretical base and a systematic approach towards administrative reform, although it suggested a relatively comprehensive, albeit incremental, administrative/managerial reform programme.

The Fourth five year plan (1979-1983), which was produced by the liberal government of the Justice Party, had a different perspective on the issue of administrative reform. It perceived the reform process in the context of general problems the society had been facing and suggested its propositions accordingly. According to the plan, Turkey has significant economic and social problems that influence the political life. Decreasing economic growth, slowing investments, rising inflation and unemployment at the same time (stagflation), decreasing exports and growing foreign debts were some of them (Karaer: 1991, p. 59). One important cause of this economic and social decay and stagnation was the inefficiencies and waste in the public administration, with some other internal and external factors (plan, page. 658). The plan further argued that the centralist structure of the state in general and public administration in particular, which was determined by the centralist-authoritarian approach of the Turkish state tradition, had failed to adopt the new developments in technological and managerial techniques and this had hampered socio-economic development. Given the rapid changes in the social fabric, rise in population, globalization of the socio-economic activities and democratization, the plan gave great importance to the harmony between economic management and public management by arguing that the existing system did not deliver.

In the light of this analysis, the plan made several suggestions, including; preventing waste, performance-related recruitment and upgrading in the civil service, curtailing the powers of trade unions, and creating a smaller but more efficient machinery of government. With its emphasis on efficiency, effectiveness, reorganization of the objectives and structures of the organizations, establishment of a central authority for administrative reform as well as its theoretical coherence compared to its previous kinds, the fourth five year plan can be seen as the first manifestation of the NPM approach in the Turkish administrative system. It would also be useful to note that the chief architect of the managerialist and commercialist ideas in Turkey, Turgut Ozal, was the Head of SPO when the plan was prepared. Nevertheless, because of the social, economic and political obstacles of the time, in particular, the economic stagnation, political fragmentation, rising terrorist activities, and the military intervention at the end, the fourth five year plan could not be applied properly.

In summary, taking its roots from the Ottoman bureaucratic tradition and Ataturkian principle of "statism", the Turkish administrative system, particularly the bureaucracy, had always maintained its main characteristics in terms of its organization style, administrative culture, and its perception and relations with the public. Various phases of government-bureaucracy relationship had little impact on its main characteristics and their perception of "being the self-appointed guardians of the state". When right-wing governments since the 1950 attempted to minimize its power and prestige, a continuing clash between political and bureaucratic elites emerged. Various attempts at administrative reform, be it individual efforts or through development plans, could not change the bureaucracy-politicians relationships, and failed to transform the inefficient administrative machinery towards "the good-working instrument of the national development", as it was the administrative paradigm of the time.

When it came to the 1980s, when a set of socio-economic and administrative/managerial reforms began to be implemented, the administrative machinery was carrying the general characteristics, briefly summarized below. It was this structure and culture that the reform programme has struggled to transform to a managerial one.

2. MAJOR CHARACTERISTICS OF the TRADITIONAL TURKISH ADMINISTRATIVE SYSTEM

Centralisation is still a distinguishing characteristic of the Turkish administrative system. There are several organizational, historical, political and cultural roots of the centralization in the Turkish administration. First; organizationally, most of the administrative decisions are made in central units of the organizations; the areas for local discretion are limited. The organization is mechanistic and allows little room for initiative. Employees, therefore, have no incentive to innovate because they are required to follow the dictates of superiors within the hierarchy. Second; culturally, the top bureaucrats are often not willing, sometimes jealous, to delegate their authority to the lower levels. Third: historically, the Turkish understanding of state and administrative matters has been centralist and authoritarian in nature. The concept of the Turkish state has been frequently perceived as a supreme power over the citizens. The notion of " father state", which is widespread among the ordinary people, indicates the sovereignty, at least a supervision role, of the state over its subjects. Fourth; politicians and other statesmen often favour a centralist structure of the state and public administration as the basis of their power and as tools they can use (Yazicioglu: 1995). In addition, the long-lasting fear of a possible fragmentation of the Turkish state is a crucial factor in keeping the centralist structure of the existing state-formation. Although Turkey is a nation-state in which the dominant ethnic group is Turks, other ethnic groups such as Kurds, Lazs, Cherkezs and Arabs live in Turkey and they constitute a majority in some regions such as the South-East Anatolian Region where Kurds are in majority. A relaxation in the unitary state structure is perceived as a potential for national disunity and chaos. However, as Yazicioglu, a reform-minded Governor, suggests, the necessity for the unitary system is often exaggerated and has been used as a tool to hamper the attempts at administrative reform (Yazicioglu: 1995).

The Turkish bureaucracy has been **growing** rapidly. The best indication of this is the growing number of public servants. Whereas the number of public employees was 104115 in 1931, this number reached 926537 in 1976, which signifies ninefold growth in forty five years. The units in the organizations are also growing swiftly. For instance, the Office of Prime Minister has become a huge service department with twenty large units, while it consisted of only seven small units in the 1930s. This growth is even faster in the State Economic Enterprises (Karatepe: 1995).

As mentioned earlier, an important reason for this growth is political in nature. With the widening poles between the political parties, each party appointed its own supporters in the public services in order to gain ground on other political parties. Furthermore, having faced a wide resistance from the Kemalist bureaucrats, the right-wing coalition parties recruited many public servants in order to change the ideological balance in the Turkish public service. Naturally, the number of public organizations increased with the rise of public servants. While the number of the central government agencies was 18 in 1931, it reached 48 in 1972 (Ergun and Polatoglu: 1992).

The Turkish bureaucracy has been organized according to the principle of **secrecy and non-responsiveness to the public**. Openness to the public has not been classified as a "right" of the public. The laws give a broad flexibility to bureaucrats in understanding and applying the notion of secrecy and state secrets. However, the impact of the traditional attitude of the Turkish bureaucracy on this matter is no less important. The bureaucratic elite, who perceive themselves as the guardians of the existing regime and wardens of the state against the citizens, descry the notion of "state secret' in a broader sense, as a part of the state authority over citizens, in order to protect themselves against public scrutiny (Karatepe: 1995). This, in turn, leads critics to suggest that there are numerous maladministration, bribe-taking and other kinds of corruption within many public organizations, unknown to the public (Karatepe: 1995; Yazicioglu: 1995).

The problems of the Turkish administrative system, of course, are not limited to the ones we have mentioned above. Overregualation, scarcity of skilled administrators and public managers with skills in new managerial techniques, low wages and salaries, pantouflage, corruption and bribe-taking, politicization of the public servants and existence of several traditional mechanisms such as favouritism and political and social group affiliations vis-à-vis modern techniques of public management, are other major problems.

Overall, one can summarise the major characteristics of the Turkish public administration system as follows: overdependence on administrative law; strong statism and the concept of father state; a strong, ideological bureaucratic class: secrecy; a rapidly growing organization as the number of units and personnel; centralisation; low pay; and more importantly, lack or inadequacy of economy, effectiveness, productivity, efficiency and equity. These factors, of course, impact on each other and are influenced by other factors in the state structure.

As has been shown so far in this section, the conventional administrative reform efforts which were taking place up to the 1980s brought little success in tackling these problems. The remainder of this chapter will focus on the development of the new approach and the new socio-economic and managerial reform package, which began with the financial liberalization and economic opening and has continued with adapting the state structure to the economic-financial reform process and then development of the major elements of the NPM approach.

3. A SEA CHANGE : The POST-1980 REFORMS

Policy context and Goals of the Turkish Reforms

Turkish Government's policies of improving effectiveness and efficiency of public management emerged from the new economic policy introduced in 1980. This policy aims at fundamentally changing the way the Turkish economy operates, and redefines the relationship between the State and society.

The functioning of the economy was previously controlled by the central authorities, who selectively protected various areas. This created an inward-looking economy dependent on government decisions, initiatives and subsidies, and created an economic system where market forces played a secondary role. In 1980, the government introduced a programme of structural adjustment for liberalizing the economy, and at the same time launched the process of its integration into the world market.

The policy-makers accepted from the very beginning that the success of this radical revision would necessitate a thorough reassessment of the functioning of the public administration and the way it relates to society (OECD: 1991). It would also impose parallel implementation of economic and managerial measures. "Initiatives introduced since then are multifaceted and are intended to improve the internal structure and functioning of the administrative machinery, to redefine the role of the public administration, to change the administrative culture and attitudes, and to increase service orientation in the public administration to give a new momentum to the economy and to facilitate the operations of business" (OECD: 1991).

Following the examination of the socio-economic and political environment of the reform process and forces for change in the existing system, the next parts of this chapter will investigate the effects of the structural adjustment programme (SAP) on the Turkish administrative and managerial system, arguing that the SAP related reforms have led to a gradual, NPM-like management reform process.

The forces for change in the existing governance system

a. The general reform dynamics

One of the most striking features of western countries in recent years has been that they have all been engaged in rethinking the role of government and the organization of their public sectors. Given that they face similar challenges and pressures, one nation's approach will often influence that of others. Under the influence of several significant trends, namely globalization, new information technologies and changing public perceptions, governments are confronted by ongoing changes to their political, economic and social environments. "Because of the sweep of their impact and the type of change they represent, these trends are forcing governments to redefine the way they interact with citizens and even the organization of political systems" (Privy Council of Canada: 1995).

Globalisation and international competitiveness

There is a growing interdependence among nations which means that environmental, economic, labour and human rights issues have to be dealt with at an international level. This interdependence is often formalised through international agreements that bind national governments in various ways. "Globalisation has thereby reduced the ability of individual governments to act alone. National interests have to be advanced through negotiations with other states both bilaterally and through a complex network of international forces" (Wright and Zussman: 1996, p. 3).

Globalisation has made governance more complex and challenging. Governments still have a number of interests to consider but less ability to shape events unilaterally. They must continually attempt to reconcile global imperatives with local needs. They must struggle to preserve the integrity. requisite variety and uniqueness of national institutions in the face of the global forces of harmonization. As governments have limited resources and power they are forced to become increasingly selective in where they focus their efforts. In other words, they face the challenge of identifying and focusing on those core issues that will make the greatest difference to national well-being.

A major economic consequence of globalisation is intensified international competition which is not limited to the private sector as governments are becoming directly involved to an increasing degree. Consequently, government policy and service delivery have to take account of possible impacts on Turkey's international competitiveness. This sometimes causes tensions with social and environmental objectives, further adding to the complexities of governance and placing new demands on the policy co-ordination process.

Developments in Information technology (IT)

Rapid developments in information technology are an important factor in the rise of globalisation and international competitiveness. As with a number of technological advances, the rise of information technology has created both opportunities and problems. From a government perspective, information technology has helped to create a better informed citizenry which is pressing for greater direct involvement in the affairs of the state. Such involvement is greatly facilitated by new means of electronic access to government information, such as internet.

The Trend of Squeezing the State: The Shift to Minimal State

As has been demonstrated in Table 7, government size has been reduced in both developed and developing countries over the last two decades. In general two forces have combined to reduce the size of the state: the economic crisis, which has reduced both governments' tax revenues and their ability to borrow, and deliberate policy (Lijeron: 1996). Neo-liberal governments, working from "private interest" premises, have sought to reduce the size of the state; while other governments have been pushed into similar reforms under the scheme of Structural Adjustment Programs (SAPs) (Mackintosh: 1992).

In developed countries, the size of government had a first fluctuation during the economic crisis of the seventies and a second one from the 1980s onwards. For instance, British governments introduced market-type mechanisms to provide public services and, therefore, the contribution of the government sector to the GDP dropped dramatically. Similarly, numerous other industrialized countries developed policies to reduce government size during the same period (Lijeron: 1996).

Table 7: Size of Government in Developed and Developing Countries

	(1) 1974/75 -1980	*(2)* 1980 -84	*(3)* 1985 -90	*(4)* 1990 -94	Average	Rate of Growth (2)-(1)	(3)-(2)	(4)-(3)	Trend Initial	Final
GGR / GDP										
Indust. Countries	43.64	49.96	4870	4810	46.76	7.62	3.70	-1.25	43.80	49.72
Devel. Countries	22.17	23.16	22.19		22.73	4.48	-4.21		20.98	22.71
CGR / GDP										
Indust.Countries	35.42	38.01	39.19	38.47	37.68	7.32	3.11	-1.84	36.66	39.71
Devel.Countries	19.64	20.14	19.49		19.74	2.55	-3.21		19.6	20.13
LGR / GDP										
Indust.Countries	6.78	7.88	9.07	9.62	8.23	16.13	15.20	8.00	6.41	10.05
Devel.Countries	0.99	1.26	1.11		1.11	27.33	-11.59		0.97	1.26
LPGR / GDP										
Indust.Countries	8.22	8.95	9.51	9.54	9.04	8.94	6.23	0.29	8.11	9.56
Devel.Countries	1.39	1.75	1.54		1.55	25.69	-12.17		1.36	1.74
GGE / GDP										
Indust.Countries	47.86	52.09	50.01	49.56	50.07	8.84	-3.99	-0.90	49.62	50.53
Devel.Countries	22.98	24.97	23.38		23.74	8.65	-6.35		23.65	23.82
CGE / GDP										
Indust.Countries	27.18	30.62	29.35	28.99	29.07	12.67	-4.15	-1.23	28.16	29.98
Devel.Countries	20.10	21.96	20.32		20.40	9.24	-7.46		20.80	20.68
LGE / GDP										
Indust.Countries	16.67	17.46	16.48	16.34	16.78	4.76	-5.63	-0.88	17.6	16.31
Devel.Countries	1.91	1.92	1.62		1.74	0.71	-15.45		1.91	1.58
LPGE / GDP										
Indust.Countries	20.60	21.47	20.66	20.57	20.85	4.19	-3.75	-0.43	21.11	20.6
Devel.Countries	2.72	3.01	2.76		2.71	10.46	-8.22		2.64	2.78

Source: Lijeron: 1996.

In order to analyze the efforts at reducing the size of government in developing countries it is crucial to keep in mind some aspects. Firstly, government size in most of these countries are relatively small and, accordingly, there is less scope for cuts than in industrialized countries. Secondly, since the structure of spending shows that social security and welfare are relatively small in low-income countries, therefore budget cuttings had to be on other items. Lastly, in order to keep the public deficit and external gap under control, most developing countries have been applying Structural Adjustment Programs that have seriously reduced the role of their public sector in the overall economy aggregate (Mackintosh: 1992, Lijeron: 1996).

The trend of reducing the role and functions of the state and downsizing the public organizations have been taking the forms of service-shedding, and decentralization of public services to the market (as in the case of privatization), to quasi-markets (in contracting out, franchises, and vouchers, etc.) and to non-governmental organizations. It is important to note that, most of these applications constitute the major elements of the NPM approach.

Public perceptions on the role and performance of government

For present, there appears to be widespread acceptance of the need to curtail public expenditures in order to address the problem of national debt, although there is a broad spectrum of opinion on how extensive the role of government ought to be. At the same time, there is a general mistrust of politicians and bureaucrats. Accordingly, the public are demanding more accountability, transparency and integrity from government and greater inclusion in political and economic decision making. However, there is evidence that the public are more negative about "government" as a collectivity than they are about the quality of many individual government services.

In addition, there is an increasing perception that government should be run like a business with a focus on efficiency. While this may indicate a lack of public appreciation of the role of government and the importance of relevance, effectiveness, fairness, consistency and adherence to democratic principles, it may also reflect a failure on the part of the government to demonstrate clearly how it adds social and economic value and what results it has achieved. This has left the public service vulnerable to criticism in the media and among public and has further added to its negative image.

Nevertheless, public demands on government are generally inconsistent. Demands for cost reductions and increased efficiency cannot easily be reconciled with inclusiveness in decision-making and adherence to public values, such as consistency, fairness, and the prudent use of public money (The Deputy Minister's Taskforce: 1996). Moreover, many of the issues faced by government cannot be addressed in the manner of a private sector company, because of their increasing number and complexity. In short, the rising expectations of the public are a major force for NPM type reforms in government Although it is impossible to meet all the expectations of the public and therefore governments need to be selective in this respect.

b. The Country-specific dynamics

Socio-Demographic Profile

Closely related to public perceptions on the role and performance of the government is the socio-demographic profile of Turkey and changes in it. There are a number of significant socio-demographic trends within Turkey that are having a deep impact on the government. Among these are an increasing and younger population, higher levels of education, increasing urbanization and related problems, national, ideological and religious division within the society, increased participation of women in the labour market and high rates of unemployment. Each of these makes new demands on government in areas such as health service, child care, pension protection, job training and job creation. This adds to the complexity of governance and forces the government to re-think its role within the economy and society and to look for new ways of delivering public services.

National Debt

Turkey is one of the countries with a heavy national debt, both internal and external. The national debt reduces the government's fiscal capacity to sustain existing programmes and to develop new ones. Consequently, Turkish governments face difficult choices in allocating resources among different, and often competing objectives. More than any other single factor, it is forcing Turkish governments to identify and focus on their core responsibilities and find ways of delivering services that consume less public money.

Management Deficiencies

The failure of management in specific agencies was exposed through public inquiries. A common view emerged that the management skills of the senior public service were both deficient and undervalued relative to their policy and administrative skills. The weakness in the public service was seen to be a product of a system which placed too much emphasis on inputs and due process. Moreover, the emerging orthodoxy among a number of public administrators was that managerial approaches should be adopted. This was linked to growing pressures within the public service for a reduction in centralization: for departments to be able to manage more independently of high control from central agencies and for managers to have greater freedom from procedural constraints.

Failure of Traditional Approaches

By the late 1970s it was becoming clear that traditional administration was not adapting sufficiently to handle the demands being placed on it. The efforts at reform in the structure, working style, and culture of government bureaucracy during the 1950s, 1960s and 1970s offered no solutions to broader problems. The reports of MEHTAP and the Administrative Reform Commission, the old style comprehensive reviews, were not fully implemented, in part because governments changed frequently and the politicized bureaucracy resisted the suggested reforms, particularly to the ones which affected their own prestige and authority. The failure of the previous experiments and processes indicated the need for a new and more effective reform package. The managerial approach was crystallized as a consensus emerged about the deficiencies of the public service.

Leadership of reform: personal commitments of politicians

Reforms have a bearing on political-administrative relations. The political and bureaucratic leadership is often both object and subject of reform. Existing political and bureaucratic patterns have an impact on the type and content of reforms and the way in which they are implemented.

Politics seems to become involved in the Turkish reform process in different ways. First, as a centrally directed and confrontational system, the political leaders often, particularly since the early 1980s, have to step in as initiators and energizers of reform. In Turkey, "reform" is one of the first things on the agenda with an incoming political executive, since reforms are often associated with persons in the eyes of public. This is hardly surprising in a situation where "...media increasingly try to simplify politics to personal matters and effectively carrying through a government reform contributes almost as much to the 'greatness" and prestige of this leadership as the successful completion of a legislative programme does. Next to legislation, "reform" and "reorganization" have become important political scores" (Toonen: 1997). Therefore, the relationship between politics, government, the civil service and media is becoming an issue of attention in the reform process itself.

Second, one would have enough evidence to suggest that the Turkish reforms of the last two decades would not have succeeded if there would have been no political backing or leadership. The role of leadership here could be associated with bringing legitimacy and power to the process so as to overcome resistance: the politician as ultimate authority. Among politicians prime ministers, particularly Ozal and Ciller, and a team of relatively young, new generation of new right political figures, popularly known as "princes", are the ones without whose commitment "real" reforms in the opinion of many are bound to fail. Political leadership here would be identified with the "political will" which is supposed to be the ultimate cornerstone, without which no resistance could be overcome and no reform would take place.

Third and more important might be the capacity of political leaders to bring independence, creativity and authenticity to the reform process. Turgut Ozal was such a leader in the Turkish context.

Fourth, political leadership seems to matter not only as a force and legitimizer behind reforms, but also as guide to reform or at least in preventing the need for defensive and uncreative "cross reforms".

Yet, even the reform-minded politicians such as Ozal, Kahveci and Ciller, have not always found themselves in a situation which allowed for efforts to create more room for more offensive and innovating reforms really concerned with "total quality' in the public sector reform at the offset. The electoral constraints often hampered the reforms, as in the case after the 1989 local and 1991 general elections. Moreover, the idea that "the disease had to burn itself out and that public sector savings would be electorally punished" (Toonen: 1997) seems to have caused politicians to wait until they were with their backs against the budgetary wall. From there they could more easily legitimize the bad news and give a sense of urgency to the reforms.

On the other hand, as Toonen further (1997) argues, "conventional political wisdom in western societies [and common] political perception holds that there is little electoral gain and glory in domestic reform, with the exception maybe of cutbacks and tax reforms". This partly explains why numerous national reforms, Turkey is no exception, in the 1980s have been "budget driven", out of necessity rather than out of conviction. However, there are also counter-evidences. During the course of the 1980s and 1990s a number of politicians who champion retrenchment and cutback policies, such as Thatcher, Reagan, and Ozal, became popular among the general public, not only by promising budgetary reforms, but also actually implementing them. This changed the political mood, but in many cases the actual size of the deficits left little to choose and therefore opened little opportunity to show off political leadership.

In short, the Turkish public management reform experience provides evidence that the style of a leader and his ambitions do have impact, especially when pursuing and elaborating wide-ranging reform programmes as was the case for the prime ministers Ozal and Ciller, and to a lesser degree Erbakan. Despite a number of historical constraints to reform the state and administrative system, political leaders do not hesitate to embark on reform when necessary. But the question of whether it is their profile, or the economic model, or the international situation that creates feelings of necessity and motivate their effort remain open to argument. For instance, one could reasonably argue that leaders world-wide in the 1980s had little choice but to become domestic managers of a ship that increasingly appeared to be astray; both the new right and socialist governments have recognized the need to clean up shop (Caiden: 1991, Toonen: 1997). However, it is the argument of this study that, in the Turkish case, all of these factors, namely personal commitment of leaders, global paradigm shift, and economic and financial crisis, do have impact, although their degree of impact vary according to different cases.

Nevertheless, all of these are not to suggest that ideology does not matter. A feature which sets the Turkish reforms, like the British reforms, is the clear laissez-fair new right-conservative value pattern underlying these reforms. The function of ideology and political preference in the reform process is not only the decision whether or not to initiate reforms, but rather, at what level one seeks to stabilize the outcomes. Therefore, it would be useful now to examine the Turkish new right ideology and its effects on the reforms in more detail.

Dominance of the New Right ideology in the Turkish political life

Since the early 1980s, Turkey witnessed the dominance of a New Right political alliance which shows great similarities in its ideological stance and specific strategies to those of Thatcherism and Reaganism. Although immense differences exist between Turkey and such other western countries as UK and USA, more or less the same economic and political policies have been implemented within the New Right ideological framework.

The New Right ideology both in UK and US consists of old elements, such as the family, religious revival and moral regeneration, and anti-communism, as well as neo-liberal issues of anti-statism, free competitive markets, productivism, and selective welfarism favouring only one nation (Jessop et al.: 1984). Nevertheless, these elements combine in such a way, that the contradictory old ones are rearticulated into the new ideological principles, or they are refined to express the new situation (Tunay: 1993). For instance, the advocacy of a strong, centralized state is presented as the political shelter for the free functioning of the market economy. Moreover, the liberal principle of providing incentives for skilled employees, aiming at the creation of divisions within the workforce, succeeded in justifying reprisal against unions, in the name of rewarding the productive and taming the unproductive (Jessop at al.: 1987).

The New Right in Turkey maintains various traditional elements in its ideological appeal, but at the same time it incorporates certain new assets such as privatization and anti-statism, a liberal-competitive individualism, and apparently contradictory Islamic capitalist free enterprise into its national-popular agenda(Tunay: 1993). Pinpointing the long lasting political and economic crisis, the New Right leaders have claimed that Turkey needed a completely new approach to her worsening conditions, and struggled to shape a new ideological system by harmonizing contradictory elements of the traditional ideologies, and formation of an organic ideology, called "conservative nationalism".

The new rightists believe that the Ottoman state tradition, together with the central role of the state in all corners of both the civil and political areas in the republican period, has been creating serious problems on critical issues as well as in daily life. Consequently, they decided to carry out a number of administrative reforms, including cutting red tape, and reorganization of public organizations.

Crisis in the ISI development strategy and economic and financial crisis

Like many developing countries, Turkey pursued import substitution industrialization (ISI) development strategy in 1960s and 1970s. This strategy generated an economy highly dependent on imports and foreign borrowing but with little capacity to export. The great oil shock and the succeeding developments worsened the situation. The government borrowed excessively to alleviate the growth-retarding impact of the first oil shock but could not borrow its way out of the second shock in 1979. In addition to the fact that foreign lenders cut off credit to Turkey following a debt crisis in 1977, other foreign exchange inflows began to decline, as remittances coming from the workers abroad declined because of the economic instability and exchange rate overvaluation and shortages of imported inputs lessened exports. When it comes to 1979s, Turkey experienced a sharp balance of payment crisis which forced the country to reduce imports and produced shortages of essentials.

Coupled with political instability and rising violence and terrorist activities, the economic failures led Turkey into a crisis; "at the beginning of 1980, Turkey was unable to import the essentials for surviving the winter: oil, coal, and coffee. Many homes and government buildings went without heat in that exceptionally cold winter" (Onis and Webb: 1994, p. 132). The reasons for this were apparent: a large and growing fiscal deficit and rapid expansion of money supply; a highly overvalued and unrealistic nominal exchange rate and interest rate; and sharp restrictions o foreign trade and domestic investment because of foreign exchange difficulties (Krueger and Turan: 1993).

A series of coalition governments failed to stabilize the economy and to adopt the reforms needed to overcome the socio-economic crisis. A reform programme recommended by IMF was put into action in 1978, but soon canceled since poor implementation of its essential elements made the programme go off track. Bulent Ecevit's left wing government negotiated another IMF programme in the summer of 1979, but encountered the same fate by the end of the year.

In November 1979, the right wing coalition government of Suleyman Demirel came to power and brought in a new economic team, led by Turgut Ozal. To end the crisis, the economic team introduced a major package of radical adjustment and reform measures on 24 January 1980. Although, initially, the measures addressed the balance of payments crisis and debt problem, they were the beginning of the process of reorienting all policy toward a market-based economy and socio-political liberalization. However, the application of the measures was postponed to post-military interregnum of the 1980.

c. <u>External Dynamics</u>

The Role of International Economic Community in Turkish reforms

The substantial external assistance that Turkey received in the early 1980s contributed to a large supply response and, thus, to a speedy recovery which reduced the costs of structural adjustment, stabilization, and government reform. The speed and scale of recovery helped policy-makers to justify the programme to broad sections of society, to override opposition, and to consolidate a coalition in favour of reform.

In that sense, a number of international organizations such as OECD, EU, and GATT have played a significant role in Turkey's structural adjustment programme and the development of NPM-type reforms at the end, although they did not dictate most of its content. For instance, the possibility of membership of the European Community has always motivated Turkey's reforms, while membership in GATT helped to promote trade liberalization, for example, to eliminate export rebates in 1988.

However, the key players in the development of policy packages in the early 1980s as well as subsequent reforms were IMF and WB. They influenced both the evolution of economic and administrative philosophy in Turkey and the choice of policy. Ozal worked at WB in 1970s, where he was impressed with the arguments in favour of open economy, small state, effective and economic decision-making and debureaucratization (Ozal: 1993, Onis and Webb: 1994). Saracoglu worked at IMF before coming to the Central Bank. In addition, staff of WB and IMF developed close relationships with numerous staff in the SPO, the Treasury and the Central Bank.

Likewise, the long-standing international fashion of globalization which is closely related to international economic organizations has also been a significant factor for the change in the administrative philosophy in Turkey as well as other developing countries. Irrespective of their regimes or stages of development, numerous developing countries are implementing World Bank and IMF programmes designed to reduce the size and scope of the public sector, to rationalize the government role in the economy and society and to seek free market solutions for the ills of the economy and the public sector. In order not to be excluded by the new world order, statesmen, academia and bureaucracies of the developing countries have felt a large need to adjust their managerial, economic and political systems according to the recommendations of WB, IMF, British and other international agencies of technical and economic assistance.

The following section will focus on the role of WB in the structural adjustment process and related changes in the apparatus of state, administrative culture and functions of the Turkish administrative system in more detail, because of its importance in the development of NPM in Turkey.

The Role of World Bank in development of NPM process in Turkey

Although Turkey seems to be an insignificant member of the WB group both in terms of her voting right and the amount of her share in the total capital of the bank (both 6 out of 1000), the real bilateral relations between WB and Turkey has been of importance for three reasons: First, WB plays the role of an "umbrella organization against the risks" for international markets. Therefore, a large amount of international credits cannot be obtained without a kind of "visa" given by WB. Second, WB credits differ from other sources of financial support in terms of restrictions on the areas of use; since 1980, most WB credits have been sui generis "conditional" credits, aimed at enhancing structural adjustment policies, rather than the credits limited to the project or field they are lent for. The conditions WB credits require have been met in a large proportion, 95 percent, although the rate of completion of the WB-supported projects are relatively lower (Guler: 1996). Third, since 1989, the amount of main capital and interest repayment by Turkey has been more than the amount of WB credit she gets annually. In other words, Turkey has become a net reimburser of the resources she uses rather than a net resource user; the amount of net reimbursement reached $ 1 billion in 1993 (Egilmez: 1996).

The perception of WB on the handling of the reform process

WB acknowledges its preference for stable administrations to work with, irrespective of their regimes and types of government: "Moreover, in countries like Turkey, which decision-makers are not unchangeable bureaucrats but governments which change frequently, the problem of defending the reforms always exists. It is often difficult to defend the unfavourable stabilization measures, particularly positive real interest rates,...and reducing subsidies, etc., by elected politicians" (WB: 1993). However, the WB documents does not suggest to create crisis environment or to suspend democracy in lending countries. Rather they advise that "the critical but difficult decisions should be taken by a council consisting of representatives of various units within the government and bureaucracy. This way would facilitate decision-making in strategic fields" (WB: 1993).

As will be partly explained in Chapter Four, the structural adjustment and other government reforms have been principally carried out by the "alternative public administration" mechanism, which carries similar ideas with WB on the issues of SA and public sector reform, against the will of traditional public administration, because of the resistance of the latter. However, as the developments since the late 1980s show, it is becoming harder to carry out such reforms without participation of the large traditional public administration units. Perhaps this is why WB advises to overcome the political obstacles to the SA reforms by including traditional bureaucratic units and various social and political organizations to the planning and implementation of the reforms.

SAL, SECAL and Project Loans

The credit agreements between WB and Turkey in the last two decades have had three stages. The first stage which consisted of general structural adjustment loans aimed at transforming all the socio-economic structure, started in March 1980 and ended in the early 1986s with fifth SAL. The total amount of the five SALs reached only US$ 1,6 billion but fundamentally changed Turkey's economic policies to a large degree (Guler: 1996). The second stage agreements have been sectoral adjustment loans (SAL) aimed at transforming particular sectors, such as energy, agriculture and finance, rather than whole government. Total amount of the loans of this kind has been US$ 1,3 billion. The third stage has been project loans which aim to support a particular reform project.

WB Credits and "conditionality"

WB credit agreements has usually a broad area of influence on indebted countries, from reorganization of public administration to national economic policies, taking its power from their articles of "conditionality". The conditions have sometimes been extremely special and rigid, in that they sometimes include making a specific law, or completion of a project by a fixed date, mentioning day, month and year in the agreement, and sometimes extremely generalistic in that they contain such subjective measures as "satisfactory progress in reaching the targets set in development plans". This characteristic of WB credit agreements has given way to the claims that "they are hidden commands and limitations over decision-making powers of developing countries. because they are usually neither limited nor related to the project in question, and not fixed according to the indigenous needs of the country rather than needs of international capitalist order" (Guler: 1996).

However, this WB-related notion of conditionality has contributed to the development of NPM-type changes within the Turkish public sector. Almost all loan agreements between WB and Turkey within the last decade included a programme which aimed to improve management efficiency, a flexible institutional framework of organizations within the sector which the loan will be used, related reorganizations within the bureaucracy, and a more market-like operation of the related organization. To illustrate this further, the Energy Sector Adjustment Loan (SECAL) will be offered here as a typical example of its kind.

Energy SECAL was signed in 1987 to provide finance for the planned investments in the energy sector as well as to support structural adjustment efforts in this sector during 1987-1989. The loan agreement included a programme to improve management efficiency, price policies, and the institutional framework of organizations within the sector, and provision of necessary goods for this programme. Moreover, the loan agreement required reorganizing Department of Energy, reforming the Electricity Authority (TEK) and increasing efficiency of its management board , adjusting the prices of national energy resources according to international market prices. Like other loan agreements, Energy SECAL also put privatization on its list of conditions, even with more stress, in that "if Turkish government changes, suspends, or removes Decree-Law 233 which provides a base for privatization of SEEs, Energy SECAL will not be implemented" (Energy SECAL; article 5).

According to WB sources, the fixed conditions of the Energy SECAL were met on time. Almost all SEEs and other organizations within the sector have been subject to a programme aimed to reorganize institutional structures and improve managerial capacities of all the organizations within the sector. This programme includes introduction of user charges for the goods and services produced within the sector, improving management within the sector through extensive use of information technology and computerization of all documents, management training, and providing technical assistance for the managers (Guler: 1996).

The Social, Political and Administrative Environment of the Reform Process

The Turkish experiment with NPM provides an interesting case for the study of an interactive triangle: the relationships among the society, the state and the international system at a particular point in time. Since the major dynamics of reform, including the international ones, were studied in the previous section, this section will focus on the impact of other factors which have affected the implementation of the reforms, particularly the features of major actors in the society and their stands towards the intended, and occurring, socio-economic and managerial reforms, whether positive or negative.

Political Culture

The development of NPM in Turkey has involved changes in the constitution, laws, decrees, and other official documents, but the evaluation of which depends on the political and administrative culture inherited from the past and on their implementation in practice.

As explained in the previous chapter, one of the key elements of Turkey's political culture has been a strong state tradition which dates back to the Ottoman period. Central to this tradition is the idea of the *"father state"*, an institution that guarantees the livelihood of the broad strata of the population. For lower-income groups, a major form of provision involves employment opportunities within the large public sector. For entrepreneurs, producers, or other business groups, state provision takes the form of a wide variety of subsidies. A striking example would be Vehbi Koc, the founder and former head of Turkey's largest industrial group, who credited the success of his company not to the energy and skills of the entrepreneurs, but rather to the support of the state (Koc: 1992, Onis and Webb: 1994)

Another key element of the Turkish political culture is the weakness of autonomous interest associations and their links to the state. Bureaucrats and politicians seldom enter into institutionalized contact with interest organizations concerning the formation and implementation of policy. The weakness of the links with formal interest groups encourages the development of extensive patron-client networks and, under the constraints of democracy, leads to efforts to accumulate popular support through the dispersion of patronage on a large scale (Onis and Webb: 1994).

This practice affected the structural adjustment process and development of NPM in Turkey in two ways. A highly centralized and isolated state mechanism helped to initiate structural adjustment and other market-oriented reforms and to keep up the momentum of the process during its early stages. However, it has become a disadvantage during the later stages, as the weak links with civil society proved to be a problem of consolidating, institutionalizing, and maintaining the momentum of the reform process. Thus, as Onis and Webb argue, the strength of the state in being able to dispense patronage weakened its ability to create a growth-oriented market environment (Onis and Webb: 1994). Although the paternalistic political culture remains , civil society strengthened after 1983, and developments such as reduced tolerance for corruption signaled the rise of an alternate, more modern political culture.

Constitutional Changes

The Constitution has traditionally played a central role in almost every aspect of society and state. The legal and administrative basis of many policies have been laid down in the Constitution especially in the administrative law system. Governments have had to set their socio-economic policies, particularly administrative policies, according to the guidance and within the limits of the Constitution.

A new constitution was written while the Military Administration was in power and came into force in 1982. The change of the Turkish Constitution has constituted a legal and administrative basis for most of the reforms which have occurred in the organization, procedures, culture and personnel of the Turkish administrative system so far.

Strengthening the administration and government

Like the 1961 Constitution, most articles of the 1982 Constitution have been directly or indirectly related to the administrative affairs of the state. When compared to the 1961 Constitution, the articles of 1982 Constitution which directly regulates the administrative affairs have been more comprehensive and more numerous. This could be attributed to the Military Administration's view that an empowered government is vital for national stability, effective policy-making and the authority of the state (Duran: 1988). Another indication of the strong government mentality is that the 1980 constitution strengthened both wings of the government, namely the cabinet and the presidency (Yurdakul: 1996).

In addition to the increase in the powers and responsibilities of the presidency, the new constitution established the Office of the Secretary of the President and the State Audit Council, both under the supervision of the President. Furthermore, several administrative decisions and procedures which the President himself initiates have been excluded from administrative law audit.

On the other hand, the 1982 Constitution has provided more power to the position of the Prime Minister. Ministers are accountable to the Prime Minister in that the Prime Minister can give orders and directives to ministers and he/she may be able to require the President to dismiss one or more ministers. The role and mandate of the Prime Minister over ministers has been strengthened, in order to increase the effectiveness and control of the Council of Ministers. In addition, the Office of the Prime Minister has gained the status of a service ministry in addition to its main function of control and co-ordination. The Prime Minister is able assume the functions of service ministries when he perceives it necessary. This development has significantly changed the organization and structure of the state apparatus; several important functions of other ministries were transferred to the Office of the Prime Minister since 1982.

The 1961 Constitution had permitted the Prime Minister to establish a particular department, to determine and change its organizational structure and its mandates and responsibilities or to abolish it. However, the 1982 Constitution makes this function difficult, and possible only through law. This can be attributed to the reaction of the lawmaker to the overpoliticization of government and bureaucracy before the 1980 military interregnum. As a result of political bargains, the number and organization of departments were frequently changed, especially in the late 1970s. This had been done for mainly political reasons, without taking such values as economy, efficiency, equity and effectiveness into consideration.

Judicial review of administrative decisions

Regarding judicial control of administrative decisions and operations, Turkey accepts the Continental style of judicial review system, where the administrative law is distinct from the civil code of law. Both the 1961 and 1982 Constitutions envisage that, in principle, administrative decisions and operations are subject to judicial control. However, contrary to the 1961 Constitution, the 1982 Constitution has exempted a number of decisions and processes of administrative character from judicial review. These include most decisions and the daily operations of the President, and the decisions of the High Council of Military Affairs, the National Security Council and the High Council of Judges and Public Prosecutors. Furthermore, according to the 1982 Constitution, the judicial review of operations and decisions of administration has been restricted to the review of legality; the courts cannot review administrative decisions on the grounds of their inefficiency and inappropriateness. In addition, in order to prevent judicial review being used to shadow the right of administration to exercise administrative discretion, a court cannot make any decisions of an administrative character in place of the decisions reviewed by itself.

The weakened role of Parliament and Rule by Decree

The military intervention and the constitution of 1982 concentrated power at the centre. The pattern of a strong executive and a weak Parliament continued after democracy was restored in 1983. A principal feature of the Motherland Party governments was a concentrated decision-making structure, with the responsibility for strategic decisions, particularly key economic resolutions, being confined to the prime minister, an inner or core cabinet, and a small group of top-level bureaucrats.

The dominance of the executive over Parliament and even over the peripheral cabinet was reflected in the emergence of decree-laws as a major instrument for introducing policy changes during the period. The 1982 Constitution has facilitated issuing decree-laws in order to give the government a free hand against parliament. This is an important tool which the reformist governments of the post-1980s have used widely to avoid the protracted difficulties of making law. The power of the government to issue decree-laws would increase even further in the event of any significant social, political or economic crisis, in that these decree-laws have been exempt from judicial review. These decrees have provided flexibility and helped to introduce reforms rapidly without unnecessary delays.

Ideological Stands of Political Parties

The nature of the party system strongly influences how support and opposition are organized, and thus the prospects for reform. Although the executive enjoys some leeway in initiating reform efforts, in particular at the outset of a new government, sustaining reform in a democracy requires an adequate base of legislative support. Even in the presence of such support, opposition politicians have an incentive to campaign against the costs associated with reform.

In Turkey, the political difficulties of the late 1970s can be attributed to an increasingly polarized political system. The 1983 election was limited to three parties hand-picked by the military, and the new constitution drafted by the military contained rules, including electoral thresholds for gaining parliamentary representation, that served to eliminate smaller parties from participation. These bans and rules initially helped the conservative Motherland Party gain large legislative majorities that facilitated its reform initiatives but ultimately gave rise to a political backlash that eased barriers to political entry. This new position of increased participation created the problem of consensus, which adversely affected the management of fiscal and economic policies and the introduction and development of NPM -type reforms.

Motherland Party and Ozal

In 1983, the military permitted general elections, but strict limits were placed on party participation in the elections. The newly founded Motherland Party (ANAP) led by Turgut Ozal, the ex-leader of the economic team which introduced the 24 January policy reforms, won the election, defeating the parties endorsed by the military, and came to power. Turgut Ozal re-emerged as prime minister and centered his party around the core team that had designed and implemented the structural adjustment program of 1980. In this respect, Turkey constitutes a unique case of structural adjustment because of the continuity of its leadership.

ANAP campaigned in a referendum on its economic programme, although it made appeals in other dimensions as well. Soon after taking power, the ANAP government used the political honeymoon to pass a second wave of economic and institutional reforms. The chief of a series of measures was liberalising the foreign investment regime. The high rates of economic growth in the mid-1980s bolstered ANAP's and Ozal's popularity; ANAP's 40 percent of the vote in the local elections of 1984 being followed by the Social democratic Party with only 23 percent.

The general election of 1987, however, proved a turning point in the fortunes of the ANAP government. The political popularity of ANAP declined dramatically in these years, partly because of the reappearance of the old figures in the Turkish political arena, following its victory in the 1987 general election. In the municipal election in March 1989 ANAP could only manage to become the third largest party, with 22 percent of the popular vote. Ozal, however, was elected to the Presidency in 1989, while ANAP never fully recovered. Although the ANAP rule continued until the general elections of 1991, the problems with internal co-ordination and domestic legitimacy, because of the decline in electoral support of the ANAP, weakened implementation of the structural adjustment programme. The general elections of 1991 returned coalition politics to Turkey after eight years of uninterrupted ANAP rule and eleven years during which Ozal's reform program dominated social, administrative and economic policies. However, the paradigm of structural adjustment, socio-economic reform in general, the structural and cultural change process in the administration (which is identified here as the development of NPM in Turkey) has continued, particularly with Ciller governments.

The electoral success of ANAP in the 1980s could be explained by the popularity and performance of its leader, Turgut Ozal. He portrayed himself as the architect of the new programme of economic and political recovery and a leader with influence abroad. He also hailed ANAP as a new party with a novel economic and political programme. Other parties were identified with failed policies of the late-1970's characterised by the most acute crisis in recent Turkish history. Ozal and his close entourage represented a new managerial and business elite who reconciled Islamic values with neoliberal ideas. Therefore, the base of electoral support for ANAP was mainly urban and from groups other than unionized workers (Onis and Webb).

Building Coalitions for Reform and Interest Groups

Insulating reformers within the bureaucracy is crucial for initiating reforms, but success in maintaining reform requires building bases of support among interest groups, because in the absence of such bases of support, insulated technocratic agencies become politically isolated and programmes become vulnerable to reversal. Interest groups are crucial not only because their lobbying activity and role in mobilizing electoral support, but also because of their capability for spearheading collective action outside routine political channels, such as labour and investment strikes, demonstrations, capital flight, and riots. Over the long term, therefore, the implementation of policy and institutional reforms must be seen as a process of coalition-building (Waterbury: 1989). Thus, a critical aspect of the political management of policy and institutional reforms involves encouraging the reorganization of interests; expanding the representation and weight of interest groups that benefit from reforms and marginalizing and sometimes compensating the losers. This account leads us to examine more closely the significant interest groups in Turkey in post-1980 period.

Business Associations

In Turkey, the interaction between business and government in the post-1980 period has occurred largely at a personal level, involving direct contacts between key entrepreneurs, on the one hand, and the prime minister plus a small core of ministers and top-level bureaucrats, on the other (Heper: 1991, Onis and Webb: 1994). However, the contacts have not gone further to become a part of the official decision process, and, overall, governments seldom need to consult with business leaders because of three important reasons. Firstly, the Constitution of 1982 restricted the social and political activities of interest groups, including business associations. Secondly, traditionally, Turkey has had a paternalistic state tradition, with a strong centre confronting a weakly organized periphery and civil society (Heper: 1985, Onis and Webb: 1994, Ozbudun: 1991). Lastly, the business community in Turkey are highly divided and structurally fragmented.

At the micro level, the special sectoral committees, with representatives of state agencies, academia, and the business community were a significant source of discussion and information for SPO's five-year plans, before 1980 (interview with Adil Temel, a top official in SPO). These committees could have become a key forum for institutionalizing discussion of structural adjustment, NPM-type reforms and other government policies; but they did not. They *continue to exist, and to provide input to* five-year plans, but their significance declined in the 1980s as the plans themselves were marginalized.

However, the Ciller governments placed greater importance on co-operation with representatives of interest groups, particularly the business community, and established the Social and Economic Council which consists of representatives of a wide range of interest groups, although its function is very limited at present. The seventh five-year plan (1996-2001) has also been a product of a broad consensus among interest groups involved (interview with Adil Temel). For example the head of the commission for reorganization of the administrative system was a businessman, Tevfik Altinok (SPO: 1994).

Labour Organisations

Soon after taking over, the military regime prohibited strikes and suspended collective bargaining over wages as well as outlawing the more ideological unions. In addition, the military rulers reduced the opportunities for remaining unions to represent the interests of labour; labour unions were not allowed to have any direct connection with political parties. The ANAP and coalition governments in the 1980s and 1990s also did little to relax the limits on union power: all strikes remained outlawed until 1987, and they are still banned in the financial and public sectors. The various phases of industrial-labour relations in Turkey in the 1980s and 1990s support the hypothesis that either totally excluding labour from the policy process or including it through corporatist agreements facilitate economic and managerial reforms (Onis and Webb: 1994).

The old-line bureaucracy and handling the problem of bureaucratic resistance

Frequently, the most vociferous opposition to a change in policy comes not from interest groups, legislators, or voters, but from ministers and bureaucrats within the government or even from the executive himself. Likewise, one of the most consistent findings of a number of studies (Geddes: 1992), conducted in the fields of administrative reform and structural adjustment, is the vital role played by bureaucratic organizations in both initiating and maintaining reform efforts. In almost every reform effort, politicians delegated decision-making authority to units within the government that were insulated from routine bureaucratic pressures, and even from executive pressure. In some cases, bureaucratic agencies associated with old policies were eliminated outright. However, insulating key parts of the bureaucracy from political pressure only aids the reforms if the bureaucrats are technically capable of, and ideologically not against, designing and carrying out the reform measures.

In Turkey, ANAP governments were more committed to organizational and cultural reform than their military predecessor. As will be explained in detail in Chapter Four, rather than attempting at reforming the old-line bureaucrats, Ozal created new agencies and transferred key powers to them. For instance, he established an undersecretariat for the treasury and foreign trade under a new minister of state for economic affairs, who reported directly to him. The institutional reforms did not only streamline the policy-making but also gave the prime minister greater control over patronage. As political pressures on the government increased, the insulation of this office from the political fray waned. The changes were initially motivated by an effort to improve co-ordination and to reduce the power of etatist parts of the bureaucracy, and this objective was achieved in the early period, when a variety of reforms were initiated rapidly.

4. SA LEADS to NPM: The EFFORTS at ADAPTING the STATE STRUCTURE to the SA PROCESS

The relationship between socio-economic and administrative / managerial reforms

A survey of the literature on administrative reforms (Caiden: 1988 & 1991) shows that changes in the socio-economic conditions in the seventies and the eighties have paved the way for administrative reforms both in developed and developing countries. These reforms, partly prompted by the world-wide economic recession of the 1970s and 1980s, criticised the role of the state, and emphasized the role of the private sector in the socio-economic life of the countries concerned, a phenomenon which is referred to in the literature as "the rolling back of the state", or " the withdrawal of the state" (Larbi: 1995). Underpinning these reforms was the search for efficiency and effectiveness in the face of declining resources. This was developed in most case into a crusade to re-organize and modernize the civil service and the state economic enterprises (SEEs) (Caiden: 1991).

These changes had their ideological and political underpinnings in the rise of neoliberal economic thinking and conservatism in both US and UK in the 1970s and 1980s, and partly in 1990s, and were reflected in the concurrent shift in the strategies of the IMF and WB toward a more liberal and market-oriented ideology. The implications, for the public management, were demands for a smaller but efficient civil service and competitive SEEs. In the process of reforms, some management techniques from the private sector were imported into the public services such as contract-based appointments, management by objectives, and performance appraisal.

The emergence of the neoliberal agenda in the form of "rolling back the state" in western countries in the 1970s began to have expression in WB and IMF-supported economic reform programmes in developing countries in the 1980s, with a similar demand for smaller, efficient, and cost-effective public administration which could only be achieved through reforms (Larbi: 1995).

Outside the specific context of the socio-economic aspects of structural adjustment programmes, one finds only a few studies on adjustment-related administrative reforms in developing countries. These studies can be broadly categorized into two: the first group studies administrative reforms under SAPs from the general public administration and development administration perspectives, while the second group consists of those that have specifically studied SAP-related civil service reforms.

Furthermore, there is a scarcity of studies on the impact of SAPs on Turkish public services; the researcher has come across only one study of this kind (Guler: 1996); the others focus only on a particular sector and on the impact of cultural diffusion over the particular sector in review. However, a comprehensive examination of the reforms in Turkey which are in action since 1980, with their economic, organizational, cultural, and legal dimensions, the structural adjustment process and its effects on the public administrations as a whole as well as on particular sectors, the relations, similarities and differences between adjustment-related reforms and New Public Management (NPM) movement still remains a challenging task. This section of the chapter aims to contribute to filling this gap, by surveying various Turkish governments' efforts to adapt the administrative structure, organizational style and administrative culture of the state to the socio-economic realities of the last two decades, a process which involves a radical change in the way the public sector operates and leads to the adoption of major elements of the NPM at the end.

The administrative reforms under the military rule (1980- 1983)

As we noted earlier, one of the main characteristics of pre-1980 period with respect to administrative reform was that the proposals for reform were virtually shelved. The post-1980 period differs from pre-1980 period in this respect: the transformation of public administration has been one of the priorities of most governments (Yurdakul: 1996).

The military government devoted significant effort to carry out administrative reforms. According to the programme of the government headed by Bulent Ulusu, the main national target was socio-economic development, and the chief among the obstacles to national development were such ills of the Turkish administrative system as overcentralisation, overemployment, inefficiency, ineffectiveness, red tape and overbureacratisation, and the rule-based nature of the Turkish administrative culture (Karaer: 1987) In order to cure these ills the government planned to redistribute the powers and responsibilities in the system, to downsize the departments and other administrative institutions. to reform the personnel system, to transfer more powers and fiscal resources to local government, to adopt innovative strategies to eliminate waste. As has been seen, the government programme of the military rule perceived administrative reform with its three dimension: organisation. administrative procedures and personnel.

The government established a commission to investigate the problems of the public personnel system. in October 1980. Having studied the problems of the personnel policy, the public employment policy, and the administrative reorganisation, the commission presented its report which included several suggestions for action by the government. However. these suggestions were similar to previous research reports. For instance, privatisation was not perceived as an option for the public enterprises in this report. In addition, it suggested to strengthen the principle of tenure for the public personnel system (Guler: 1996).

The military government (1980-83) made two substantial contributions to the reform process. On the one hand, it prepared the 1982 Constitution which has been important particularly for shaping the general framework for administrative changes as well as social, political and economic activities. On the other hand, it reorganised a large number of government departments, SEEs and other public bodies (Table 8).

In order to provide a legal base for the upcoming reorganisation of the state institutions, the Council of Ministers published the *Decree on the Reorganization of the Departments and the principles of their work* in 1982 (Decree, no. 8/4334) which regulated the organisation and working principles of departments first time in the history of Turkish administration (Yurdakul: 1996, Karaer: 1987b). This was an important development, because the lack of standards and principles in establishment, structure and operations of the departments and other institutions created co-ordination problems, responsibility and power overlaps, and thus prevented fast, efficient, effective, and economic operations of the bureaucracy.

A law which gave the Council of Ministers the power to publish Decree-Laws on the issue of restructuring the institutions of the state (*The law of mandate, number 2680*) was enacted in 1982. According to the law, the Council of Ministers could issue regulations, including Decree-Laws in order to restructure the departments, the co-operatives of agriculture and other public institutions, to determine and change their organization and operation styles according to the principles of economy, effectiveness, speed, efficiency, and equity, within the time limit of eighteen months (the time limit extended later to two years). 56 Decree-Laws which were based on the above law were issued under the military rule (until 1983) on a wide range of issues and institutions, from reorganisation of specific SEEs to reform in the mission, organization and employment structures of departments, in addition to 52 Decree-Laws issued by the later Ozal government.

Table 8 : Reorganisation of state institutions under the military rule (1980-1983)

The abolished organisations		The Established Organisations
Dept .of Agriculture and Forestry Department of Food and Agriculture	--------	Department of Agriculture and Forestry
Department of Culture Department of Tourism and Information	--------	Department Of Culture and Tourism
Turkish Child Welfare Institution Child Welfare and Orphanage Associations in the Provinces	--------	Social Services and Child Welfare General Directorate (SHCEK)
Commission of Atomic Energy	--------	Turkish Atomic Energy Institution
		Prime Ministry Naval Organization
		State Information Organization
		Radiotelephone Affairs General Directorate
		Regional Administration Governorates
		Free Trade Zones Organization
		Council of Higher Education (YOK)
		Courts of Administration, Tax and
		Ataturk Culture Centre
		Ataturk Research Centre
		Ataturk Culture, Language, and History Institution
		8 Universities (Marmara, Gazi, Thrace, 100th Year, Mediterranean, Mimar Sinan, Yildiz Technical, 9th of September)
State Farms Directorate	-------------	Agricultural Enterprises Management
Tobacco General Directorate	------------	Tobacco Enterprises Management
State Airport Administration	------------	State Aviation and Airport Management

Source: Yurdakul: 1996.

The government employed two distinct strategies for its aim of restructuring the state apparatus: directly establishing new institutions with the missions and powers of existing organisations, and creating new organisations through dividing an organisation into two or more, or uniting two or more of the existing organisations. A large number of public organisations were reorganised, abolished, or established by using one of these two ways (Table 8).

Establishment of Regional Administrations

One of the most important initiatives of the military government was the establishment of eight regional administrations (by Decree-Law 71) which indicates a move from the traditional administrative structure of a highly centralistic nature and based on provincial system to deconcentration of powers to regional administrations according to the principles of efficiency, effectiveness, economy and productivity. The aim was to provide harmony and productivity among various levels of public services, to assist in social and economic development of the regions (Yurdakul: 1996).

The idea of establishing administrative layers which function across the provinces was developed in a report presented to the Prime Minister in 1982 (The report on Reorganisation of Public Services: 1982). The report suggested that the only way to make the local organization of central government effective and efficient is to remove the contradiction between the organisation of economic activities in the area and administrative organisation since productivity is a function of size and economic enterprises generally organize their activities at regional level, rather than provincial level. In other words, regional administrations appeared as a result of the idea that administrative organizations should be established according to the economic and social developments, and economic principles should be taken into account in the production and organization of public services.

Reorganisation of some SEEs

The Fourth Five-Year Development Plan which was prepared by Ozal's team in the SPO redefined the public services and the SEEs and obligated that the public services with significant economic functions will be included in State Economic Enterprises and vice versa. In this framework, the military government transferred three organisations which are economic enterprises in character but function in "general administration" status, to SEE status through decrees which were based on the law number 2680. In addition, the government issued decrees 60 and 233 which regulated the principles about organization, mission and powers of all SEEs and which provided a base for the later decrees of reorganization and reform of individual SEEs.

Adjustment in the administrative law system

Continental Administrative Law System is considered a general obstacle to the development of NPM (Ridley and Farnham: 1996). Turkey has a typical administrative law system adopted from mainly French, German and Italian systems during the late 19th century and early 20th century.

The Military government established "High Commission of Judges and Public Prosecutors" (HCJPP) through Act number 2461 in 1981. As Duran (1988) suggests, this Act made administrative law more like civil law. During the period of military rule (1980-983) several fundamental changes were made in the field of administrative law, but it was this act that changed the constitutional status of Turkish administrative law and transformed the system towards civil law. Through this law, administrative courts have been moved out of being an autonomous branch of the state to becoming a branch and function of the executive.

The organization and functions of the HCJPP and its relations with the executive gives this impression to students of Turkish administration and law: that the head of HCJPP is the Under-secretary of the Department of Justice and Minister of Justice with decisive power in the deliberation of the HCJPP in practice, as well as holding an extensive mandate on recruitment and upgrading of judges. This indicates a shift from the traditional administrative law system, because administrative law regime requires separation of civil and administrative courts and their functions as well as distinction between civil and administrative law personnel and between administrative courts and other institutions of the state (Duran; 1988, Yurdakul: 1996).

Accelerating the pace of reform under the New Right Governments

a. The Ozal Governments' reform programme

The *First Turgut Ozal Government* which was set up on 13 December 1983 inherited administrative reforms of the Military government and a relatively calm environment in that almost all organized opposition forces such as political parties and unions had been silenced. Being encouraged by the relatively quiet environment, the government included several radical reform proposals in its programme. In Ozal's own words, the prime mission of the first Ozal government was "to fasten economic and social development" (Ozal: 1993, p. 79), "to make the state serve the society, contrary to the traditional understanding that state is omnipotent and the supreme value itself " (p. 95), to make the system of government efficient, economic, effective and flexible in order to serve the society better" (p. 95), and "to provide trust between society and state" (p. 135).

The government identified six targets of which one was to make the public bureaucracy smaller, faster, more efficient and more economic. The programme identified several characteristics of the Turkish public administration such as weak vertical and horizontal co-ordination, excessive red tape, waste, the mentality of inspection rather than accountability, and inadequacy of salaries and other allowances of public employees to retain talented public servants, and pledged to reverse them.

The programme suggested that in order to solve the problems the society encounters it is necessary to adjust the bureaucratic structure, culture and system according to the needs for economy and development of societal forces. To do this, the programme foresaw a broad revision of the legal structure, lessening of bureaucratic procedures, reducing the size of the Council of Ministers with increased efficiency, decentralization of organizational structure and delegation of powers and responsibilities to lower levels of bureaucracy, and revision of missions and organizational structures of departments and other institutions according to the needs of economic development.

The Fifth Five-Year Development Plan (1985-1989) and the reforms

Another important document which draws the general framework of the reform efforts was the fifth five year development plan which was prepared by the Ozal government. Indeed, from the 1960s, the five-year plans were major indicators of the ideas and paradigms of their times. In that respect, the fifth five -year plan reflected the paradigm of managerial reform in the Turkish administrative system.

The plan suggests that in order to improve efficiency and productivity in the public services, bureaucratic procedures must be lessened, and the public services must be reorganized according to the needs of fluid society. In addition, the system must be decentralized and a number of functions which have been carried out by central government must be delegated to local government. It devoted great importance to the efficiency, productivity, economy, and effectiveness of public services in national development and well-being of the society. Therefore, the reorganization of the public services and administration was a significant priority of the plan (The V. five year plan: 1985).

According to the plan, public administration must play a role of an accelerating force in social, political and economic transformation process, because of its size, and importance in the Turkish political culture. Compared to previous plans, the fifth plan devoted greater significance to managerial aspects of administrative reform such as delegation of authority to lower levels of hierarchy, human resource management and planning, cutback management, rightsizing the organizations and delayering, decentralization, and continuous improvement, and frequently referred to the principles of efficiency, productivity, economy, equity in the reform process (The Fifth Development Plan; 1985).

b. Zigzags in the reform process: the Akbulut, Yilmaz, and Demirel Governments

When Turgut Ozal ascended to Presidency in 1989, *Yildirim Akbulut* became the leader of ANAP and formed the third ANAP government (1989-1991). However, he could not develop his own policies and he was satisfied with maintaining the policies set by Ozal because of his weak style of leadership and Ozal's frequent interventions in government policies, (Yurdakul: 1996, Tutum: 1994). During this period, only few economic and administrative reforms were accomplished; including few restructuring efforts (table 4), and maintaining the policy of simplification of legal and administrative procedures and cutting red tape (Prime Ministry Administrative Reform Unit: 1991).

In 1991, *Mesut Yilmaz* became the leader of the ruling party, ANAP, and founded the fourth ANAP government. As a result of Yilmaz's conservative and risk-averting character and his muddling through style of leadership, in addition to the growing electoral weakness of ANAP, with declining credibility of the ANAP governments, the Yilmaz government also carried out only few routine organizational changes in terms of administrative reform (Yurdakul: 1996). On the contrary, Yilmaz government's policy of establishing a number of new organizations (table 4) gives an impression that the previous practice of minimizing the state through uniting the organizations with similar functions was changed in this period.

With the defeat of ANAP in the general elections of 1991, a coalition government of conservative True Path Party and center left Social Democrat Populist Party was established by *Suleyman Demirel*. Although this government was also a right-wing dominanated coalition, the government was very hesitant to undertake a reform programme for the state and administration. The Prime Minister, Demirel, had served a long time as Prime Minister in pre-1980 period heading right wing governments, but was known as "a stereotype of muddling through in politics", rather than being a reform-oriented politician. This characteristic of the government manifested itself in the government programme; there was no general target of administrative reform.

Another administrative reform effort of this period which is worth mentioning was the Project for Research in the Public Administration (KAYA report). It was conducted by TODAIE (the Institute of Public Administration for Turkey and the Middle-East) between 1988-1992, and aimed at finding out the present situation of the public organizations and making suggestions for a possible programme of reorganization and managerial reform (TODAIE: 1992). Although the project was conducted in a time of radical socio-economic and managerial reforms, however, it reflected the views of adherents of traditional public administration model in TODAIE. For instance, health and education services, in which the role of private sector has been increasing and that of the public sector retreating, were counted as the public services in which the state involvement should increase (TODAIE: 1992). Perhaps because of its old-line stand, the suggestions of the KAYA project as a whole have never been considered, labelled as an 'irrelevant' study of the public organizations.

The Sixth Five-Year Development Plan (1990-1994)

As a contrast to the Akbulut government programme, the sixth five-year development plan, for this period, would be counted as a reform programme for the state, economy and public organizations (Yurdakul: 1996). The plan was targeting a new structure for the public administrative system which would be dynamic and in harmony with economic developments, and in line with the principles of efficiency, effectiveness, equity, economy, delegation of the authority to lower layers within the organizations, fairness, responsiveness, and decentralization (DPT: 1990, Sixth Five-Year Plan).

According to the Plan, all departments and other public agencies would carry out debureaucratization, simplification of the strata of the government and bureaucracy, lessening the rules, proliferation of information technology and extensive use of computers in workplace, and human resource planning during the period of the plan. In order to increase performance of public agencies, particularly SEEs, governments would design and implement a radical reform plan. The distribution of powers and mandates between local and central organizations of departments and other public agencies as well as between the agencies which possess similar functions, would be reorganized in order to provide more efficiency and avoid duplications in services.

In addition, the sixth plan devoted greater importance to human resource management and the related issues such as in-service training, mobilization of human resources among public agencies and benefit from private sector human resources if necessary. Actions should be taken to increase motivation of workers, employees, and managers, and the general improvement in the generic management exercises within the public agencies (SPO: 1990, Sixth Plan).

c. Tansu Ciller Governments and maintaining the momentum of reform

When Demirel became President after the death of President Turgut Ozal in 1993, Tansu Ciller founded a coalition government between her party (DYP) and (SHP). As a sharp contrast to the previous coalition government, the new government programme was defined as reformist. According to the programme, the contemporary developments within the country as well as those across the world during the last two decades forced the state to redefine its functions and particularly to change its role within the economy. The government would redefine the role and functions of the state, in order to minimize it accordingly. In addition to less government, emphasizing the core functions of the state and leaving the rest to private and voluntary sectors, the machinery of government would be made effective, economic, efficient, and fastworking. In this context, the government would improve the efficiency of public expenditures, effect a personnel reform and redefine the jobs within the public service according to the principles of efficiency, economy, equity, and effectiveness, and would reorganize public services, particularly SEEs on business lines.

The principle of minimal state was stressed in all programmes of reform, particularly those connected with reorganisation of public services. The main thrust was the privatisation of SEEs on bringing their performance to a pre-determined level. A large scale decentralisation would be carried out by hiving off a big chunk of public services from central government to municipal organisations which would be empowered with certain level of tax-raising powers. A more flexible approach would be introduced in local finances.

Another area of priority was economic stabilisation, reflected in large part of the programmes of reform, with a view to reducing the burden in the balance of payments. Public sector was to be reorganized not only as a single aim of efficiency, but also to help economic stabilization, and in line with economic priorities. For instance, the rush to divestiture or reorganization of SEEs in line with business principles was also to help to reduce their burden on the economy.

The Seventh Five-Year Development Plan (1995-2000)

The seventh five year development plan ended the tradition of development plans based on sectoral analysis, in favor of project management. The plan is a document of reform projects which are partly parallel with WB projects. In a sense, the Seventh Five Year Plan would be taken as a sea change; there is a project of substantial, and frequently radical, reform in almost every sector of public management, economy and other aspects of the state. The ingredients of reform projects are mostly similar to those of NPM in Anglo-Saxon countries in terms of their rhetoric, and their assumptions. Table 9 is one example of numerous reforms within the Seventh Five Year Development Plan projects.

Table 9: Increasing the Efficiency of Public Services

MEANS	SHORT-TERM TARGETS	FINAL TARGETS
Classification		
Merit	Developing a productive	Increasing the
Flexible Job Descriptions	bureaucracy in the jobs which	efficiency of the
Pre-service Training	require dynamism and creativity	public sector
and		
In-Service Training		providing
High Salary		rationalism
Performance Audit		in public services

Source: SPO (1995), *Seventh Five -year Development Plan, Summaries of Reports and Application Tables*, Ankara: SPO.

5. The TURKISH NEW PUBLIC MANAGEMENT

Introduction

The previous sections of this chapter assessed the background, forces, environment, and process of reform in public management in Turkey. As a result, a wide range of management reforms, both explicit and implicit, have been taking place since the early 1980s, particularly in the last decade. It is necessary to note that this is a continuing process, rather than a completed business. Many reforms are still in their infancy, while some of them have been on the agenda for a long time. Moreover, the contents of individual reforms and the stress on the particular reforms vary from time to time; there is no stable, smooth, strictly prescribed, comprehensive reform package. However, taking the general trend of reforms into account, it would be possible to consider the reforms in the Turkish public management in particular and public administration in a broader sense, as a programme which constitutes a strong shift from the traditional system to one with an entrepreneurial, flexible, and client and results-oriented ethos.

Nevertheless, two important questions arise here: "Do these developments fit the elements and the prescriptions of NPM?" and "Is a Turkish NPM possible?". It is one of the major hypothesis of this study that "*major elements of the reform programme which have been on the agenda in Turkey are largely similar to the general prescriptions of NPM and therefore can be considered as the Turkish style of NPM*". In order to test this hypothesis, the next two chapters will focus on the Turkish public management reforms, and will compare and contrast them with the main principles of NPM which were discussed in

Chapter One.

To find an answer to the second question, one needs to look at the NPM-like reforms in non- Anglo-American countries. Although a large number of those who write about NPM as exponents or analysts see it as an Anglo-American concept, there is an increasingly accepted perception that it is not restricted to such a particular cultural context. Similar developments in other developed, and even developing, countries should not be approached by described in a blanket fashion. For instance, there are academic works about "NPM in Japan", "the Nordic NPM" (Klausen: 1997), "NPM in Italy" (Mussari: 1997), "Reinventing the bureaucracy in Philippine style" (Ana: 1996), "Egyptian experience of reinventing government" (Rachid: 1997) and a number of other countries' experience with NPM (Kickert: 1997). Moreover, it is the claim of advocates of NPM paradigm that "there is a set of public management reforms that are being put into practice all over the world" (Borins: 1996, p. 1). Similarly, talking about a Turkish style of NPM or NPM in Turkey would not be out of the general context of NPM literature; rather it would contribute to it, by analysing its particular characteristics.

The Components of the Turkish NPM

Table 10 provides details of the Turkish agenda for reforms, argued here as being a basis for the proposed "Turkish NPM" or the "Turkish style of NPM", by reference to the list of the main components of NPM developed in Chapter One. It is important to note that the government and public agencies do not place equal value on all of these elements at the same time. There are significant variations in this respect (Table 11). In addition, some reforms listed in the table, and in the subsequent examination of major changes in the Turkish public management system, are incremental changes rather than the results of deliberate and induced efforts of the government and public officials, although majority of them are parts of the agenda of the governments in the last two decades. However, developing a comprehensive list of the reforms which have occurred in Turkey would be useful for study purposes as it is done in Table 10, in that it provides an instrument to compare them with the lists developed to describe the elements of NPM in general.

Table 10: The context of NPM in Turkey

Elements	Methods
First brand:	
Transforming the public bureaucracy: From the traditional public administration to managerial-entrepreneurial public management	
De-bureaucratisation	1. Deprivileging the existing, traditional state bureaucracy Behavioral and policy changes Organizational arrangements
Organisational changes	2. Reorganisation efforts: in search of efficiency Organizational changes in the central government Downsizing Reorganizing State Economic Enterprises
Towards a managerial and entrepreneurial bureaucracy	4. Striving to transform the traditional bureaucracy into a rational- managerial civil service -by regulations -by culture change 5. Creating and enhancing the new public managers 6.Installing performance management elements within the personnel regime
Second brand:	
New [Private Sector] Management Methods and Techniques	
1. *Consumer and customer orientation*	*Shift towards a customer and citizen-oriented state philosophy *Public relations Offices *Cutting red tape and simplifying the bureaucratic process *One stop shops *Customer satisfaction surveys
2. *Market-type mechanisms*	*Contracting out *User charges *Leasing *Competition among public bodies *The Revolving Capitals *competition between public and private-voluntary sector
3. *Participation and partnerships*	*Quality management * Public- private partnerships * Public-voluntary sector partnerships
4. *Empowering organizations, managers and communities*	*Decentralization and devolving authority -decentralization to localities -devolving budgets and other financial resources -extrabudgetary autonomous funds -delegation of authority within public organizations -decentralization of human resource management * Empowering communities -volunteers -self-help -community development
5. *Information Technology and related innovations*	*Using Information technology *Automation of services *Flexible organization
6. *Rolling back the state:*	*Privatization *Cutback management *Deregulation •Service-shedding * Separating service provision from production
7. *External evaluation of performance*	External evaluation of performance of public organizations by the Court of Public Accounts; Value for Money Audit
8. *Strategic management*	*Strategic Planning

Table 11: Focus and Locus of Public Sector Reforms

Reforms	Degree of Significance
Within core government	
Efficiency measures (*)	S
Financial and management reform and devolution (**)	S
Decentralization within government (to lower level bodies)	S
Reforming and restructuring civil service	S
New management methods and culture	S
Beyond core government	
User participation	L
Commercialization and use of market-type mechanisms	S
More autonomy for SEEs	L-S
Corporatization	N
Privatisation of SEEs	M
De-regulation of private business	M
Size and structure of the public sector	
Limits to the size of the public sector	S
Privatization	M
Commercialization/Corporatization of public bodies	S
Decentralization to sub-national government	L
Deconcentration within central government	L
Use of market-type mechanisms	S
New roles for central management bodies	S
Other restructuring/rationalization	S
Other main fields of public management reform	
Management of policy-making	L
Performance management	L-S
Fiscal resources management	S
Personnel management	S
Regulatory management and reform	N
Improving relations with citizens/enterprises	S
Management of information technology	S
Other	S

Source: Cheung: 1997, pp. 440-445 (information are re-arranged and slightly adjusted).

Significance: N: no initiative, L: less important measure, S: significant initiative, M: major initiative
* : Including cost-reduction schemes, downsizing of government organization, and cutbacks
**: Including administrative deconcentration, delegation of authorities and result-oriented reforms

Implementing the reforms

The capacity to manage the reform process may be the most important factor in the search for new forms of governance. Although there is no generic model of change management which has been used in the Turkish socio-economic and public management reforms, mainly some general strategies can be identified which determine how comprehensive the overall reform efforts have been.

One strategy employed especially in the first half of the 1980s was a *grand design (or "Big Bang") approach* which involves a comprehensive package of reforms across a broad front. This strategy "...has the advantage of communicating a vision of a desired end-point, presenting reforms as an integrated package and ensuring a consistent message...[and] also offers opportunities for trade-offs among different interests, and is helpful in generating and maintaining political and top-level interest" (OECD: 1995). However, it may overwhelm management and staff in both the centre and line departments, and raise expectations unrealistically.

A more *gradual strategy,* which is in use more widely in the Turkish reform process, particularly after the second half of the 1980s, provides greater flexibility to adapt along the way and a longer time-scale within which to build management capacities. It also spreads costs, and many successful reforms have been introduced over a longer period of time, building on and supporting each other. A disadvantage of this strategy is that it may dissipate interest and energy. Special effort must be made to maintain the coherence of reforms. Unless introduced within an overall framework, piecemeal reforms do contain the risk of having only limited and conflicting impacts.

Given the extreme sides of these strategies, the Turkish reforms need to find an optimum strategy, in that *selective radicalism* would be a more appropriate strategy in this respect. Incrementalism is usually not enough for the desired ends, because it cannot provide an adequate response to the fundamental changes and pressures in the environment. On the other hand, complete redesign of governance is frequently too enormous and overwhelming task particularly for the organizations which have strong administrative culture. *Selective radicalism,* in the sense of a limited number of reforms that are radical enough to make a real difference, can combine the benefits of the above strategies.

Within this general framework, there are mainly three methods for reform which are widely used for particular initiatives and in specific sectors and organizations in Turkey. First method is making reforms compulsory or at least promoting them vigorously by legislative changes and general, cross-organizational executive initiatives. Second approach which predominates the reform process is allowing public bodies to proceed with reform objectives at their own pace, while making the intention to reform clear at the outset. Third technique is initiating *pilot projects*. Since pilot projects allow reformers to draw conclusions from early experiments before extending reforms in addition to their demonstrative effect, generating demand from other units, they are widely used in the Turkish public management reforms. In most cases, at least one of these methods is employed in a particular organization, and sometimes more than one method are used jointly in different stages of the reform.

Responsibility for reform

Primary responsibility for overall reform rests in two key central locations: "centre of government" bodies, such as the Prime Ministry and Ministry of Finance, and traditional as well as newly created "central management" bodies, such as the Central Bank, the Undersecretariat for Treasury and Foreign Trade, the State Planning Organization, the State Personnel Agency, and the Unit for Administrative Development . In addition to allocating new functions to existing institutions, such as SPO and State Personnel Agency, a number of new organizations, such as the Prime Ministry Administrative Development Unit, and the Undersecretariat for Treasury and Foreign Trade have been set up in order to initiate, encourage and monitor the public management reforms. Responsibility for overall reform is shared by these institutions (table 12).

Nevertheless, the role of the centre is only one side of the coin: Many line departments and agencies have been a source of innovation and individual initiative within the limits of central rules and procedures rather than waiting to be prodded into action by central bodies or government leaders, as it is the case in the TQM initiative of Department of Industry and Trade. Under the leadership of new public managers, they also generate pressure for centre-driven reforms and contribute to reform design. In addition, the prime responsibility for implementation of overall reform initiatives, which are generally guided by central agencies, lies at the local level. However, the capacity of individual organizations to implement reforms is generally critical to success. Smaller departments particularly, and agencies generally, lack expertise, appropriate management systems and financial resources to launch and maintain management reforms. They need political support from politicians and the central government agencies, and managerial support from central management bodies, especially in the areas of management and leadership training, information about best practices, emerging technology and developments world-wide (interview with Talat Bayraktar).

Table 12: Institutional Responsibility for Public Management Reform

Organization	*Task and responsibilities*	*Other information*
PM Unit of Administrative Development	-improvement of the functioning of the administrative machinery -reduction of red tape -initiation and co-ordination of reforms -monitoring implementation of initiatives introduced by other agencies	Reports directly to the Under-secretary of the Prime Ministry
Ministry of Finance - Agency of Budgeting and Financial Control	-budgetary aspects of management reform	
State Personnel Agency	-personnel management aspects of the management reform	Agency reporting to the Prime Minister through a minister-without- portfolio
Undersecretariat for Treasury and Foreign Trade	-Initiating and monitoring reforms which financial, economic or monetary in character -reforming SEEs -co-ordinating economic and managerial reforms -managing foreign lending for reforms in other agencies	
State Planning Organization	-preparing five-year plans and annual implementation plans -planning the reforms	
Agency of Mass Housing and Public Participation (later Privatization Agency)	-managing privatization and increasing efficiency of SEEs.	

Source: OECD: 1991, and the text

The Crucial Institutions for the public management reform process

In Turkey, the public management reform process in particular, as well as the structural adjustment process in a broader sense, have been closely associated with personality and styles of a number of key persons, including Turgut Ozal, Tansu Ciller, and a small group of new type of managers, known as Princes. But the political and bureaucratic institutions have also been of great importance. In addition to the office of prime minister, five institutions within the central government have been crucial for the transformation of Turkish decision-making since the early 1980s: State Planning Organization, the Treasury (Undersecretariat of Treasury and Foreign Trade), the Central Bank, and Mass Housing and Public Participation Agency and Prime Ministry Administrative Development Unit. Other ministries and organizations have played mostly passive roles.

During the heyday of reforms, Ozal governments in the 1980s and Ciller governments in the 1990s, the predominant objectives were taking power from old, etatist bureaucrats, and providing efficiency, effectiveness, speed and economy in the delivery of public services. A key move, which Ozal made in 1983 as soon as he returned to power, was to create the UTFT, a new agency which took over, without reforming the traditional bureaucracy.

Until 1989, when he became President, Ozal headed the economic and managerialist team, which consisted of the inner cabinet of four or five politicians and four technocrats: the under-secretary of Treasury and foreign trade, the head of Central Bank, the chief executive of Mass Housing and Public Participation Agency, and, in a weaker role, the head of SPO. The old agencies were left intact but relegated to less significant functions, such as revenue collection.

The most significant measure of the new right governments was to appoint managers who were advocates of modern management philosophy and culture, in a bid to counter away resistance from key agencies entrenched in traditional schools of thought. These new appointments from heads of agencies to critical positions at high level, who could contribute to reform proposals. For example, Ozal appointed Ekrem Pakdemirli as one of the key members of his management team. Yusuf Ozal, the brother of Turgut Ozal, became the head of SPO. These key persons did not represent the views of their agencies. They were part of the economic-managerial team, and were perceived as overseers to rule out any etatist initiatives from the proponents of traditional methods.

CHAPTER 4

TRANSFORMING THE BUREAUCRACY IN THE LINE OF NPM: FROM TRADITIONAL BUREAUCRACY TO NEW PUBLIC MANAGERS

INTRODUCTION

This chapter deals with the question: *"Is radical / transformational change occurring in the structure, organisation, and culture of the Turkish public sector or is it a case of re-labelling, not change?"* and tests the hypothesis: *"Significant changes are occurring in the Turkish public management system which altogether represent a strong move from traditional public bureaucracy towards a managerial-entrepreneurial public management system"*. If this hypothesis is proved to be verified, then, one of the main implications of this shift will be the *transformation of the traditional-Weberian type bureaucrats into new public managers.*

In order to adequately address the question of whether radical change is occurring in a particular setting, one needs to have clearly defined empirical assessment criteria in hand. In this respect, Ferlie et al. (1996) identify six indicators of a possible transformatory change in organizations:

1. the existence of multiple and interrelated changes across the system as a whole
2. the creation of new organizational forms at a collective level
3. the development of multilayered changes which impact from top to bottom, at unit and individual levels
4. the creation of changes in the service provision and the mode of delivery
5. reconfiguration of power relations (especially the formation of new leadership groups)
6. the development of a new culture, ideology, and organizational meaning.

Among these indicators, the ones which are strictly related to the changes in the Turkish public bureaucracy will be examined in this chapter, leaving the changes in the service delivery and management techniques to the next chapter. However, it is of importance to note that what is meant by transformation here does not mean the total acceptance of wholesale changes to replace the old system by a market-based system, but rather a blend of old and new which still produces something radically different.

De-bureaucratisation and NPM

An important principle of NPM is the de-bureaucratisation of public employment. "Specifically, it (NPM) aims to remove the traditional work rules of the public sector, characterized by a tightly specified hierarchical ordering of duties and rewards that extends vertically downward from the cabinet to street level employees and horizontally across the whole public sector" (Cohn: 1997)

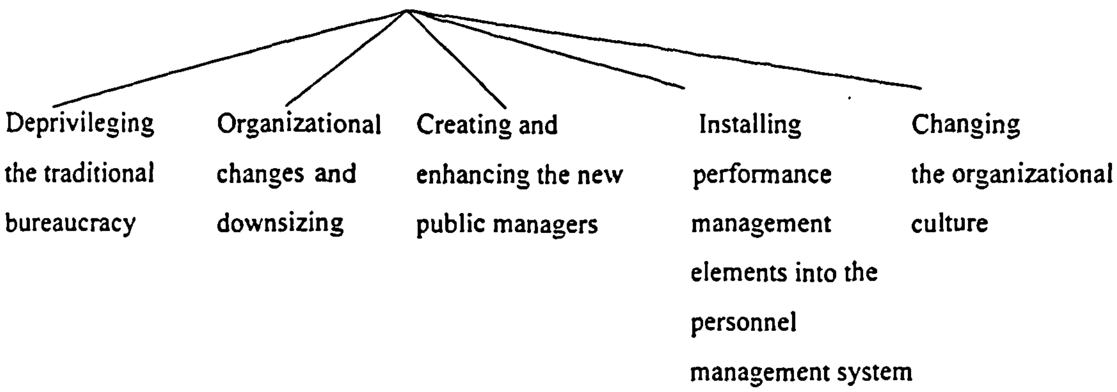
Advocates of NPM (i.e., Osborne & Gaebler: 1992, Barzelay: 1993, Cohn: 1997) argue that the traditional bureaucratic model not only makes efficiency difficult to achieve, but also hinders it altogether. The traditional bureaucratic model limits the degree to which managers can use financial incentives to reward outstanding performance due to its rigid wage structures. It is also argued that bureaucracy makes it equally difficult for managers to redeploy, hire, or dismiss workers in changing circumstances, such as the ongoing information technology revolution, and changing government policies.

> For a long time, the bureaucratic model worked-not because it was efficient, but because it solved the basic problems people wanted solved. It provided stability, ...a basic sense of fairness and equity, ...(and) jobs. [However] today's environment demands institutions that are extremely flexible and adaptable. It demands institutions that deliver high quality goods and services, squeezing ever more bang out of every buck. It demands institutions that are responsive to their customers, offering choices non-standardized services; that lead by persuasion and incentives rather than commands; that give their employees a sense of meaning and control, even ownership. It demands institutions that empower citizens rather than simply serving them. (Osborne & Gaebler: 1993, pp. 14-15).

The natural continuum of this approach would be a crusade against the traditional bureaucracy. This crusade has been perceived necessary not only for political purpose (e.g. lessening the power of the traditional bureaucratic elite), but also to enhance the emergence of a new class of public managers, to replace the existing public administrators.

Major measures which have been taken to transform the existing Turkish public administration system into the "post-bureaucratic paradigm" of NPM are summarized in Figure 1. These elements will be investigated in the remainder of the chapter.

Figure 1: Reforming the bureaucracy in the line of NPM principles in Turkey



1. The NEW-RIGHT CRUSADE AGAINST the TRADITIONAL BUREAUCRACY

The ANAP government assumed power in 1983, with a far-reaching project of launching "Turkey's liberal revolution" which included replacing the earlier ISI policy by an export-oriented one, privatisation, minimizing the function and role of the state in the economy and society, and maximising quality and performance of the public services (Rustow: 1985). Naturally, such an ambitious project necessitated significant reforms in the organisational structure, working conditions, and culture of the bureaucracy as well as reducing the number of central government staff.

With entrenched interests as barriers to reforms, and the clash of objectives between the old and the proposed systems, the government was aware of potential resistance from the traditionalists. To circumvent this problem, it could be reasonable to expect the New Right administration to attempt to restrain and minimise the role of the traditional bureaucracy in the polity. In fact their achievement shows more significant impact, as endorsed by a middle-level bureaucrat within an agency affiliated to the Prime Minister's Office: "it has taken a form of bureaucracy bashing" (interview with Talat Bayraktar). This part of the chapter investigates major measures taken for de-bureaucratization in Turkey since the early 1980s (Table 13) focusing on its three dimensions; behavioural and policy changes, organizational arrangements, and efforts at downsizing.

Table 13. Measures taken for de-bureaucratisation in Turkey

Behavioural and policy changes

(I) Trimming the counselling function of bureaucrats
(ii) Make civil service posts less secure
(iii) De-professionalization and politicization
(iv) Work towards an informal government
(v) Managing by committees

Organisational arrangements

(i) Creating empowered units within existing agencies, which have been manned by new public managers
(ii) Transferring some critical functions of an existing agency to a newly-created one.
(iii) Bringing an autonomous agency under closer control of government
(iv)Establishing advisory boards in each SEE

a. Behavioral and policy changes

Trimming the counselling function of bureaucrats

Prime Minister Turgut Ozal and his close colleagues and his small team of economists and managers considered themselves implicitly under no constrains imposed either by weighty social groups or by state elite, and *gave short shrift to counsel from bureaucrats*. This attitude has meant that despite the so-called "liberal revolution', the governments of the post-1983 period have striven to convert the bureaucracy into a practically subordinate arm of government, rather than turning it into a legal- rational but relatively autonomous one.

As Heper (1990a) puts it, "the prime minister and his advisers wanted to decrease the influence of the public bureaucracy as a whole because, they noted, civil servants could not summon the dynamism their government's policies required. They also thought that the bureaucrats had an aloof and condescending attitude toward the people".

Making civil service posts less secure

One measure to achieve this aim was *to make civil service posts less secure*. Consequently, numerous employees were obliged to work on a contract basis. In addition, certain high level civil servants in critical agencies were dismissed. This issue will be investigated in the later parts of this chapter in more detail.

An alternative to managing through bureaucracy: Managing by committees

Co-ordination problems within the central government, particularly between the economic ministries, date back to the 1970s when Turkey had a series of coalition governments. Each party in the coalition got certain ministries, in which it built patronage ties and carried out portions of its electoral programme. To provide some coherence for the government as a whole, co-ordination committees of the relevant ministers functioned in various policy areas. The post-1980 governments have continued this tradition to a greater degree, in order to avoid what they perceived as time-wasting bureaucracy in executing the structural adjustment programme as well as the public management reforms.

Two committees created soon after the initiation of structural adjustment programme are particularly of importance to and heavily influential on the structure and operations of the Turkish public management: "the committee of co-ordination", where prime function is to regulate the import and export regime, and "money and credit committee", which determines monetary and public finance policies and organizes balance of payments (the decree dated 24.1. 1980, number 8 / 166, the Official newspaper, date: 25.1.1980). Such committees were not the first of their kind in the Turkish public administrative tradition; similar committees had operated in several crucial areas in order to solve co-ordination problems for a long time (Guler: 1996). However, two characteristics of these committees were new.

First, the chairman of the committee was given executive power over the committee of ministers in execution of the decisions taken by his/ her committee. In this way, new bodies which were not foreseen by the constitution were created (TODAIE: 1991 - Financial and Economic Institutions Research Report, p. 113, Guler: 1996). Second, contrary to the previous committees, the chairmanship of the both committees was vested in a political figure, when Turgut Ozal, formerly under-secretary of prime Ministry and head of both committees, became deputy prime minister and secretary of state in August 1980. At the beginning, both committees consisted of top level bureaucrats, including under-secretaries of SPO, Commerce and Finance Ministries, Chairman of Central Bank, the general manager of the International Economic Co-operation, the head of SPO Economic Plans Unit, and related public managers according to the subject on the agenda of a particular committee, headed by Under-secretary of Prime Ministry. Turgut Ozal did not resign from his post in the committees when he was appointed to the post of Deputy Prime Minister.

Although both committees were greatly influential on the economic, financial and other aspects of state management, the members of both committees were public servants, who were not officially the last resort for political decisions. In order to counter the criticisms on the legacy of the two committees, the High Committee of Economic Affairs (HCEA) was established. The members of this committee were ministers responsible for the decision of all committees under the chairmanship of the Prime Minister. HCEA worked as an internal cabinet, but its role could not go further than legalizing the decisions taken by the "Money and Credit Committee" and "Co-ordination Committee" (Guler: 1996).

In short, the committee system, which was applied intensely between 1980 and 1983, worked as a vehicle for breaking through the formal bureaucratic structure. Since the reformist elite anticipated that it would be difficult to accomplish structural adjustment programme and the related economic, social, bureaucratic-institutional and political reforms through the existing bureaucratic structure, they preferred to execute the reforms through by-passing the bureaucratic procedures and creating alternative structures if they perceive it necessary. This was seen as a way to overcome bureaucratic resistance to the change in the structure and policies required by the reform program.

The de facto structure of the system which began after the 24 January 1980 decisions and had been in application during the military rule (1980-1983) was legalized after 6 November 1983, when the New Right government of Ozal's Motherland Party assumed power. Soon after taking over power, Ozal's government transferred the de facto institutional structure to de jure and initiated a package of administrative reforms. It broadened the authority of the " Monetary and Credit Committee", while decreasing the role of the " Co-ordination Committee" in the policy-making process because of declining need of such a committee. HCEA was also strengthened through entrusting it with co-ordination of the SEEs (Guler: 1996).

De-professionalisation and re-politicisation

To smooth the process of implementation of the structural adjustment programme, the New Right governments sought to restructure the bureaucracy and to institute a top-down management structure. A most visible indication of this trend was the appointment of a select group of young US-educated technocrats with a strong commitment to neoliberal model (Onis and Webb: 1994). These new mini class of managers, popularly known as Ozal's Princes, were loyal to, and indeed dependent on Ozal and have become key figures in the implementation of the reform programme since the second half of the 1980s. The top down restructuring created a number of nodes of competent technocrats who could carry out a reform programme on the request of the political leaders. As can be anticipated, the traditional bureaucrats resented having their old-line policies rejected and their career plans foiled.

Alongside the positive trend in the direction of restructuring the bureaucracy and of increasing its technical and managerial capacity, a negative countertrend of de-professionalisation occurred from time to time at top levels of the bureaucracy since the 1980s. Indeed, "...despite the so-called "liberal revolution", the government was under no compulsion to convert the public bureaucracy into a legal-rational one. Instead, during this decade, too, political elite tried to turn the bureaucracy into a virtually subordinate arm of the government. And they were even more successful" (Heper: 1990). A further politicization of the public bureaucracy was a major strategy to achieve this cause. Cadres, loyal to Ozal administration and in favor of the socio-economic and institutional reforms, were placed in critical agencies, including SPO, State Broadcasting Agency, and Ministry of Education. In the context of rapid economic and public management reform under Ozal administration, it was seen as a measure to tackle the bureaucratic resistance and to take control of the state affairs through dividing the traditional bureaucracy.

Towards an informal government?

The relegation of career bureaucrats to insignificance, or the side-stepping of the public bureaucracy, accelerated the de-bureaucratization process in general, a particular manifestation of increasing disregard for rules and regulations in the name of "getting things without delay". In the process, persons without necessary civil service qualifications were appointed to certain critical posts, including the Undersecretariat of the Prime Ministry. Rules changed regularly, and in very rapid order. Laws with suspicious constitutional validity were enacted. Some court orders were disregarded, while some public expenditures were incurred.

The behaviours and pronouncements of key figures of the New Right governments and top managers of some key central government organizations frequently reflect this attitude. For instance, concerning the date of local elections, Prime Minister Ozal himself declared: "Perhaps for once we may suspend the Constitution"(Heper: 1990a), justifying this on the grounds of his preference of a results-oriented approach to the juridical concept of state which is common currency among traditional bureaucrats, as well as for reasons of political necessity. As a result of these and a large number of other episodes, the state became an informal, if not at times an arbitrary, government in the hands of Ozal in 1980s, and, although not as much as Ozal's, that of Ciller in the 1990s.

b. Organisational arrangements

Organisational changes made by the new right governments since the early 1980s have been assumed as having two functions: de-privileging traditional bureaucracy and reducing the number and powers of traditional bureaucrats as well as having efficiency gains. This section focuses mainly on the arrangements which aim to minimize the powers of traditional (etatist) bureaucrats. The organisational changes which aim to have efficiency gains will be the issue of the next part.

However, the boundary between these two aims is not always clear. A measure which is considered as aiming for efficiency gains would impact on de-bureaucratisation, and vice versa. In any case, it is a belief of the New Right that breaking through budget-maximising, inefficient, slow-handed traditional bureaucracy would automatically bring gains in terms of efficiency and economy (Barzelay: 1992).

Major organisational arrangements used for de-bureaucratisation

As mentioned previously, one of the main aims of the New Right governments in terms of bureaucracy and public management has been to diminish the influence of traditional bureaucrats in the central government and to de-privilege them. In order to achieve this aim, the governments have endeavored *to side-step what they perceive as "the old-timers" in the bureaucracy altogether especially for certain critical executive functions* and *to concentrate responsibility and authority in the hands of individuals sympathetic to the ideology and policies of the government.* Several measures have been taken in this direction.

First, the Turkish governments abolished a number of committees, boards, commissions, etc., which were dominated by traditional bureaucrats. In addition, some critical agencies have also been affiliated directly to the Prime Minister's Office in the same vein.

Second, *various empowered autonomous units within the existing agencies have been created. Individuals who favour the reform programme of the government have been placed in top and critical posts within these units.* For instance, one such institution was created within SPO, and made responsible for the South-Eastern Anatolian Project. This unit has been headed by a manager specifically recruited for this purpose from the US.

Third, *some critical functions of an existing agency have been transferred to a newly-created one.* The best example for this policy has been the creation of the Undersecretariat for Treasury and Foreign Trade (UTFT). The Department of Finance was left with the responsibility of collecting public revenues, when UTFT was created and began to design and implement economic, financial, monetary, and public sector reform policies. UTFT has also often been headed by managers appointed from outside, such as Tevfik Altinok, Rusdu Saracoglu and Mahfi Egilmez.

Fourth, *certain ministers of state*, and occasionally, on an ad hoc basis, *managers from private sector, have been made responsible for various aspects of Turkey's international relations* such as the European Community, the Turkish Republics of the former Soviet Union, and the Middle East. The minister of foreign affairs is no longer solely responsible for these matters. The clear intention here has been to diminish the influence of the traditional bureaucrats in the ministries, as the most organized bureaucratic elite in Turkey work in the sectors of military, finance, economy, and foreign and diplomatic affairs.

Fifth, *a number of what used to be autonomous agencies have been brought into closer control of the government.* For example, the Central Bank has been made practically no different from the regular ministries by a governmental decree. The head of the bank has also been appointed among the managers close to the government. Similarly, the Higher Education Council, which should be autonomous according to the Constitution, has been a battlefield between state and bureaucratic elite, and the upper hand has been frequently changing between them.

Sixth, *an advisory board was created in each SEE*, whose members are directly appointed by the prime minister. They are hold responsible for developing proposals on such matters as investments, marketing, exports, and production. However, critical decisions and policies regarding SEEs have been made by an inner group in the council of ministers and often by the Prime Minister himself and a handful of his advisers, the advisory boards in general rubber-stamping the decisions (Heper: 1990a).

In their efforts to debureaucratize the administration so as to have a freer hand in policy-making, the New Right governments has had a significant success: the bureaucratic elite who are not sympathetic to the policies pursued since the early 1980s have been to a considerable degree neutralized (Heper: 1989), and a class of alternative bureaucrats have flourished (Guler: 1996). The alternative bureaucracy consists of various categories of people, including ministers, managers of newly-created agencies, a group of individuals with management and economics background summoned from the US and other western countries, who are popularly known as Princes, and a number of other reform-minded managers appointed to traditional public agencies. Nevertheless, what all these mean for the successful implementation of reform policies still remains open to question.

Since the new public managers of Turkey will be examined in the later parts of this chapter, the focus here will be on two other aspects of the bureaucratic reform in the name of efficiency and effective implementation of public policies; namely, reorganization of central government agencies and public enterprises, and efforts at downsizing.

2. REORGANISATION OF THE PUBLIC ADMINISTRATION: In Search of Efficiency

Introduction

The new right governments have also been keen to make the traditional bureaucratic organisations function more effectively and efficiently, in addition to deprivileging the traditional bureaucracy, and creating and enhancing an alternative, managerial class of public managers within the Turkish public administration system. Before 1980, whenever the government felt compelled to carry out certain services more rationally, they created new agencies but left the old ones in tact. This strategy of reform which went back to the 19th century, made the bureaucracy even more cumbersome (Heper: 1989). Furthermore, in practice, administrative reforms were preceded by long drawn-out studies by technocrats from the Institute of Public Administration for Turkey and Middle East (TODAIE), and universities, which were manned by traditional bureaucrats.

With the first ANAP government in 1983, a small task force affiliated to the prime ministry and led by a minister of state was created in order to investigate the organizational system and to present proposals for reform. This group worked in close co-operation with the O and M units within the individual agencies and particularly with the critical officials in the ranks. Soon, obtaining the co-operation of these officials themselves became a major task because the O and M units were found less than capable for the job at hand.

In addition, as believers in the virtue of open competition and free market, the New Right governments believe that, when given authority and an opportunity to prove themselves, the bureaucrats on the scene would do a better job (Heper: 1989). All along, the overriding theme has been, therefore, to encourage the exercise of initiative. This could happen, it is reasoned, if everybody knew what they were supposed to do (interview with Talat Bayraktar). Thus, efforts have been made to better define function, authority and responsibility. Overlaps in function and authority which led to ambiguity, had to be avoided. The number of bureaucratic echelons was reduced so that job enrichment and employee satisfaction could be increased. Where appropriate, authority would be delegated because that would make work more meaningful (Heper: 1989, interview with Talat Bayraktar). Since these measures will be examined in the chapter in more detail, this section focuses primarily on major reorganization efforts in the central government and SEEs, and such issues as downsizing.

a. Reorganising the Central Government

Restructuring Departments

The New Right governments have attempted to shape the Turkish public administration according to their political and economic perspectives, since the early 1980s (Karaer: 1987) in which one of them was the Ozal government. Turgut Ozal government strove to make public administration compatible with the foreseen economic and social order which was endorsed in 1980s, and made several arrangements in this direction. It continued the Ulusu government's efforts in reorganizing the institutions of the state with a radical vigour. The public administrative system has eventually been reshaped considerably.

As has been mentioned earlier, the military government headed by Bulent Ulusu issued Act 2680 which served as the legal base for the efforts at reorganisation and gave the government the mandate to reorganise the departments and other public institutions in order to run the public services in an efficient, economic, fast, tidy, and productive way. When ANAP government assumed power in 1983 the act was still in force, and soon after, the government used it to issue 17 decrees (Decree-Laws from 174 to 190), on the same day. Among them, Decree-Law 174 dealt with establishment and organization principles of departments, while Decree-Law 189 was about organisation of departments and other public institutions and Decree-Law 190 regulated cadres and posts in departments and other public institutions.

Decree-Law 174 and the standardisation of the public organisations

Decree-Law 174 was regulating the principles and procedures of organisation, mission and powers of the departments, except Department of Defense, in detail. In order to prevent departments to be founded desultorily, the decree brought a number of principles in the establishment and reorganisation of departments such as integrity and interdependence of departments, co-ordination, efficiency, prevention of waste and idle capacity, and departmental overlap. In addition, Decree-Law 174 determined the numbers and missions of the ministries of state for the first time. According to the degree, up to seven ministers of state (ministers without portfolio) were appointed to help the Prime Minister and to advise the ministers in the fields that require expertise and special knowledge.

As have been seen, Decree-Law 174 set down a level of standard to the organisation of public institutions. It aimed to avoid overlapping services, to provide simplicity in organizational structures of public institutions, to minimize the number of departments and other public institutions, to prevent waste, and to develop managerial capacities of the public organisations (Yurdakul; 1996). In this respect, it was one of the most important regulations in recent years which have been put into practice (Yurdakul: 1996). Decree-Law 174 became law through Act 3046 in 1984 and still in use with minor changes.

Uniting departments and simplifying the strata of state

The other decrees issued on the same day reorganized the missions and structures of particular departments according to the principles determined in the decree 174. Through these reorganizations, some departments were united according to the perspective of structural adjustment and worldview of Ozal government, and therefore the number of departments decreased. In this framework, twelve previous were reduced to six. Hence, the overall number of departments was reduced from 20 to 14.

What was the reason for amalgamating the departments? If one looks at the justifications of each of the new departments, almost similar rhetoric has been encountered: greater co-ordination of public services, preventing waste, lessening layers of hierarchy, minimizing the number of organizations, simplification of organizational structure, rationalizing the balance between mandates and responsibilities, fastening and rationalizing the decision-making in the public administration and providing more effectiveness, economy, efficiency, order and productivity in the reorganised departments (Karaer: 1987b).

The above justifications were consistent with the ruling ANAP party programme which stressed that effectiveness and productivity of public administration require simplicity and speed as characteristics of a good organisation; therefore minimizing the number of public organisations as well as the layers within organisations is crucial. In addition to cutting red tape; unifying the services and missions which are similar in character, simplifying structures of departments, and rightsizing departments would be easier through unification of departments (ANAP: 1983). In other words, reducing the number of departments was a manifestation of the New Right government's perspective that the structure and mission of public institutions should be adjusted in order to make them capable to carry out the intended socio-economic reforms

Organisational changes under Second Ozal Government

The law number 3268 which gave the authority to government to take necessary actions to reform the personnel system was amended several times during the second government of Turgut Ozal in order to broaden the extent of law. Consequently, the government obtained new authority to make amendments in the distribution of public services among departments, establishment of new departments or uniting and abolishing them. In the framework of this authority, the government realized a number of amendments in the structure of public organisations. These included uniting several departments, creating new departments and agencies, creating European Union Co-operation Units in a number of department and other organisations, reform of the organisational structure, personnel, and the legal frameworks of Prime Ministry and Ministries of State; creation of a number of agencies whose budgets consisted of special funds rather than depending on the general budget (Appendix 2).

b. Reorganisation of Public Enterprises

The legal and managerial status of the Turkish public enterprises

There are three types of public enterprises in Turkey in relation to their legal and managerial status: affiliated enterprises, autonomous agencies and mixed enterprises. Most mixed enterprises are of two kinds; 47 firms are founded and operated under the Commercial Code and therefore would have private shareholders, others, about 39 in number, are established through an ad hoc bill, giving the government more control than provided by the Commercial Code.

The main type of autonomous agencies are state owned economic enterprises (SEEs) owned by the central government. There are also several municipal enterprises in certain larger cities. The role of a SEE is similar to that of a holding company; a wide range of economic matters are entrusted to a central agency, which establishes and runs such undertakings through subordinate autonomous "establishments" under their managerial and financial control. Sometimes the main subordinate autonomous units are given the status of a central agency as well. In addition to the usual ministerial control, the SEEs are subject to the control of a specialized body called the High Board of Supervision, which reports on their balance sheets. Parliament approves the accounts and performance of the enterprises on the report of a standing parliamentary committee.

The SEEs and efficiency problem

Since their inception in the 1920s and later, the SEEs operated in a non-competitive economic environment and outright political considerations governed their mode of operation. Not only were they free from competition in the internal markets, but they were also isolated from the international markets. As Heper states, this had a historical and psychological reason: "Sensitive to the unfavorable consequences of the gradual incorporation of the Ottoman economy to the European markets from the 1930s on, the Turkish statesmen of the single party years (1923-1945) pursued authoritarian economic policies. In the process, the State Economic Enterprises were financed with low-interest rate funds. Their amortization rates were, too, unrealistic. Thus, their financial losses were greater than was generally assumed" (Heper: 1990, p. 210). In addition, there was a lack of a profit motive in the absence of the danger of insolvency. Furthermore, any sense of expertise which had been developed in the SEEs had been hampered by frequent changes of their directors.

Coupled with non-economic pricing policy, these economic and managerial characteristics of the SEEs were to make them a heavy burden on the economy. This burden would be better appreciated if the scope of their place in the economy is taken into account.

Toward the late 1970s, the SEEs were responsible for one-third of the total production and investment in the economy, while this rate was only one-sixth in 1960s. Since they could not finance their investments themselves, 9.1 percent of the GNP had to be set aside for this very purpose (Heper: 1990, Waterbury: 1992).

Against this background, the Justice Party Government initiated a radical policy change in 1980 and the successive governments under the military regime (1980-1983) adopted intact the new policy introduced by the Justice Party government. The philosophy that prevails today regarding reform of SEEs became apparent at that time. The Motherland Party (ANAP) government which came to power in the wake of the transition to democracy and the 1983 general elections elaborated the new liberal policies further and pursued them with even greater vigour.

The liberal policies and the SEEs

The long term objective of the new liberal policies has been to decrease state intervention in the economy, to keep its role to a minimum, and to place greater emphasis on the market mechanism. For the SEEs, this means that the state is going to be engaged in price controls only as a last resort; it would not provide subventions and would set realistic interest and foreign exchange rates, and it will pursue a tight monetary policy. As part of the general objective of decreasing the state's role in the economy, the private sector has been given a greater role to play in the economy, especially in the manufacturing industry. The short term goal was "...to prevent the SEEs from siphoning off from the economy the savings needed to promote manufacturing and export-oriented policies" (Heper: 1990, p. 212).

In order to achieve these objectives, the new right governments have taken several measures. First and most significant policy innovation has been to grant SEEs greater leeway in determining the prices of goods and services they provide, in other words, *to free SEE prices*. It was a major step to make them self-financing and no longer dependent on public funds as well as making them market-oriented. The SEEs began to adjust the prices of their goods and services according to the internal and external market conditions. For instance, in 1980 fertilizer price rose by 824 percent, paper by 231 percent, and cement by 177 percent (Waterbury: 1992).

The second measure has been *to freeze the number of employees* and to make *rightsizing* where possible. Levels of employment in the SEEs have been frozen or have actually declined. Perhaps because of this practice, the Ozal administration ended the practice of using the SEEs as employers of last resort. Although there was an apparent upsurge in SEE employment between 1983 and 1984, that was the result of the conversion to the legal status of operating SEE of the State Alcohol Monopoly, TIGEM (the General Directorate for Agricultural Operations), the State Airports Authority and USAS (an airline catering company). Some 80,000 employees were thus added to the SEE work force. If one were to net out these new additions, it would be the case that SEE employment has actually declined from its previous peak of 650,000 in 1978. The growth of civil service employment has also been slowed down, so that the state employed over 2.3 million people in 1987, representing 14 percent of the entire civilian work force (table 14).

Table 14. Employment by SEEs, 1970- 1987. (Thousands)

Year	Administrative Personnel	Labor	Total	Civil Service
1970	165.738	196.562	362.300	
1971	170.601	204.020	374.621	
1975	195.979	348.399	544.378	
1978	233.998	416.309	650.307	
1980	159.476	381.317	540.793	1.381.431
1981	160.389	369.698	530.087	1.411.053
1982	159.030	370.423	529.453	1.407.905
1983	177.030	403.195	580.225	1.431.479
1984	190.781	467.315	658.096	1.518.737
1985	202.854	479.842	682.696	1.560.934
1986	224.704	497.308	722.012	1.601.142
1987	205.810	477.190	683.000	1.647.135
1988				1.658.125

Source: Waterbury: 1992; SPO (1988) *The Fifth Five Year Dev. Plan*: 1988 Program, Ankara.

The third measure has been *legal-structural*; specialized committees were established to look into the reorganization of the SEEs. In 1982, the Ulusu Government put the then minister of transport, Mustafa Aysan, in charge of a team of experts to draw up new legislation, training programmes, accounting procedures and computerization for SEEs. Aysan presented a number of proposals and a draft bill, but the Ulusu government adopted a modified version which became Law 2929 in 1983 (Waterbury: 1992). According to Law 2929, the SEE sector was divided into 31 Sector Holding Companies. The Boards of Directors of the Sectoral Holdings were to have broad powers within their sectors and to insulate them from political interference. In addition, no general manager would have had less than ten years management experience in the public sector. The long term strategy for the SEEs were to be developed by the High Economic Co-ordination Council.

When Ozal became Prime Minister in 1983, he scrapped Law 2929 and put into effect Decree-Law 233 in 1984. Decree-Law 233 incorporated a number of the clauses of Law 2929, including the division of the public sector into commercially run SEEs and public service monopolies. Nevertheless, it did away with the sectoral holding companies, nominally to avoid bureaucratic sprawl. A practical effect was to give the Prime Ministry direct access to all SEEs, and there was a wholesale change in top management (Waterbury: 1992). The law stipulated that new SEEs could be founded only by action of the Council of Ministers, while they could be dissolved by action of the High Economic Co-ordination Board presided by Prime Minister.

There are two other initiatives that reflect the spirit in which the New Right governments have approached public sector reform: the wide use of contract personnel and the establishment of MHPPF with a crucial role in public sector reform, especially privatization. However, since they are examined in other parts of this chapter, we are not going to investigate them here.

The immediate outcomes of the new policies were positive; they registered a profit of 1,274 billion liras in 1985, 1, 322 billion liras in 1986 and 1,985 billion liras in 1987. These represented a 390 percent increase on their profits in 1985, 50 percent in 1986 and 35 percent in 1987 (Heper: 1990). In some SEEs, the increase of profits per worker was very dramatic: by 5,998 , and even 8,631 percent (Heper: 1990). Furthermore, the overall configuration of the SEEs changed. The share of SEEs in total production has declined slightly but is still around 45 percent, but their value-added increase was from 11 percent in 1980 to 17 percent in 1985 (Rodrik and Celasun: 1987), in addition to the increase in their weight among the top 500 public and private corporations since the early 1980s (Waterbury: 1992).

How could one explain these rapidly rising level of profit? Although there were significant efficiency gains, this could not lead us to suggest that the Turkish SEEs became highly efficient. The relative inefficiency of the SEEs vis-à-vis their private sector competitors has remained the unchanged, particularly where manufactured goods are concerned. In 1985, for example they were responsible for only 16.3 percent of all investment in the manufacturing industry. Consequently, it would be convincing to suggest that the SEEs had chosen the easy way out which is making profits by excessive price increases in areas where they had a monopoly rather than by increasing their efficiency.

It was obvious that, with their still low level of efficiency the SEEs could not be competitive in international markets. The governing liberal politicians, as well as a wide spectrum of businessmen, intellectuals and foreign management consultants assumed that in order to provide a better use of resources and thus modernize the economy, new measures, such as privatization, user charging and contracting out, were inevitable. For instance, a report on the SEEs, prepared by the High Board of Supervision affiliated to the office of Prime Minister, highlighted their inefficiency and archaic modes of operation and suggested that adoption of private sector models for the SEEs was necessary (Heper: 1990).

Privatisation of SEEs

The reform programmes introduced since the second half of 1980s have been guided by the assumption that structural and managerial reforms in the SEEs would bring little gains and that real efficiency in production can be achieved only through privatization (Waterbury: 1992). The limited efficiency gains as a result of the initial reforms described above and still continuing, even rising, burden of SEEs in the national economy (Table 15) brought the government as well as other influential interest groups, such as business associations and political parties, and academia, to this view. Thus, privatization of the SEEs has become a cornerstone of the new right government programmes. In one of his statements in 1987, Ozal set privatization as the most important economic task facing his government (August 23rd press conference, Waterbury: 1992).

Table 15: Some indicators about SEEs

Years	1990	1991	1992	1993	1994	1995
SEEs Borrowing Requirements / GNP	-4.2	-3.7	-4.5	-3.6	-2.7	-1.6
Loss of SEEs / Total Expenditures	-2,1	-15,5	-14,0	-10,2	-10,7	-1,2
SEEs Deficits / Total Expenditures	-24,9	-18.1	-22,2	-14,3	-11.9	-7,1
SEE Loss or Profits						
$ Million	-546	-4893	-4402	-4052	-2461	
Its rate in GNP	-0,5	-4,5	-3,9	-3,4	-2,0	
Total SEE Deficits						
$ Million	-6415	-5656	-7149	-5606	-4364	
Its rate in GNP	-5,8	-5,2	-6,3	-4,7	-3,6	

Source: Ozfirat (1993), p.69

The chief philosophy of privatization in Turkey is to confine the role of state in the economy in areas like basic education, national defense, large scale infrastructure investments and provide structural and legal environment for free enterprise to operate (UTFT: 1996). The relatively better position of the private sector vis-à-vis public sector in efficiency and profitability (Table 16) has been a major source of argument for the proponents of privatization. The major targets for privatization in Turkey can be summarized as follows: to minimize state involvement in the industrial and commercial activities of the economy, to provide legal and structural environment for free enterprise to operate, to decrease the financing burden of SEEs on the national budget, to transfer privatization revenues to the major infrastructure projects, to expand and deepen the existing capital market by promoting wider share ownership, and to provide efficient allocation of resources (UTFT: 1996).

Privatisation in Turkey dates back to the early 1980s. The first legislation that regulates privatization was issued in June 1984 (Law 2983). However, as privatization became trendy, revisions were made in 1986 (Law 3291) and 1990. Within the perspective of provisions of Law 3291, the Council of Ministers was authorized to give decision on transfer of SEEs to the Public Participation Agency (PPA) and the High Planning Council was authorized to decide the transfer of partially state owned companies and subsidiaries to the PPA for privatisation. In 1993, with the Statuary Decree 473, the Public Participation High Council was authorized to approve privatisation transactions. Currently, the restructuring and sale of Turkey's SEEs are being managed by the Privatisation Agency under the supervision of Privatisation High Council, chaired by the Prime Minister.

Table 16: A comparison between SEEs and private sector in terms of efficiency and profitability

	SEEs	Private Sector
Profitability		
Profitability of Sales	3.1	7,4
Profitability of Main Capital	8,7	38,9
Active Profitability	2,5	10,4
Efficiency		
Efficiency of Labor	28,4	47,7
Efficiency of Capital	0,319	1,038
Its share in Total Factor Efficiency	-2,3	3,9
The rate of wages and salaries in the added value	67,2	40,9

Source: Aktan (1996)

However, little progress has been made in putting privatization programme into effect. Since 1985, a total of 138 companies have been taken into the privatization portfolio, but only a few SEEs have been sold, realising $2,4 billion from asset sales. With the revenue of sale of shares in some SEEs, the total amount received from privatisation implementations reached only $3.3 billion by 1995. If the privatisation costs, $3 billion, are taken into account, one would come to the conclusion that the Turkish experience of privatisation is a failing process (Barham: 1997).

c. Efforts at downsizing

As noted in Chapter 3, one of the main characteristics of the Turkish public administration is that it is growing rapidly, and the best indication of this is the growing number of public servants. In order to slow down this trend, the governments have attempted to freeze the employment level within the public services and, where possible, to reduce the number of public servants through a number of ways. The most common way in this context has been to reduce the number of posts for public servants within the existing organizations, at least to freeze them at a certain level. Another approach has been *delayering*, reducing the number and size of management levels. The other ways include *restructuring,* which would often involve eliminating organizational boxes or units represented by an organizational chart, and *reengineering* (mostly via information technology). The first method, direct downsizing, needs special attention here because of its wide use in Turkey in the last two decades, even though major downsizing efforts have failed.

In the early 1980s, in parallel with organizational reorganization efforts, the government launched an initiative which involved standardization of management levels and job descriptions. The commission which was set up for this purpose discovered over 7000 job titles and reduced them to below 1500. Job descriptions were accordingly revised. Decree-law 190 legalized these newly-adjusted job titles and descriptions and limited all the jobs within the public services and SEEs to this list (Yurdakul: 1996). Decree-law 196 also made establishment of new posts within the public service difficult through regulating the related procedure in order to stop unnecessary increases in the workforce.

It is necessary to note that the efforts at downsizing in Turkey have not been independent from the general political administrative policies of the last two decades, which include rolling back the state and reducing the share of the public sector in the national economy, cutback management and reducing public expenditures, increasing the efficiency and effectiveness of the public sector, budget and tax reform, contracting out, managerialization and privatization. In other words, in Turkey, downsizing has not been only a major instrument for reducing the role of the state within the national economy and society, but also a major aim of major administrative-managerial reform efforts since the early 1980s.

Minimising the state and reducing the number of public servants have been on top of the agendas of both military and Motherland Party governments (Yurdakul: 1996). After the late 1970s, almost all governments issued regulations which made recruiting new public servants difficult. For instance, the military government froze the number of public servants and did not allow public organizations to recruit new employees, except employees with contract if necessary (Yurdakul: 1996). The real increase in the number of public servants under three years of military rule, therefore, was negative.

The First Ozal Government issued Decree-law 190 which regulates and standardizes public service posts and made the recruitment process difficult in order to stop the growth of bureaucracy. The coalition governments of 1991 and 1994 also followed the policy of downsizing. In 1994, employment of temporary workers was made dependent on visa of the Ministry of Finance. This measure has decreased the number of temporary workers within the public service steadily.

On balance, there is evidence to suggest that the policy of downsizing has been partly successful especially in traditional public administrative organizations, where the burden of overemployment is heavier. Nevertheless, the total number of public servants has been constantly increasing because of a wide variety of reasons. For example, pressures arising from party politics and re-mushrooming patronage relationships have caused sharp increases in the number of public servants particularly in election periods. Weakening the dominance of Motherland Party in the Turkish politics towards the 1990s and establishment of coalition governments in 1990s gave way to the trend of patronage and thus new recruitments to the public service, since the public service has long been perceived as a source of employment. Another important reason for the increase in public sector employment was the policies of banishing the traditional bureaucracy and flourishing a managerial elite, particularly establishment of new strategic institutions, such as the Undersecretariat for Treasury and Foreign Trade, the Privatisation Agency, and the Southern Anatolia Development Agency.

Table 17: Increase in the population and the number of public servants

Years	Population (x 1000)	Increase in Population (°o)	Number of Civil Servants	Increase in the Number of Civil Servants Servants (%)	Net increase in the number of Civil Servants (°o)
980	44.439		1.170.224		
1981	45.540	2.48	1. 169.494	0.06	2.54
1982	46.688	2.52	1.176.224	0.58	1.94
1983	47.864	2.52	1.195.607	1.65	0.87
1984	49.070	2.52	1.285.831	7.55	4.95
1985	50.306	2.52	1.316.661	2.40	0.12
1986	51.433	2.24	1.356.137	3.00	0.76
1987	52.561	2.19	1.401.391	3.34	1.15
1988	53.715	2.20	1.428.382	1.93	0.27
1989	54.893	2.19	1.440.504	0.85	1.34
1990	56.098	2.20	1.461.561	1.46	0.74
1991	57.326	2.19	1.509.518	3.28	1.09
1992	58.584	2.19	1.608.451	6.55	4.36
1993	59.869	2.19	1.692.655	5.24	3.05
1994	61.183	2.19	1.708.062	0.91	1.28
1995	62.526	2.20	1.725.908	1.04	1.16

Sources: The State Statistics Institute: 1996, Yurdakul: 1996.

However, against all these reasons, the real increase in the number of public servants (increase in the number of public servants minus increase in the population in a specific period) in the last two decades could not be counted as high, particularly in comparison with the 1960s and 1970s, in that the total increase in the number of public servants since 1980 have been 47.7 percent while the total increase in the population has been 40.7 percent, and the net increase is 6.7 percent (Table 17).

3. The PEOPLE SIDE of NPM: NEW PUBLIC MANAGERS of TURKEY

NPM reforms have been implemented in different countries with different diverging strategies; some governments have chosen a rather top-down strategy, (i.e. UK), while others opted for smooth, voluntary step-by step process (i.e. Australia). The Turkish experience posits between the two. However, as Reichard (1997) argues, apart from diverging strategies and the different mixes of NPM elements, one major prerequisite has existed in all countries: NPM reforms can be successful only if the respective governments succeed in transferring NPM philosophy into the thinking of the public servants (Reichard: 1997). In other words, studying "New" Public Management requires studying "new" public managers. However, this invites a challenging task: dealing with the problem of how to define "new public managers" and how to identify them in a particular public administrative system. Therefore, having dealt with definition and major characteristics of new public managers in a general perspective, this section attempts to identify the Turkish new public managers.

Who are "new public managers"?

Identifying public managers is always a problematic: there is a number of ways that jobs are labeled, and various titles are used in different languages. Therefore, it would be useful to define the public managers in terms of functions irrespective of what public officials are called (Barlow et al.: 1996). In Barlow et al.'s quotation, EGPA (The European Group of Public Administration) presents the criteria below; public managers are those meeting most of these criterias:

* they have responsibility for the execution of a programme or the realization of a product or service
* they are evaluated on their results according to well defined criteria and management objectives
* they are appointed to post and often have limited contracts of employment
* they are accountable directly or indirectly to a public body
* they have an important degree of autonomy in decision-making

* they have freedom of action over the use of resources: both financial and human
* they are essentially line managers, that is they achieve objectives and results through people: they are not advisors or consultants (Barlow et al.: 1996).

As have been seen, public managers are different from classic bureaucrats in traditional bureaucracies who are constrained by requirements of political accountability, rules, regulations and standard operating procedures with regard to their orientations, values and attitudes. A number of characteristics of the new public managers, as distinguished from the "old" ones, have been observed (Reichard: 1997), including emphasis on

ethical competence (fair play in competition, private interest etc.)
political competence (neo-liberal ideology, sectional interests of the manager's own unit and of consumers, accountability to individual clients and to superiors, etc.)
professional competence (output- and cost- consciousness, quantitative measurement of non-profit goals, control by pricing, co-ordination by competition, etc.)
task competence (money-driven motivation, negotiation between competitors, reward for performance, etc.)

Besides, there are important differences between public and private managers, although there is some convergence between the two. First, while private managers typically struggle to increase demand for their products or services, public managers often must suppress it to stay within their budgetary limits. Secondly, economic efficiency cannot be used by public managers as the primary decision criterion in public organizations due to their overall welfare and redistribution function. Public managers are expected to follow a public service ethic. Thirdly, public managers have to balance the diverging interests of multiple stakeholder such as politicians with their particular rationales. Lastly, public managers must often manage networks of several public and private organizations instead of being responsible for a single organization (Farnham and Horton: 1996, Reichard: 1997).

On the issue of the overall functional requirements for new public managers, they include an ability to manage the organization or unit according to the criteria of NPM. This includes " the ability to formulate strategic goals and programmes, to allocate resources according to the given goals, to guide and control the organization in a goal and result-oriented manner....[as well as] the ability to identify citizen and customer needs, and communicate actively with the citizens, [to] include politicians in the management process, and to assist political decision makers [in] their strategic thinking, [to] motivate and empower the team of employees, [to] direct the organization in its effort to be competitive in its market, and to establish an organizational culture with a distinct service orientation " (Reichard: 1997,

p. 4).

In order to suit the above characteristics, a prototype 'new public manager' is required to have a specific base of *knowledge, values and attitudes,* and *skills*. Firstly, he/ she has to be aware of a broad range of management theories, instruments, concepts and techniques as well as adequate knowledge of economics, law, and social sciences. Secondly, he/she should have the skill to apply these management concepts and instruments to the different managerial decision situations, as well as the ability to communicate, to resolve conflicts, to motivate, to plan, to manage contracts, and to control. Skill of managing contracts through negotiating, contracting and monitoring is highly relevant since contract management plays a dominant role in NPM. Thirdly, he/she has the values and attitudes of NPM dimension, including sensitivity to political implications of the manager's activities, commitment to changing the existing administrative culture towards entrepreneurial values such as orientation to market, customers and new opportunities, and a strong shift to increase effectiveness and efficiency in the organisation.

Keeping in line with Barlow at al.(1996), it would be possible to present several propositions about where the new public managers might be found:

* They are more likely to be located in commercial and industrial activities rather than in structures delivering classical state functions.
* They are not likely to flourish where the density of rules and procedures is greatest.
* Proximity of public officials to the delivery of services, and hence the customers of that service, provides a milieu suited to the development of public managers.
* Specialists or technically-trained professionals, operating at middle to senior levels, are likely to be receptive to ideas of NPM and its practices.
* Within State organizations, public managers may be found at strategic level rather than operational level.

The Turkish Public Managers

Distinguishing the new public managers in Turkey also presents problems. First of all, the existence of such a class which fits the general descriptions above is a matter of argument. However, the researcher suggests that, even though their number is much smaller than the traditional bureaucrats, a newly flourishing group of managers carry the characteristics of stereotypical new public managers.

Although there could be several single public managers of the new type in pre-1980 period, the first generation of the new public managers were seen on job as a group as Turgut Ozal's team in various departments and other institutions in the early 1980s. The initiation of 24 January. 1980 decisions was the first manifestation of this elite. With the victory of

Motherland Party in 1983 elections, they worked closely with the new government. Put it in another way, Ozal and his close partners found and brought them in most cases.

Different groups made up this cadre. One group comprised such MPs as Adnan Kahveci, Mehmet Kececiler and Hasan Celal Guzel who were among the founding members of the Motherland Party (ANAP) and who became very influential in the making of certain decisions although they did not hold ministerial portfolios. A second group was made up of persons outside parliament. All educated in United States, they became close, personal advisers to the prime minister and were referred to as princes. Some of them worked as shadow ministers. In the 1987 general elections some of these princes became MPs, and, along with a number of persons in the first group, were given ministerial portfolios. Most of them were made ministers of state with responsibility for monitoring some economically critical agencies. These agencies included state banks as well as the Central Bank and some SEEs. The heads of the state banks, too, were persons brought from outside the bureaucracy. The latter, known as the second generation of princes, were all educated in the US (Heper: 1989). The specific measures of de-bureaucratization also helped to appoint the new managerialist elite to organizations of strategic importance such as the Central Bank, SPO, the Privatisation Agency, the Unit of Administrative Development, the Treasury, and the Department of Finance.

The second generation of new public managers have been developed as a result of the process of structural adjustment and related reforms, because they are principal executors of these programmes, in addition to the ideas and experiences of the first generation of new public managers, the new right ideology, and the effects of globalization.

Project Management and the new public managers

Project management approach, which has been initiated and maintained by the structural adjustment process and further developed by the Seventh Five Year Development Plan, has a number of consequences in terms of public management and administration. In parallel to the policy of de-bureaucratisation, it would be used to divide the public administration machine and to prevent public agencies to act collectively. Adjustment-related reforms have been executed via "alternative bureaucracies" created within the traditional public agencies such as "Health Project Co-ordination Unit" within Department of Health, "Projects Commission" within Department of National Education and "Motorways

Department" within Highways Agency. These units are mostly financed by foreign credits and different from other units in their ministry or institution in most respects. For instance, the personnel who works in these units frequently have extra salary, opportunity to study abroad, better work environment, and flexible work relations out of usual hierarchical control (Guler: 1996). In a sense, these civil servants who work in these special units within traditional bureaucracy are seeds of the new type of bureaucracy who is likely to form the bureaucracy of the future, if the current trend in public administration does not change fundamentally.

Studying the alternative bureaucracy would be a topic worth examining in its numerous dimensions. First of all, the difference between the working places and environments of the traditional bureaucracy and alternative bureaucracy is distinguishable. Secondly, the behavioral patterns of "bureaucrats" of the traditional bureaucracy and "technocrats" of the alternative bureaucracy and the views of the elements of these two types of civil servants about each other would be interesting. Thirdly, these two types of bureaucracy would be examined in terms of their approaches to the sector which they work in the name of "public" management. Such a study would highly likely support the view that, there is a dual structure which consists of two distinct parts in a public organization. The above topics would be best examined in a separate field study, because of its importance and coverage. However, it would be instructive to mention one aspect of dissimilarity here.

The prototype alternative civil servant, who work in "project" units of traditional bureaucracy as well as those bureaucrats of the institutions created during the course of structural adjustment and related reforms since the early 1980s, consider technical efficiency and productivity as the most important target, and little regards to the conventional issues of social equity, equality of opportunity, or populism. In other words, as a rationalist, the alternative bureaucrat regards the principle of technical efficiency superior to populism, and therefore, pays little attention to social consequences of his work (Guler: 1996). For instance, in the framework of the series of health projects, concentration of the experts of health sector increasingly focuses on the terms of "customer" or "user" (not patient) satisfaction, efficiency, cost, and profitability, rather than the rhetoric of "free, general and state provided health care" of the traditional approach (Health Project Co-ordination Unit: 1992).

Education and Training for NPM

Implementing NPM elements within an existing institutional setting and with existing personnel, requires the formulation and implementation of a programme for educating and training those public servants who are expected to serve as the "new public managers". To do this, a specially designed curriculum on concept for NPM education is required. Neither the "old" public administration programmes nor a simple transfer of private sector oriented management programmes will be the solution, although existing curricula for business administration and for public administration can be utilized for NPM education to some extent (Reichard: 1997).

However, it remains an open question as to whether education and training of the "new" skills and attitudes is a prerequisite for NPM reforms, or if it should follow such reforms. There is some evidence for the second position. It can be expected that the readiness of public servants to undertake training measures will increase after the start of crucial reforms and after feeling pressure for reform. However, in most cases it can be assumed that there will be an interrelation between reform and training. Training leads to the changing of public servants' attitudes and thus promotes change. On the other hand, ongoing reforms will increase the demand of public servants for training.

Nevertheless, the question of "to what extent it is possible to indoctrinate future public employees with managerial values and attitudes during their *education/training?" still* remains a problematic in NPM education/training. Will newly trained managers be able to act in the intended managerial way, or will the existing administrative culture force the trainees to adapt their behaviour? Existing experience indicates a "dilemma of cultural change" (Reichard: 1997). When trainees have a radical NPM-orientation they may face the danger of being isolated in, or expelled from, the dominant administrative system. If trainees choose to assimilate themselves to the prevailing culture, they will find greater acceptance within the organization. But assimilation brings the danger of adaptation to the existing bureaucratic rules and "old" attitudes. The readiness to initiate managerial reforms and innovations may well be dissipated by such cultural adaptation.

Furthermore, training is only one factor in the successful development of the human side of NPM; for public managers to be able to follow NPM guidelines, it will also be required to take into account selection and recruitment of "suitable" public managers, the career development and promotion system, a motivating incentive system for public managers, and adequate interaction between public managers, their superiors, and the team of employees regarding leadership, communication, and control (Hasenbohler: 1995, Reichard: 1997). Moreover, NPM would be sustainable only if the concepts and instruments are supported by appropriate "administrative culture", as expressed by the managerial values and attitudes of the senior level of civil servants.

Trends in public management education and training in Turkey

Traditionally, in Turkey, as in the classical European administrative states, the closed intra-administrative institutions, such as the Political Science School of Ankara University and the Institute of Public Administration for Turkey and the Middle-East (TODAIE) dominate the supply side of management education and training. Most top public managers originate from one of these elite schools. Critics mention the elitist and caste-oriented character of this system. Career success largely depends on admission to, and completion of, study in one of these schools. Only in the last two decades have universities and private training institutions a minor share of this market. However, the share of the latter is gradually increasing and there seems to be more openness and competition (Younis et al.: 1992).

In the past, the relative isolation of public sector education/training institutes from the general academic sphere and their lack of interaction with private sector management training have largely prevented the exchange of ideas and concepts between the public and private sectors. However, the post-1980 developments have highlighted the tendency for systematic integration of private and public management elements into the learning process: Universities and training institutions have increasingly been attempting to promote the exchange of the ideas and experiences of the two sectors in order to learn from appropriate private sector concepts. In this regard, Turkey displays a shift from the "European administrative" model to " Anglo-Saxon public management" model. The pay structure proves an interesting example in this context; whereas previously Turkish public organizations, like their counterparts in France and Germany, did not have to pay for sending their employees to the central training institutes, recently they do pay, as in Britain or in the Netherlands.

The typical education and training for the public sector in Turkey is a four year university course, preferably in public administration, business administration and management, and other related disciplines, concluding with a diploma. In addition, a number of public organizations have a one-year pre-service education/training for their incoming recruits. Moreover, a number of public and private institutions, previously mainly TODAIE, but recently the State Personnel Department, universities, and a number of other public, private and voluntary institutions, offer in-service training after appointment.

Although public management itself is not a well-known discipline taught in most of the departments and schools in Turkey and there is a lack of information to what extent NPM issues are subject of education and training, the Turkish academic literature shows that several issues of NPM are frequently under discussion. Moreover, business schools and courses at the political science and law faculties of the universities as well as departments of public administration of many universities deal with public management. In addition, several hybrid programmes have emerged, combining traditional public administration with policy analysis and public management, although still under the name of public administration programmes, and including several elements of public management. These developments seem to indicate a growing interest in the Turkish academia in recent times. However, "there is little empirical data as to what extent existing curricula include contents related to "new" public management" (Reichard: 1997).

On the issue of *in-service training*, there is a shift from the traditional public administration ethos to management issues since the mid-1980s. Because an increasing number of governmental departments, public agencies and local governments are experimenting with some elements of NPM, they need new skills for their public employees and thus request special training programmes. To satisfy these requests, such training institutes as TODAIE and the State Personnel Agency offer a variety of seminars and workshops. However, most of the training curriculum is not yet specifically designed for NPM. They rather concentrate on private sector-related management issues, with some limited adjustments to the particularities of public sector organizations.

4. INSTALLING PERFORMANCE MANAGEMENT ELEMENTS INTO THE PERSONNEL REGIME

The shift towards a flexible, performance-oriented personnel system

One of the obstacles for a flexible, performance oriented public management system is the existing personnel regime which is in the classical Weberian line, based on guarantee of tenure, equal pay and non-flexible recruitment system. The new right policies have striven to transform the existing system towards more performance-oriented and flexible one through reforming three aspects of the personnel regime: recruitment type, pay system and upgrading system.

The existing system of upgrading has been changed through installing the *flexibility of appointment* to the posts, which was applied to only public servants in first three degrees appointed previously. In this way, the political elite rendered bureaucrats in significant posts who represent the traditional etatist ideology ineffective, and seized the opportunity to appoint the supporters of the new political and economic and bureaucratic change into significant posts.

The second development in the personnel regime has been *pay differentiation.* Pay has been determined according to the importance of the institution where a public employee works; equity of pay among employees who are doing equal job in different branches of the same institution as well as between the employees of different institutions has disappeared (Guler: 1996). For instance. a middle-level bureaucrat working for a branch of Prime Ministry receives almost double amount of pay in comparison with a similar level bureaucrat in nearby Department of State (interview with middle-level bureaucrats in various departments). An interesting consequence of the payment differentiation is that the attention of the bureaucracy has been channeled to matters pertaining to personnel such as pay, and solidarity among public employees has been lessened (Guler: 1996).

Employment by contract

A more important development in the Turkish personnel system is the introduction of *employment by contract* for SEEs. The notion of contract existed in the Turkish personnel regime for a long time. For example, the Act of Public Employees defines a contract employee as " an employee who has a distinctive knowledge on his/her field and works in posts requiring extensive knowledge and expertise in exceptional occasions" (Act of Public Employees, article 4/ B). However, the boundaries of the above definition was broadened in 1984 and employment with contract has become a separate category in recruitment of public employees (Decree with the force of law on SEEs, numbered 233. Official Newspaper, 18.6. 1984, 18435, M). According to the 1984 change in the personnel regime, there are three types of personnel in the Turkish SEEs : public employees, workers, and contact employees.

"A contract employee is a person who works in a SEE with a certain contract, but who is neither an ordinary employee nor a worker" (Decree-Law 233).

The personnel policy of the new right governments has been to decrease the number and status of ordinary employees and workers while privileging contract employees and increasing their numbers. In a sense, ordinary personnel of the SEEs (employees and workers) is being intended to replace by contract employees in order to provide flexibility in hiring and firing of personnel, to break through the heavy-handed traditional bureaucracy, and to transform the Turkish public management system to a performance and results oriented one.

This policy manifests itself in several decrees, circulars and policy documents as well as applications by practice. For instance, as a result of the decision of the High Council of Economic Affairs (HCEA) (The decision of HCEA, No. 85/9, dated 26.4.1985), Prime Ministry cancelled vacant positions of employees and concluded that the need for personnel will be met solely by recruiting contract employees (Prime Ministry circular, dated 14.5.1985, No. 19-383-10029). According to the decision, ordinary employees are encouraged to be transformed to the status of contract employee, and if necessary, only a limited number of workers will be recruited by permission of Finance Ministry and Prime Ministry.

The shift towards broadening "employment by contract" has not been confined to employees; workers are also desired to be included. A new change in the personnel system in 1988 (Decree-Law 308, official newspaper, 18.1.1988) redefined personnel work for SEEs in two categories (contract personnel and workers) and defined contract personnel as "a personnel who work with a *service contract* but who are not workers". Service contract is a type of employment which is solely used for worker recruitment. In this way, the legal framework of contract personnel was desired to broaden to include workers (Guler: 1996).

Nevertheless, the regulation aiming to transform workers to contract personnel faced a severe opposition from the traditional state elite and the Constitutional Court (CC) which was argued as one of the remaining shelters of statist elite (Heper: 1991). CC abolished Decree-Law 308 which the status change of workers was based on (Decision of CC no 1988/5, 1988/55, dated 22.12.1988, Official Newspaper, 27.5. 1989; Serim: 1989). However, government redesigned the personnel structure of SEEs and introduced the choice of "contract with a relative guarantee of tenure" (kadro karsiligi sozlesme) in 1990, as a compromise between the decision of CC and the system CC abolished (Decree-Law 399, Official Newspaper : 29.1.1990).

The change in the status of personnel is important in several ways. Contract personnel are out of the guarantee of tenure which ordinary employees possess and have no right of membership of unions, collective pay bargaining and strikes. Article 3 of Sample Contract empowers public organisations to renew the contracts of their personnel or not, whatever the performance of an individual personnel is (Sample Contract, No. 3 ; Decision of High Planning Council, No. 1988/40). This is an important indication of the lack of security of tenure for contract personnel. However, it is not an absolute authority for a manager in firing a contract personnel without a reasonable cause; there are several ethical and legal limitations in other Acts and preventing the arbitrary firing of a personnel.

The overall aim of this regulation is to give a free hand to managers of SEEs in strategic management of the institution, rightsizing the institution and managing it according to results and performance management through providing flexibility in hiring and firing an employee and through determining the pays according to performance measures (Ozal: 1993, Guler: 1996). In a sense, initiating contract employment was among the chief aims of the reform programme with respect to public personnel. Ozal, the architect of the reform programme, foresaw a public management system with flexible rules, a personnel structure with less in number but with high levels of salary, and a performance-oriented rather than rule-oriented bureaucracy (Ozal: 1993).

In order to encourage ordinary employees and workers to change voluntarily their status to contract personnel, salaries of contract personnel have been determined much higher than other types of personnel. For instance, salary of a contract personnel was almost double that an ordinary employee received in a month between 1985-1990 (Guler: 1996). The deal that appears to be offered would include higher wages in exchange for less job security.

The policy of conversion of managers to contract status has proceeded fairly rapidly; in 1984 there were 674 such administrators, in 1985, 3,491, and in 1986, 26,578 which is about 10 percent of the administrative corps (Waterbury: 1992, Yuksek Denetleme Kurulu: 1988). Although more recent figures are not available, most of the personnel working in SEEs are almost certainly to be contract personnel at present (Guler: 1996).

The changes in the personnel evaluation system and performance appraisal

The traditional Turkish personnel evaluation system was far away from measuring and thus enhancing performance of personnel. The personnel evaluation forms aimed at measuring personal characteristics of public servants rather than their performance in addition to consisting of subjective questions. Furthermore, the filling of evaluation forms had become a routine operation which was not believed to be useful by senior officials as well as by other quarters.

The traditional personnel evaluation system has been totally changed by Decree-law 243 which came into force in 1986. The new system is based on personnel evaluation reports which are prepared by superiors of employees as well as, if there is any, reports of external auditors. However, each public organization has been empowered to determine the details of report preparation and who would present such reports.

The general issues which all evaluation reports must touch on include questions about performance, leadership ability, and personality and behaviour and attitudes of employees. All these and additional issues are evaluated within the evaluation reports through 100 scale marks, with minimum success limit of 60 out of 100. In order to provide more flexibility within the system, the new system empowered the public organizations to add extra information about merit and performance of their employees to the evaluation reports. According to the regulations on the personnel evaluation, the executive must pay attention to efficiency and economy in service delivery, upgrading according to merit, rewarding employees with performance, taking incompetent employees from public services, and such ethical issues as integrity and devotion of public servants to the public services and the state (Canman: 1993).

In the new system, evaluation reports have become a vital source for upgrading, retiring and firing of public servants (Canman: 1993, pp. 84-86). An employee who is considered as deficient during his job is warned by his/her superiors twice at maximum; if he / she cannot not still satisfy his / her superior, he /she would be sacked directly or compulsorily retired. Similarly, employees with distinct performance are directly upgraded to an upper degree and thus receive more salary (Law 657, article 37, and Decree-law 243 article 9). Although this is reminiscent of performance-related pay, it would be hard to consider this upgrading of degree and related salary increase as performance-related pay, since it is an indirect increase and the amount of increase is often not satisfactory. It is only SEEs that apply the notion of performance-related pay in Turkey (Canman: 1993).

Having examined the questions in the "sample report of personnel evaluation" which is attached to the Public Servants Evaluation Statute , one would clearly observe that the

Turkish personnel evaluation system is not wholly based on objective performance standards and performance measures. A significant number of questions measure personal characteristics and values, such as obedience to rules, cleanliness, and personal relations, rather than performance. Similarly, the questions which aim to measure performance of employees are not supported with clear performance standards and measures, and therefore are open to subjective considerations. For instance, there is no clear criteria developed for such issues as the ability of leadership, the ability to make right decisions on time and the ability of co-ordination and planning (Canman: 1993). In addition grading of the factors of performance continues to be a problem in the Turkish system, in that all the factors of performance are considered equal for the evaluation process, although it often leads to misjudgments (TODAIE: 1991; Canman: 1993).

. However, against the inadequacy of measuring and rewarding performance within the personnel evaluation system of Turkish Civil Service, there are significant steps taken in this direction on the side of SEEs. In 1990, the government issued "Decree for Personnel Evaluation and Performance of the Personnel With Contract within the State Economic Enterprises" which has introduced *performance measurement* and *performance-related pay* for contract personnel in the SEEs.

According to the decree, both performance and personnel evaluation reports are considered for determining the success of a particular employee. In this system, only the employees who are considered as successful according to these reports gain the right to renew their contracts. In addition, the successful employees, who get at least the mark 60 out of 100, get performance-related pay as a certain percentage of their main salaries. The employees who get less mark than the required level, 60 %, in the performance evaluation are rotated to another unit within the organization, and if they are not able to increase their performance and personnel evaluation marks, their contracts are terminated.

The decree introduced slightly different personnel evaluation and performance report forms for managers in the SEEs which include evaluation of a number of managerial aptitudes such as leadership, innovation, adapting new managerial techniques, productivity, and human resource planning skills, in addition to other issues evaluated within the standard evaluation reports. However, the performance evaluation reports for managers and employees of SEEs also have subjective characteristic, since clear performance measures have not been developed for a number of issues considered within these reports.

5. CHANGING THE ADMINISTRATIVE CULTURE?

Organizational culture is frequently described as the "glue" which holds the organization together. Therefore, numerous authors stress the need to change the operating culture of government organizations in discussing organizational change in Turkey (Ozdemir and Yalin: 1998), as well as in several other countries which have attempted to reform their public management (Ferlie et al. :1996, Shick: 1996). The core argument is that longer term change in an organizational setting will not be sustained, unless the essential values and belief systems of workers and managers change.

The assumption behind this rhetoric is that the inherited culture gets in the way of responsive, high performing organizations. Nevertheless, this assumption would not be true for every case; "...culture can also be a positive factor, as when new employees are socialized into the vales of public service...Efforts to fundamentally change organizations should be undertaken with due consideration to what might be lost" (Schick: 1996).

However, culture is an *ambiguous and loose* concept, which is difficult to operationalize. Before looking at the efforts at changing the administrative culture in Turkey, therefore, it would be useful to clarify the notion of " culture". The lack of a coherent definition of culture causes ambiguity in analyzing the changes in organizational culture; in that different definitions of this notion often lead to a variety of different approaches and understandings of cultural change in organizations, making a consensus difficult. The position taken here is to define "culture" in terms of manifestations of deeper values and behaviour; because "if one defines organizations as patterns of meaning, values, and behavior, then *organizations* are *themselves cultures*" (Ferlie et al.: 1996).

Culture may be manifested in everyday routines, from when and how employees take coffee breaks to how employees are supervised and their performance assessed. The cultural manifestations which are of concern here are patterns of behavior that are argued by supporters of managerialist changes as standing in the way of reform. These include "emphasis on compliance with ex ante rules that restrict managerial initiative, norms that discourage innovation and risk-taking, the tendency to spend up to available resources, rigidities that impede the shift of resources to new priorities, the focus on inputs and inattention to outputs, and other baggage of traditional administration" (Schick: 1996). The reforms in the countries which have been experiencing NPM, Turkey is no exception in this category, more or less rest on confidence that these tendencies can be eliminated by strong leaders and managers with new management tools.

In the context of the Turkish NPM, a number of approaches have been used to eliminate the old administrative culture. First, a new leadership with a strong and clear mandate to rebuild operations has been brought in. There has been a kind of missionary zeal and commitment to the managerial changes in the public services, both by politicians and top public managers. Second, a large number of departments have been broken into pieces, or rearranged, so that the old organization is no longer recognizable in the new. Third, management training has been given top priority in the Turkish public services. It has been employed as a vehicle, for not only developing new skills, but also for changing employees' and managers' perceptions of their roles and those of their organizations. Fourth, government departments and other public organizations have been shocked with an avalanche of change, not just isolated innovations, but a great deal of new procedures that can break the old habits. Fifth, those who accept the new culture have been rewarded and those that do not have been penalized. The mechanisms of upgrading (and in some cases downgrading) and performance-related pay have frequently been used for this purpose, particularly in SEEs. Sixth, in some cases, the language has also been used as means of culture change, through using language to create new values and images and implanting new logos and symbols with which members of organization can identify.

These approaches have been explored in various parts of this and next chapters. Yet, to what extent these approaches have been successful in uprooting the old culture and bringing in a new, performance-quality-results-oriented culture to the Turkish public administration remain open to question. The lack of a whole-government study researching cultural shifts in the Turkish government does not permit to reach a healthy judgment on this issue. However, one would cautiously determine whether a particular, of course relatively small, department or other governmental entity has been transformed by evaluating productivity rates, measures of service quality, and surveys of customer and employee attitudes. One such attempt will be made in the next chapter, in researching the changes in the Turkish health sector.

However, it would be instructive to note here some indicators of cultural change in the whole of Turkish public management. One such cultural shift is evidenced by *alterations in the balance of power, intra-professionally* (in favor of public managers, and more frequently of the professionals with managerial inclinations). Overall, one of the most substantial cultural shifts that has occurred is in the professional hierarchies. The shift between general managers and professionals (e.g., doctors) within the health sector is a perfect example of this.

Besides, there are indicators of increased *managerialism* in most parts of the system. At the top of the organizations, this move in thinking and to a lesser degree in values is apparent. First of all, there is a more proactive approach taken in the management of scarce resources. Second, the information bases are improving and the bases for decisions are both sounder and more straightforward (Ozdemir and Yalin: 1998). Third, there are significant indicators of change in the costing and specifications of contracts and quality criteria.

A fourth and more significant type of the move towards managerialism has been the move from management by hierarchy to *management by contract.* As Ferlie et al. (1996) put it, "Management by contract has several effects on organizational culture, as it disrupts the established hierarchical power bases, opening up the possibility for new groups to step in. It may offer new information, which can be used as the basis for power and control, such as data on increases in demand. An finally, it challenges the informal networks of managers and professionals, by disseminating information more widely". In the Turkish case, several changes are driven by contracts and by at least the partial acceptance by professionals and managers that some changes are needed. As a result, a number of the traditional line management relationships, for example between the district health authorities and the hospital units, have been replaced by a different, contract-based relationship. In addition, there are similar shifts between service providing departments and the departments of supply, by developing internal contracts for delivering a particular service -like the contract between the Treasury and the Central Bank on the issue of measures to curb inflation.

However, it is too early to confirm the view that there has been a radical move in values in the Turkish public management system. Existing evidence suggests that major traditional values and attitudes, such as the concern on equity, and public interest, are still strong within the mind-set of most managers and public employees (Ozdemir and Yalin: 1998), while a number of managerialistic values have increasingly taken root. In a sense, what we are encountering is a hybrid public management stereotype with both traditional and managerialistic values side-by-side.

There are also significant variance among different parts of the public management system in this respect. While the sectors which have more interaction with academia, international organizations and citizens -like health and banking sectors, universities, the departments like Industry and Trade, and SEEs, are quick to accept such new values as efficiency, responsiveness, innovation, customer-orientation, and quality; the ones which have less interaction with external environment, such as the departments of transportation, and interior, seem to be reluctant to adopt new elements into their organizational culture.

6. WHERE TURKISH BUREAUCRACY IS HEADING?: Some projections of the Seventh Five- Year Plan

The seventh five-year development plan, which constitutes the blueprint for NPM-type changes in the Turkish public management system determined the main objectives of the projected system as follows: "in restructuring of the public administration, re-evaluation of public services by determining which activities the state is going to execute directly or continue to execute and on which activities it will play protecting -supporting- leading or supervising role of provision of harmonization between the task and administration, increase service efficiency, transparency, employment of personnel in required numbers and quality,...participation and establishment of a public oriented management approach shall be the main objective" (Seventh Five-Year Plan, 1995-2000, p. 127).

In the framework of bureaucratic reforms, the plan projected a number of provisions that the government will carry out. First, *rightsizing* of the bureaucracy continues to be a prime objective: "in the restructuring process of the public sector, employment therein shall be reviewed for a satisfactory structure in terms of numbers, quality, efficiency and the level of wages" (Seventh Five-Year Plan, 1995-2000, p. 128).

Second, new methods for the Turkish system such as *manpower planning* and *norm cadres* based on job analysis is going to be installed to the system: "manpower planning shall be undertaken in order to equip the public administration with sufficient quality and quantity of personnel and the use of personnel sources for efficient and correct employment; norm cadres based on job analysis shall be formed to increase efficiency and manpower inventory shall be made for the evaluation of present in the light of the desired" (Seventh Five-Year Plan, 1995-2000, pp. 128-129).

Third, *management training* particularly for top bureaucrats and public managers will be provided in order to increase their managerial knowledge and skills: "high level training shall be imparted to civil servants to be appointed in administrative posts, their appointments, qualifications, wages and their removal from office shall be regulated by special arrangements" (Seventh Five-Year Plan, 1995-2000, p.129).

Fourth, and more important, the existing public service system will be transformed to *a results-and performance oriented bureaucracy model*: "...in this framework, particularly in management of economy and finance a rational-productive bureaucracy model regarding the public institutions and units carrying out service production in a wide sense and creative functions shall be adopted instead of legal- rational bureaucracy model" (Seventh Five-Year Plan, 1995-2000, p.129). In this context, the plan asserts that " the wages for those performing the duties which concern service production, who require creativity and special qualifications, shall be at a level to compete with the private sector; additionally, performance shall be evaluated as a certain percentage of the wages" (Seventh Five-Year Plan, 1995-2000, p.129).

Fifth, consistent with the managerial reform policies of the *last two decades*, the plan adopted a *citizen and consumer-oriented approach in* administration-citizen relations: "A public-oriented approach and transparency principle in state-citizen relations shall be the main objective; implementations based on declaration shall be developed and unnecessary formalities shall be abandoned" (Seventh Five-Year Plan, 1995-2000, p.129).

Sixth, the plan devotes great importance to *results and performance-oriented approach* in delivering public services, *empowering managers and employees, strategic management, project management* and *performance measurement.* According to the plan, particularly for jobs related to service production, public agencies and institutions shall define *clear targets* for service production and shall carry out their work as in a *project* study in principle. By taking into account of the targets, managers and employees carrying out the related projects shall be informed of expenditure limit and project period; although certain standards of performance and success shall be determined, wide tolerance in assessment shall be given for the method to be followed in order to reach the targets and personnel performance shall be evaluated according to the results obtained (Seventh Five-Year Plan, 1995-2000, pp. 129-130).

Seventh, the plan encourages greater usage of *IT and computer systems, alternative ways of delivering public services*, and methods of *preventing wastefulness and disorganization.*

An action plan was prepared to accomplish the recommendations of Seventh Five-

Year Plan involving a wide range of legal and institutional arrangements, policy changes, and process and cultural changes, including changes in the constitution, basic laws, and institutional structure of a number of government departments and public agencies (Seventh Five -Year Plan: 1995-2000; DYP Party Program: 1996).

CHAPTER 5

PRIVATE SECTOR MANAGEMENT TECHNIQUES IN THE TURKISH PUBLIC SECTOR

INTRODUCTION

As suggested in previous chapters, importing private sector management techniques constitutes the second dimension of NPM. In response to increasing public disillusionment with public services and as a part of the quest for solutions for problems of public bureaucracies, private sector management principles and techniques are increasingly being emulated in the public sector organizations in numerous countries. Although NPM-type reforms, particularly private sector techniques, have been applied more extensively in only few industrialised countries, there is evidence to suggest that the principles driving them are informing reforms in many other countries, both developed and developing, though in a less comprehensive way. Similarly, Turkey could not escape from this international trend: she has devoted significant efforts to look for private sector solutions for problems of her public sector organisations.

However, adopting private sector management techniques can create significant problems for public sector settings. In addition to the question of "appropriateness of private sector techniques into public service organisations with distinctive characteristics which differ from private sector in a number of ways", the reformers often encounter another significant problem: Which private sector model is going to be adopted?

To begin with, theories of management have, as a central concern, the different conditions in which management operates. Thus organisations have been categorized in various ways, by size, sector, function, market, and so on. Even within a single organisation there is recognition that different functions may require different management tools and styles. Many writers stress the fragmented nature of actual management activity where the variables in the wider context are of critical importance. As a result, it is difficult to suggest that there is a particular, generic model of management identifiable within the private sector to suit public sector need. Rather one can identify plural models and techniques.

In this respect, NPM's "one size fits all" perspective (Peters: 1997) should be approached with great caution. Although there is a great similarity among the changes being implemented, as well as among the discourse about change in the private and public sectors occurring in many settings, the management techniques employed in these settings vary. Therefore, one has to face the question, "which private sector models and techniques would be best for a particular public organisation", when contemplating the introduction of private sector techniques and models.

However, despite the disparity on the management techniques, there are certain principles of private sector management origin that has become the gold standard for administrative reform around the world within the framework of NPM, albeit at different rates and different times. These principles include, market and competition, consumer and customer-orientedness, employee and customer participation, decentralisation, devolution of authority, flexible organisation, setting performance standards and measuring and rewarding performance, quality and strategic management, and separating provision of public services from production.

This chapter focuses on the major private sector principles which are designed to improve public management in Turkey, and examines particular techniques and mechanisms employed to put these principles (table 18) into action.

Table 18. The major private sector principles adopted to the Turkish public sector

1. Consumer and customer orientation
2. Market-type mechanisms
3. Participation and partnerships
4. Empowering organisations, managers and communities
5. IT, automation and related innovations (e.g., flexible organisation)
6. Separating provision of public services from production
7. Performance auditing
8. Strategic management

Some of these mechanisms and techniques have been widely used in several public organisations of Turkey, although some of them are thin on the ground. It would be possible to suggest political and ideological reasons, as well as pure technical ones, for this divergence in the application of these principles and techniques, as administrative reforms are directly related to changing the nature of the state itself. One factor is the priorities and preferences of the national and international groups promoting administrative reforms such as Public Management Committee of OECD, and consulting organisations. Another factor is control of government by parties of the political right. Peters (1997) suggests a general typology of political nature of reforms. "Given the market nature of so many contemporary reforms, we might expect governments controlled by the political right to be more willing to adopt those reforms than governments on the left. Similarly, governments more oriented to the left might be more interested in participatory reforms than their right-wing counterparts..." Nevertheless, the Turkish case seems to counter this hypothesis, in that the New Right governments of Turkey devoted equal importance to participatory reforms and market-type mechanisms. In addition, such other factors as the size of public deficit and economic crisis (in favour of marketisation), the role of administrative culture (on the degree of the shift towards customer and performance-orientedness), and the power of bureaucratic resistance to NPM (on several elements of NPM) have important roles in the depth of implementation of particular principles and techniques.

This chapter examines major private sector principles adopted within the Turkish public management system and particular methods and techniques employed in practice. The research questions of *How far are new principles and techniques being introduced? How well are they performing? Are there problems of capacity to perform them in the Turkish context?* will constitute the general framework of the chapter.

1. CONSUMER AND CUSTOMER ORIENTATION

Customer Service Revolution?: from "father state" to "waiter state"

"Perhaps the most tangible development of the 1980s and 1990s for public administrators...has been the customer-service revolution" (Graham and Philips: 1997). There are a number of reasons why this revolution, which has had many positive effects in terms of the ease of dealing with government, has rumbled through Turkish governments since 1980s. The first is the seminal influence of developments in the private sector and in other countries. The second is genuine citizen concern about public-sector bureaucracies at all levels of government that were traditionally seen to be impenetrable and uncaring. The third factor has been technological change; particularly new communication systems such as media-fax, internet and e-mail- multiplied the points of citizen access to government and raised expectations of quicker response. Computer-based record keeping and information management further fueled expectations that queries about tax payments, transit delays and even queries about weather could be responded on-line.

The customer orientation movement in Turkish government, which is widely known as "the shift from father state to waiter state" (Milliyet: 8. 12. 1997, Milliyet: 28. 11. 1997) is important for reasons beyond service improvement. It complements the individualization of citizenship; as customers of government, citizens come first. Where personal transactions with government have been characterized by efficient and polite, even friendly, communication, one should be satisfied. Nevertheless, empowerment of customers does little to enhance their political empowerment as citizens. When dissatisfied with the quality of service received, the logical *act for government* customers is to complain to the provider, since exit from the use of government services may be difficult or impossible. This kind of voice by individuals, however, does not promote social solidarity or collective action.

Government's part of the citizenship bargain has become dominated by a concept of service; as long as service meets the established standards of efficiency and effectiveness, governments can presume that they have done their job well. The idea that government has a more fundamental role to play, for example, as mediator and arbiter of broad public interest, which may involve consideration of collective citizen identities, moves into the background. In addition, the customer service orientation has occasionally been used as a smokescreen for government downsizing. For instance, citizens stand for automated job banks to look for employment, rather than having to deal with the Employment Office. By punching the designated button on telephone, one can now get answers to "frequently asked questions"; the need for a team of information officers has been lessened.

In this section some consumer and customer oriented initiatives launched in Turkey since 1980s will be examined briefly.

Creating units for relations with the public

One aspect of the efforts of the new right governments at improving the delivery of services is keeping the channels of communication with the public open. A project has been initiated to create units for relations with the public in all government agencies which will serve the demands of the public in more effective and efficient manner. Experts have been employed in these units. At the same time, an information bureau was set up within the Prime Ministry, as apart of the Public Relations Department of the Prime Minister's Office, which examines the way in which citizen's demands are treated and gives advice and guidance.

The newly-created units for "relations with the public" have initiated a strategy which uses mass media to inform the public. In particular, a series of television programmes is being made to inform the citizen about the functioning of the public administration, the structure of the government, and which services are delivered by whom and where (OECD: 1991). Likewise, a system for providing the public with better information in a more responsive way is under consideration (OECD; 1991). For instance, a specialized information bureau has been set up for dealing with the problems of pensioners in metropolitan areas.

One Stop Shops

One-stop shops were developed in Australia in the mid-1970s on the basis of Schaffer access theory (Wettenhall and Kimber: 1997). Along with the NPM movement and its customer orientation concepts, there has been an international trend to install one-stop shops with improving customer access to the administration. These improvements are being implemented in a number of countries including Canada, New Zealand, and Germany. Since the 1980s, the Turkish government has also encouraged ministries and other public agencies to establish one-stop shops within their organisations. To date many public organisations, including the Prime Ministry, several other ministries, local governments, and autonomous agencies have established one-stop shops (Prime Ministry: 1988; PM Administrative Development Agency: 1989, 1994). For example, the government have established "trade points", a system which is very much like electronic kiosks in terms of working style and functions, in large cities and major ports and airports in order to facilitate exportation operations (Aksam: 1990).

The particular aims in employing this method in Turkey are shifting the forms of referral and decision making closer to clients, providing guidance to policymakers and administrators, improving coordination between officials and easing ordinary people's access to public service providers (PM Administrative Development Agency: 1994).

Simplifying Bureaucratic Procedures and Cutting Red Tape

In order to provide more incentive for increase in productivity, the governments took measures directly related to the civil servants themselves, including application of a merit principle for the more successful functionaries: promotion by jumping echelons, and bonus payment, and increases in supplementary payments, more frequent pay increases, and greater flexibility in moving people through set civil service positions. However, these measures aimed at rendering bureaucracy more functional, could only indirectly affect the citizen's dealing with the bureaucracy, although the new right governments placed great emphasis for their motto of "the state exists for the people and not the other way around". Thus, the ANAP government concentrated on simplifying bureaucratic procedures, starting from where the citizens have direct dealings with state bureaucracy, in order to better serve the people (Heper: 1989). Law 2977, enacted in 1984 for this purpose, has enabled the Council of Ministers to pass decree-laws designed to reduce the cost in time and money to citizens in their transactions with the bureaucracy at street level, to reduce the paperwork required for certain applications to statements without supporting documentation, and to streamline administrative transactions so that business can be completed in one office and clients would not have to run from one agency to another (one-stop shop system). In one of its country studies, OECD (1991) gathered the main principles of the government's efforts at simplifying bureaucratic procedures as

-saving time and resources in administrative procedures

-accepting personal declarations as legitimate in transactions between the public and the administration unless it is deemed necessary to require justification through appropriate documents

-establishing "one-stop shop" system

-delegating authorities to lower hierarchical levels with the aim of effectiveness and efficiency in the public administration.

The total number of measures taken in this context, including legislative and regulatory improvements, has exceeded a thousand (P.M. Administrative Development Unit: 1988, 1989, 1991, 1996). Some specific projects which have been completed successfully in 1990 are as follows:

-Pension payments to retired persons, and widows and orphans allowances are now transferred directly to their bank accounts and the system of payment by cheque has been abolished. The beneficiaries have enjoyed the advantages of advanced technologies as has the national economy by encouraging bank savings.

-Time consuming formalities for obtaining hunting license have been simplified

-The declarations made by the entrepreneurs were given priority, instead of control mechanisms operated by the authorities; for instance, declarations made by the entrepreneurs are considered the basis on which the pertinent license is issued, instead of the results of a series of checks, controls, and certificates.

-Auditing and control of authority over payments to elderly and to inform Turkish citizens has been delegated from Department of Finance and Customs to the Government Pensions Office for Civil Servants, and thereby speeding up operational response times.

-Visas may now be issued to foreign tourists by tourist companies, thus reducing crowds at frontier customs.

-A single application form which consolidates the important items from the numerous forms previously in use was introduced

- The custom duties charged on imported goods can now be paid at the customs office where the importation occurs rather than going to the nearest city with a tax office (PM Administrative Development Unit: 1991).

The efforts of the Turkish governments to simplify the bureaucratic procedures have been considerably successful and appreciated by the general public, according to empirical data gathered through various techniques (Heper: 1989). Even some analysts explain the continuing electoral support to the new right parties and their public policies, despite the high rates of inflation, with this appreciation (Heper: 1989).

Yet, simplifying the bureaucratic procedures and cutting red tape have not been sufficient for a better public service delivery. Fighting with the burden of bureaucracy and easing the rules directly affecting the mass public is a matter of process, and cannot be achieved overnight. Furthermore, simplifying the bureaucratic procedures is partial in character, one can minimize the regulations but cannot abolish all.

Therefore, the governments have urged the officials continuously through decrees, statutes and instructions to be as helpful to the people as possible, where the elaborate rules and regulations had to be left intact. However, in general, the success in this field has been less than satisfactory, the officials could not easily shed their traditional behaviour patterns (Ates: 1995, Heper: 1989). Among other things, they have "...continued to have an aloof attitude toward the ordinary citizens". Traditional bureaucrats have also been reluctant to change their customary administrative styles. For example, they have resisted the delegation of authority and could not adapt themselves to the policy changes in many areas introduced by the governments, particularly Ozal governments (Heper: 1989 & 1990a). The government response to this has been three fold: debureaucratisation at the central government, delegating certain powers of the central government to municipalities, and launching a number of initiatives to change the traditional administrative culture towards a performance, results, quality and service (to citizens, and increasingly to customers) - oriented one.

2. MARKET-TYPE MECHANISMS (MTMs)

Introduction

NPM holds that government can never be efficient enough; even when government can produce a service at a lower cost than the private sector, this is still not efficient enough as taxation is still required (Cohn: 1998). This logic encourages public managers operating under NPM to continually be on the lookout for ways that would allow them to turn over some or all of their activities to either the private market or nonprofit, non-governmental organizations and, hence, cut the need for taxes, even if private provision raises the cost to consumers of these services or lowers quality. For services that still require public funding raised through taxation, the aim of NPM is to enmesh public managers in a chain of relationships involving market-type mechanisms.

The basic argument of the market-based reform approach is that the mechanism of competition can be utilized to make public organisations reduce their costs and perform their jobs better. This improvement in performance is argued to be equally likely whether the competition is among organizations or if it is among individuals. Hence, initiatives can be considered to fall within the realm of market-type mechanisms if they include at least one significant characteristic of market (e.g., competition) (Dinsdale: 1997). A number of market-type mechanisms have been introduced to the Turkish public services, both internally (e.g., user charges), and externally (e.g.. contracting out).

Contracting out

Contracting out is the most known method of marketisation in the public services evidenced in many countries where it has become a normal practice. Its legal base in Turkey is the State Contracting Out Act (No. 2886) which came into force in 1983 under the military government prior to the government of the rightist Motherland Party. It has since been extensively applied in local government of different political affiliation, as well as in central government departments and autonomous agencies. It is particularly embraced in services with little strategic risk, such as catering and maintenance, street cleaning, building construction, and refuse collection (Falay: 1994). It has also been implemented in certain cervices which involve major risk, like information technology.

Commercialisation and user charges

The logic behind the idea of installing commercialisation into public services is that many public activities which currently cost the taxpayer money could instead earn it, or at least cost less public money. Charges can be used to price public facilities or to pay for many other services which are provided either free or for arbitrary or nominal sums such as garbage collection. Once separated from government, many production activities can price their outputs like any private firm. In this context, Osborne and Gaebler contrast the Los Angeles Olympics which made money with other Olympics which have spent local public money and left behind public debt (Osborne and Gaebler: 1992). In addition, they mention a number of other public services that can easily be charged. Setting up such activities or events as commercial operations can turn cost centres in the public sector into profit centres (Foster and Plowden: 1996, p. 49).

The method of charging the users (or consumers) of a particular service has increasingly been used in the Turkish public services particularly since the 1980s in a number of ways. The first application is to increase the price of a public service in the peak times which the demand for the service is high. The second method is to divide the charge for a particular service into certain slices such as differentiating the charge of a service for children and adults, and for the ones with high income and low income. Another type is to charge the external users of a public service, such as setting a charge for non-resident users of a library and making it free for local users. Public managers are often empowered to determine the amount of charges for a certain service; the charges do partially cover the costs of a service in most cases, while sometimes management makes profit for the services it provides.

A striking example is the widening application of university tuition fees. Principally, the university education is supposed to be a "public" service and therefore free. However, rising expenses and increasing public awareness on the tax burden led the government to find alternative ways in financing university expenditure, such as tuition fees. In addition, user fees has become common practice in many other public services such as public hospitals, government schools, law courts, passport and identity card services, and permission for construction, policing services, and a number of local government activities.

From public service to entrepreneurial spirit: the *revolving capital* (doner sermaye) method

Another important way for commercialization of public services and transforming the Turkish public organizations into business-like operations is the *revolving capital* method. In this way, public agencies and institutions market the goods and services they produce, and strive for profit out of their activities. Although this method was in application long before the 1980s, it has become widespread throughout the last two decades. The governments enacted a number of decrees which facilitate establishment and development of the revolving capitals. According to the current law, almost all public organizations can establish their own system of returning capital.

The working style of a revolving capital system is similar to a private company; it produces certain amount of goods or services, it works according to market principles (i.e. it determines the price of its goods and services by taking account of market prices), and it markets its goods and services, be it public service or not.

However, there are certain legal and ethical constrains on the revolving capitals system. Although not in a strict sense, they must operate within their restricted areas. For instance, according to the decree which operationalize the returning capitals in the higher education institutions, returning capitals established within a university or certain units of a university must operate in academic research and related fields (Decree which operationalize the Higher Education Law, No. 2547). Article 3 of the decree limits the use of this method by a higher education institution to the following areas: explaining their academic view, preparing projects, conducting research and similar services, executing the results of innovations made within the institution, providing such services as patient treatment and similar activities in university hospitals, and producing other goods and services which are related to academic activities.

The returning profits are shared in two ways. One part is allocated to the financing of the department's expenditures and the other is shared among the managers and employees within the organisation, as rewards / incentives for their contribution to the efficiency of the services.

The application of returning capital has been a significant tool widely used by the public organizations, particularly large producers of goods and services such as universities and hospitals. who act as entrepreneurs. The profits gained in this way has been increasing sharply. For instance, in 1997, Istanbul Technical University gained US$ 4 million as a result of the operations of its returning capital, while Middle-Easter Technical University gained US$ 6 million.

Vouchers and grants

Widespread use of vouchers is an important element of market-type mechanisms in government (Self: 1993). Issuing vouchers and grants to enable their users to get the services which were previously provided by the government from private sector is a new but developing tool in the Turkish public management system as well. For example, the quality of health service has been encouraged by a kind of voucher (green card) paid by the government to a hospital that can be selected by the consumers (patients). The aim of this policy is to increase competition among hospitals as well as to provide cheaper health service to those persons among the population who are in receipt of low level salary.

Likewise, the Agricultural Harvests Office (TMO) started issuing vouchers to protect farmers against inflationary pressure. In this system, the Office gives vouchers to farmers in return for their products, and a farmer can cash this voucher in the private sector as well as in the Agricultural Stock Exchange or in TMO. The voucher system has been in use in pilot provinces such as Konya (Sabah: 1997). In a similar vein, the government has developed the policy of paying a certain amount of cash to public employees as a contribution towards their accommodation rents, instead of directly providing public accommodation. In this way, public employees' demand for publicly owned accommodation is transferred to the private sector. Likewise, instead of the previous policy of building boarding schools, the government has recently been implementing the policy of providing student grants and vouchers to enable them to buy education services from private sector (Falay: 1994).

Leasing

This technique involves lending public properties to private sector. In the Turkish public management, it generally means letting idle properties of the state economic enterprises, such as land and machines, to private sector for a fixed but short term contract, and selling it at the end of this term. The Leasing Act of 1986 (no. 3226) states that "leasing is a contract by which an owner lets land, property etc. to another person for a specified period for an agreed sum of money or benefit". In this way, management rights of the State Owned Enterprises give them power to let to private sector up to four years, although it is not a common practice at present (Falay: 1994).

3. PARTICIPATION AND PARTNERSHIPS

a. Participatory reforms

Participatory reforms intend to improve organizational performance through *involving workers* more in the decisions of their organizations, and *involving customers* in those decisions. The assumption behind this set of techniques is that "...employees possess a great deal of knowledge about their jobs which has not been drawn upon adequately by traditional management, and that the customers also understand a great deal about how policies should be managed" (Peters: 1997). A clear aim of these techniques (e.g., quality management techniques) is to increase motivation, commitment and job satisfaction among employees through giving them the opportunity to make their "voice" heard. Since the customer-orientation was examined as a separate issue in this chapter, the second leg of participatory reforms will not be the issue of this part. Instead, application of *quality management*, one of the best examples of worker involvement in public organizations, in Turkey will be examined here.

Quality Management in the Public Sector

As with numerous other countries, quality management has become a buzzword in Turkey, it is the case when it comes to study of quality management techniques and their application in some private sector companies. An increasing number of private sector companies are interested in applying these techniques. "The consciousness about quality" has been increasing (Turkiye: 18.12.1997). There are many public symposiums, and training programs have been organized, and more importantly, quality awards are granted by public, private and voluntary sector organizations (Turkiye: 8.1.1997). An increasing number of Turkish companies have also been obtaining quality awards from international quality standards agencies.

Under the competitive pressure of the private sector with regard to quality, the Turkish public sector has also increasingly become aware of quality management and interested in application of some of its techniques within public sector organisations. The office of Presidency, Prime Ministry, and a number of other departments and agencies have prepared reports about the possibility of importing quality management techniques to their organisations (Turkiye: 13 Kasim 1997, Milliyet: 8. 1. 1998). However, there is no central initiative to apply them wholly, although service quality improvement has been an implicit part of the public sector reforms. Generally speaking, initiatives by individual agencies and their staff have been the driving force. In this context, it would be instructive to scrutinize one example of quality management initiatives in the Turkish public sector.

A pioneering initiative: TQM in the Department of Industry and Trade (DIT)

In 1997, DIT launched a programme of total quality management, which was prepared by an academic, Prof. Aziz Akgun, and emulates successful application of TQM in a number of countries, within the department and its line agencies (Sabah: 13.11.1997, Turkiye: 13.11.1997). In the first place the initiative has been put in practice in the headquarters of the department and its units in a number of pilot provinces. Having the target of "becoming the best organization of the state" (Zaman: 13.11.1997), the department intends to win several quality awards, so far clinched by a number of Turkish private sector companies (Toker: 1997). As a first step, the department signed a cooperation agreement with the Turkish Standards Agency (TSE), under which TSE monitors DIT's efforts at quality management. The aim is to obtain TSE's TS-EN-ISO 9000 quality management and TS-EN-ISO 14000 environment management standards (Zaman: 23.1.1998).

The department has been focusing on integrating into its organization, the four main principles behind the quality service strategy: client orientation and involvement, employee involvement and empowerment, teamworking, and continuous innovation and improvement.

On the issue of *client involvement*, three key components were identified: consultation, service standards, and measuring client satisfaction. The department developed a comprehensive strategy for consulting with clients which involved using a variety of methods such as advisory groups, surveys on various issues, and focus groups. The DIT also began to *set and publish* measurable service standards for key service areas (Zaman: 13.11.1997). in addition to having a more effective complaints and redress mechanism in place, that deals with service-related complaints (Sabah: 13.11.1997). The department also launched a set of measures for client satisfaction with the quality of service delivery. However, there has been little progress in this field to date, although there are some surveys conducted to measure client satisfaction.

Other major changes , including the prospective ones, in the management of the department with regard to client involvement include

-establishing a reception and information centre as the first point of contact with customers and the public. The aim is to provide comprehensive guidance to maximize access facilities to the customers.

-all units of the department must provide telephone facilities for client use, in addition to boxes for the receipt of requests and complaints

-all employees and managers to wear identification badges, and not the clients as is the prevalent practice

-telephone lines for public information to be free of charges

-written service standards to be displayed in every office for the information of all personnel.

Client involvement is not restricted to the measures listed above, rather it has gone beyond superficial actions. For instance, with the slogan of "let consumers manage", the minister, Yalím Erez, requested that the managing boards of the companies affiliated to DTI will consist of representatives of trade and industry chambers, universities, line agencies of DIT, major client companies, and employees, instead of political appointments. Likewise, a representative of the Journalists' Association has been appointed to the management board of SEKA, a SEE which is affiliated to DIT and functions in the paper industry, as the newspapers are among the major clients of SEKA. Similarly, Erez appointed the head of the Chamber of Agriculture, who used to complain about the goods and services a unit of DIT produce, to the management board of the related unit and empowered him to monitor the quality of the products, with the condition that he will be responsible for meeting the target of certain increases in the quality of the goods and services the particular unit produce.

"For client orientation to become part of the corporate culture, employees must be involved in the process. Without *employee involvement*, improvements in service delivery will be slow" (Treasury Board of Canada: 1996). Perhaps this is why, employee involvement is a fundamental issue in the TQM experience in the DIT. The initiative itself has been based on a questionnaire distributed to the employees which asks the question of "how can you do your job better?" (Hurriyet: 30.10.1997).

As tools for the principle of employee involvement, two broad mechanisms have been used, namely *communication and consultation mechanisms* which involve using communication vehicles such as newsletters, information sessions and working groups, and best practices workshops, and *training/skills development*. DIT developed a training strategy to ensure that employees have the skills and tools to enable them to improve the quality of service delivery. At their discretion, public managers in the department are empowered to survey employees on quality services. In addition, a number of measures to *increase the motivation of employees* have been taken, including sending flowers to employees on such special occasions as birthdays and marriage anniversaries, and improving the standard of the restaurant within the department and providing cheaper and quality meals in exchange for their increased productivity (Sabah: 13.11.1997).

Continuous improvement and innovation and alternative service delivery has been the third leg of the quality management framework in the DIT. Streamlining, devolution of authority, process improvement and reengineering, and alternative ways of service delivery are among the new buzzwords within the department. A number of significant measures taken or in the pipeline in this direction, includes the actions below:

- Operational and strategic issues have been largely separated. The minister, Yalim Erez, and top level bureaucrats in the department delegated their powers in almost all operational affairs to lower levels. Erez declared that, afterwards, he will be interested in only strategic issues.
- A number of procedures will be simplified and numerous operations will be made available on line. For example on-line application for establishing a company will be made possible. In addition, all major documents of the department will be published on-line.
- Regulations is being eased, and time-consuming procedures are being simplified. For example, the Department of Trade and Industry will no longer have a commissioner in companies with less than twenty stakeholders.
- All operations of contracting out have been decentralized.
- Hiring employees and managers of relatively low level will be made by province governors, rather than by the minister which was the previous practice.

As noted above, the TQM initiative in the Department of Industry and Trade is a recent initiative and is still in its infancy. The Akgun Report (Zaman: 13 November 1997) stands as the blueprint for reforms: Of its recommendations, a few have been implemented, many are in the pipeline while others are under consideration. However, there is evidence to suggest that the initiative has so far proved significantly successful (Sabah, Zaman, and Hurriyet: 13 November 1997). The initiative is raising fundamental issues about the relationship between the state and the citizen, altering the public perception of the department and its services and the way public servants interact with the public and the way the public service is organized. In addition, it is changing the relationships between politicians and public servants by ending or reducing the political effects on the appointments to the managerial posts within the department. In a short time-scale of one year, more than 63 politically driven appointments have been written off. Public managers, and representatives of client groups and employees, have been appointed in their place according to the principle of merit.

However, while these impacts are generally acknowledged, there is less hard information about what is actually happening "on the ground" in terms of improved performance and client satisfaction. This requires further study.

b. Partnering with private and voluntary sectors

Build-Operate-Transfer Model as a form of Public-Private Partnerships

Build-Operate-Transfer Model (BOT), initiated in 1980s, has been one of the most used models of public- private sector co-operation in Turkey since the second half of 1980s. According to this model, private firms, especially foreign ones, are supposed to establish the public services which require large finance and high-tech and operate them for a fixed period of time before transferring them to public ownership. Potential investors are offered some attractive incentives such as guaranteed levels of revenue by the Treasury, and export incentives.

The Turkish government expects not only to provide cheaper service, but also to solve one of the chronic problems of the Turkish public sector: lack of high-tech and expensive equipments necessary to improve the delivery of public services. Nevertheless, the efficiency of BOT model in solving these problems is a matter of debate. The opponents base their arguments on the claim that technology changes rapidly and by the time the private company left, the machinery established would be out of date (Tatar: 1993). On the other hand, the proponents argue that this model would create, and has indeed created, extra incentives for the private sector to be involved in these issues.

Public- third sector participation

Another development in the past fifteen years has been the dramatic increase in public-voluntary sector co-operation which means "an arrangement between a government and a voluntary sector partner for joint policy making, funding, production, delivery and management of a service or a production of goods to a particular constituency or the public at large" (Kernaghan and Carigh: 1997). Although Turkey has a long history of government co-production with the voluntary sector at the local level in a variety of forms, the popularity of public- voluntary sector participation has spread to other levels of government and to an increasingly broad range of services in recent years. The impetus for this has been the very real fiscal pressures on governments and the perception that public- voluntary sector cooperation is cost-efficient, the ascendance of

- the political ideology of smaller government and the realization by governments that, in some cases, the voluntary or private sectors have a much better capacity to do a good job.

However, there are considerable problems of public- voluntary sector participation in Turkey. First, the resource problems facing the voluntary sector are acute. The sector relies on government funding to a considerable degree. The business community in Turkey has not been a major supporter of voluntary organizations. Decline in government funding for voluntary organizations has thus been catastrophic. Not only is there increased pressure on them to do more with less, in terms of service delivery, but the fiscal squeeze has also had a devastating effect on the core infrastructure of voluntary organizations. Another factor hindering development of partnership concept is that governments have yet to understand fully that the voluntary sector is, by nature, based on particularism and collectivization. Voluntary organizations exist to respond to the needs of particular segments of the population such as children in need, ethno-cultural groups and persons with disabilities. The particularism of voluntary organizations is their comparative advantage and an important motivation for individual volunteers.

The impact of public -voluntary sector participation on public administrative system is, and will likely continue to be, significant. For instance, the increased use of third sector organizations to deliver government services, like the use of public-private partnerships and contracting out, will, it is highly likely, have substantial repercussions for the role of public servants. They will be increasingly required to develop and administer contracts, a field that requires skills and qualifications that are different for those required for direct service delivery. A critical question in this context is the extent to which politicians and public servants can and should remain accountable for the results.

4. EMPOWERING ORGANISATIONS, MANAGERS AND COMMUNITIES

a. Decentralisation and Devolution of authority

In a sense, management means "taking responsibility for the performance of a system" (Metcalfe and Richards: 1993, p. 217). However, there are certain preconditions for such a responsible management, such as autonomy. As Mussari (1997, p. 5) correctly argues, "...autonomy is a precondition, necessary but not sufficient, for an effective management and it is the same as stating that it is not possible to judge someone as responsible for the results of an organization, function or a service without having made him autonomous". Perhaps this is why devolving managerial authority is a cornerstone for reforms to improve the performance of the public sector not only in Turkey, but in a number of other countries as well (OECD: 1995). In addition, NPM holds that government cannot but become more effective when its output is more accurately tailored to individualized needs (Cohn: 1998). This has led NPM's proponents to champion what has become known in the European Union as the principle of *subsidiarity.* Governance should be provided by the level closest to the people that is capable of carrying out the task.

New managerial freedoms are balanced by greater accountability involving specification of targets, performance measurement and reporting of results achieved. Central control is enhanced at a strategic rather than operational level.

Devolution of authority to lower levels, which involves letting managers manage as well as making managers manage, applies to relations between central management bodies and line *departments and agencies, within line departments, down* the line and to local offices, and between parent departments and subordinate bodies.

Decentralisation to localities

Decentralisation of some powers and authorities of central government to localities has been another dimension of the government response to slow change in the administrative culture in the central government departments and agencies towards a results and performance-oriented managerialist one (Heper: 1989). Decentralization to localities has concerned the municipalities in the first place.

First of all, two-tiered municipal systems consisting of a metropolitan municipality and several district municipalities were established at the major urban centres. The second step was to empower the newly created metropolitan municipalities; the tutelage powers of the ministries of Public Works and Resettlement and Interior over the metropolitan municipal centres were extremely curtailed and the resources at the disposal of the municipalities were bolstered. For instance, the index of municipal share of national budget in 1985 was five times the 1981 figure (Heper: 1989, Keles: 1987). In addition to the sharp increase in a number of local taxes, municipalities were authorized to collect property tax for themselves. In the mid-1980s, the municipalities no longer suffered from a lack of resources and they used their newly- acquired revenues for providing an ever-increasing volume of services (Keles: 1987).

However, the first initiative of decentralisation in the mid-1980s stopped at the level of metropolitan municipality; it did not extend to the district municipalities, despite the fact that the district mayoralties have been a success story (Heper: 1989). In comparison with the earlier periods, most of the district mayors in Istanbul have had a private sector background and this explains their dynamism. According to the officials in the ministries of Interior and Reconstruction and Settlement, "what had been achieved in the major urban areas since the two-tiered metropolitan municipalities had been established had been two or three times what could have been done before in a comparable time period...the district mayors were responsible for higher level of performance" (Heper: 1989).

A second, and more comprehensive, initiative of decentralization is in the pipeline. Based on the Seventh Five year Development Plan, the programmes of the new right governments include a project for a large-scale decentralization of authority to local government and to local agencies of the central government (Government Program of 55th Government). According to the project, the central government delegates most of its executive powers, excluding its powers in the areas of defense, justice and policing, to the prospective empowered Province Economic and Social Councils which consist of local parliaments and civil society organizations (Hurriyet: 21.7.1997). This project of second initiative of decentralization to localities is expected to be enacted within the year 1998. Although it is still in the shape of draft act, there is a wide consensus on this law to be enacted (Sabah: 28.11.1997).

Devolving budgets and other financial resources

Devolving budgetary responsibility involves the delegation of control of financial resources to line managers. The chief aim of this method is to increase accountability, particularly by aligning managerial and financial responsibilities and by relating service provision to cost. In practice, this means the designation of existing managers as budget holders. Delegated budgetary responsibility includes the control of costs as well as expenditure.

The main assumption which lies behind this method is that in order to improve performance of a public sector unit, detailed budget controls are among the first to be relaxed. "This may at first seem paradoxical when there is such pressure to reduce public expenditure. But it is now clear that better quality expenditure, better value for money, and reduced expenditure require a different kind of control" (OECD: 1995).

In the Turkish case, there are a number of initiatives which aim to reduce the end-of-year rush to spend by allowing departments greater end-of-year flexibility in managing budgets. One method to put this into practice is allowing public organizations to borrow from the subsequent year's allocation. In addition, there are still few in number but there are increasing cases where public bodies are financially empowered with flexibility to carry over a proportion of unspent funds to the following year.

Another increasingly popular approach to budgetary flexibility is to consolidate all administrative expenditures into a single running costs appropriation subject to strict overall cash limits (torba butce). Consolidation is expected to enhance performance culture in public organizations, in that "a single budget line for administrative costs makes it possible to use different combinations of staff, consultants, information technology, and other resources to produce results in accordance with programme targets, local needs and changing priorities" (OECD: 1995).

An important example for the application of the method of consolidation would be the recent higher education reform which involves providing a large scale managerial and financial autonomy to individual universities, including devolving budgetary responsibilities from the Higher Education Council to individual universities (Hurriyet: 13.10.1997), increasing the application of torba butce (consolidation), and introducing the notion of *performance budgeting* to the university system (Zaman: 16.1.1998), among a number of other financial and managerial flexibility measures (Zaman: 8.12.1997, Hurriyet: 23.12.1997).

However, in comparison with the countries like New Zealand and Sweden which have transferred their budgetary system to accrual based budgeting, performance-based annual reporting, and long-term budgeting, the budgetary flexibility and devolution efforts in Turkey seem to be in their infancy.

The financial dimension of "empowering managers": Extrabudgetary Autonomous Funds

Economic and financial decisions are directly taken by the units connected to Prime Minister since the early days of the ANAP government in order to overcome the resistance to reform from bureaucracy and interest groups, to speed up the decision-making process and to prevent co-ordination problems. Another important obstacle which delays structural adjustment and public sector reforms is the existing budget system which depends very much on the traditional bureaucrats of the Department of Finance. This important vehicle of intervention in the public policy-making and reforms has been, to a large degree, made ineffective through the proliferation of extrabudgetary funds.

Prior to 1980, there were only thirty three funds, all small and some date back to 1940s, but twenty four were added between 1980-83 and forty eight more during the years 1984-90 (Onis and Webb: 1994). The largest funds are the Public Participation Fund, the Mass Housing Fund, the Support Price Stabilization Fund, and the Defense Industries Support Fund, and small funds include Justice Management Improvement Fund, Cement Fund, Universities Research Development Fund, and Mosques Construction Assistance Fund. "These funds were initially established as agencies to fund priority economic activities, in spite of the temporary borrowing constraints on the central government.... and to make imported consumer goods...socially and politically acceptable by taxing them for popular purposes" (Onis and Webb: 1994). For instance, the newly elected Ozal government announced that a surcharge was to be levied on luxury goods, with the revenues earmarked for the Mass Housing and Public Participation Fund.

The funds have been assigned to various organizations, according to the area of concern. Soon after the move to proliferation of funds, almost all ministries and other organizations wanted to have one or more funds, since they were convenient ways to avoid the inspection of the budget process. Although it is necessary to have a parliamentary law to create an extrabudgetary fund, the amount of the levy and the expenditure of the fund could be set by decree after establishing a fund. The variable levies were set by the appropriate deputy undersecretary for treasury and foreign trade in consultation with the relevant fund. As Oyan et al. argues, the cheque on the creation of new funds generally comes from the revenue side; legislators and interest groups resist additional taxes, but this does not stop their proliferation, particularly where trade taxes have protectionist effects (Oyan et al.: 1991). The increase in the revenue of the funds has also been tremendous; it was more than 11 percent of GNP in 1990 which was more than half of all public sector revenue, while it was only 1.3 percent in 1981 (Oyan et al.: 1991).

In addition to providing flexibility to managers in financial management, particularly in revenue collection and expenditure, the funds created alternative ways of funding public services. They removed economic decision-making from the normal bureaucratic routines and from the possibility of political oversight. However, the funds could not escape criticism. A number of critics (such as Onis and Webb: 1994, and Oyan et al.: 1991) blame the funds for creating rent seeking opportunities that distorted the political process, for being used for political purposes such as rewarding municipalities that voted for the ruling party, reducing the transparency of the import protection regime by being used as important means to offer selective protection against import competition for industries favourable to the government. Equally, the critics emphasized the possibility (and sometimes practice) of misuse of funds and its consequences, *rather than* the notion of extrabudgetary funds and their use in public management process.

Political control over the funds became less centralized over time. At the beginning, Ozal controlled the funds closely, as he did other aspects of economic, social and other areas of policy, but as the number of funds grew, he could no longer monitor them (Onis and Webb: 1994). When he moved up to presidency in 1989, control of most activities of funds were devolved to the individual ministries. In 1992, the new government put the control of the funds under the treasury.

Delegation of authority within public organisations

It would not be incorrect to argue that delegation of authority has been one of the major issues in administrative reform efforts in Turkey for a long time. The present regulation allows almost all managers in public organizations to delegate their authority to lower levels (i.e., see Law 3056). However, this has been mere rhetoric and could not be put into practice mainly because the Turkish experience has encountered a number of practical as well as potential problems with implementing devolution of authority. For example, it raised concerns about a potential loss of service-wide perspective as public bodies focus on their own affairs and become what have been described as "individual fiefdoms". The consequential threat to service unity and the overall coherence of government action is emphasized by a diminished capacity to generate service wide information. In addition, the question of "what is the appropriate level to which decision-making powers should be devolved in an organization" remains an unresolved issue.

Furthermore, many organizations are moving cautiously, being fearful that relaxing central control of expenditure will undermine fiscal consolidation efforts. Likewise, the process of devolution of authority has also been slowed by some managers' reluctance to use their new freedom and by the entrenched behaviour of some managers in central management bodies.

However, during the last two decades, the negative attitude to delegating authority seems to be changing. A significant number of managers within public bodies have delegated their authority to lower levels in order to provide more efficiency in delivering public services. For instance, all top level public managers in the Department of Industry and Trade are required to delegate their operational authority to lower levels. Similarly, Ersin Taranoglu, the present Minister of Forestry, ordered all public managers within his department to hold only their strategic functions and to devolve operational powers (Zaman: 1997). There are also widespread ad hoc initiatives taken in this direction (PM Admin. Dev. Unit: 1989, 1991, 1994).

Decentralisation of Human Resource Management

In Turkey, the general framework and objectives for human resource management are set principally at central level. Collective arrangements concerning for example long term commitments from the state as an employer on such issues as job security and pensions as well as collective agreements on salaries are negotiated at central level.

However, the government has taken new steps which aim at increasing the influence of individual agencies on pay determination. In order to further increase the agencies' powers as employers, the State Personnel Agency has been empowered to help agencies in dealing with their personnel.

In most agencies there is a central unit in charge of personnel matters (ozluk isleri). However, this unit principally deals with policy and provides support to managers. Agency line managers have increasingly had more responsibility for their own decisions on appointment and allocation of staff, as well as implementing, and sometimes defining, tasks of the unit they manage. For instance, the Religious Affairs Agency devolved the power of staffing their office, especially hiring imams (Islamic priests) and other staff to provincial muftis (Islamic equivalents of chief priest). Similarly, several central agencies devolved certain functions to their line agencies or units. For example, the departments of Forestry, Industry and Trade, and various units of Prime Ministry delegated their authority of hiring new employees and workers, determining extra payments to their staff on the basis of performance and work difficulties, and handling a number of other personnel matters to their line units (Zaman: 1997, PM Admin. Dev. Unit: 1989, 1994).

b. Empowering communities

One can go beyond the decentralization of provision to consider how to involve the community benefiting from services directly in production, and to empower citizens in this way, rather than leaving them as passive recipients (Foster and Plowden: 1996, Barzelay: 1992). Normally government service workers are those whom the labour market naturally provides , and occasionally those employees in public services often live away from those they serve. New Public Management suggests that "one should instead motivate those living on housing estates to help manage themselves and their neighbours, rather than hire outside housing managers living in the suburbs" (Foster and Plowden: 1996, p. 53). Likewise, parents can run schools more efficiently and perhaps cheaper than can bureaucrats. Major methods of community empowerment in Turkey are discussed below.

Volunteers

In this method. voluntary persons work in public services without claiming any charge or with relatively less charge. In this way, the burden of personnel in the public service is substantially reduced, therefore less public money is spent for the particular public service. With the help of religious and cultural factors, "volunteers" method is widely used in Turkey, particularly in the services where public consciousness is high on the necessity for particular services, such as emergency matters in health services, crime prevention, community services, school and mosque construction, and cultural programmes.

Self-help

Self-help involves government encouragement to individuals and groups to produce / provide the public services they need. This technique has long been used particularly in local services in the shape of non-profit organizations, co-operatives, and other styles of local co-operation. It is a kind of utilization of civil society elements in the production of public services. The role of government here is to abolish the legal obstacles these organizations face and sometimes to contribute to their establishment and to provide limited financial help. Small or bigger, this kind of initiatives has become widespread in Turkey, particularly since the 1980s.

The "Community Development Initiative" which was initiated by one of the entrepreneurial governors of recent times, Recep Yazicioglu, in Tokat province, which has long been called "Tokat model", provides a successful example of community empowerment in Turkey in recent times. It would be instructive to examine this model in more detail here.

The Community Development Initiative: a success story

Community Development is a method which implies the co-operation of local community with the government in order to realize socio-economic and cultural development. Although the term is often used for initiatives in slum areas of large cities in developed countries; in the Third World, it is synonymous with the term "rural development" (Keles: 1992). The term was first used in the first five year development plan of Turkey, as many less-developed countries, such as India and Pakistan, started to apply it after the Second World War.

Since a government support to self-development activities of local people necessitates a change in bureaucrats and officials' attitudes and behaviours, this approach requires a massive training of bureaucrats, as well as necessary organizational reforms. The principles of the community development approach require voluntary participation of people in public works, to take the priorities of local people into account, to encourage local leaders to participate in the works, and co-ordination with other local and national projects.

Although the method was mentioned in the first development plan, it was given up several years later. When applied, however, it has proved to be an appropriate model for the Turkish rural- local development. The best example for this is the successful applications of Recep Yazicioglu, the then Tokat Governor in between 1984-1988.

The Tokat Model

The Tokat Model was a kind of community development effort in a northern province, Tokat, which was headed by the governor himself by a co-operation of local people and the Province Special Administration (il ozel idaresi). It has been accepted as one of the most successful attempts at development in the history of the Republic, although at the beginning it did not attract favourable public opinion.

The most active role in the programme was given to district governors. First, all the funding of separate franchises of ministries in the province were unified as a collective budget and investment goods were bought These goods were distributed to district governors and to headmen in villages, according to the needs of districts. Then, by mobilizing all the officials and people, costs of labour were eliminated, and more importantly, all the mediators such as builders were removed. Thus, the total savings reached some 40 % of costs for investments in towns and 75 % in villages.

As a result of these collective efforts, whether smaller or larger, more than 2000 buildings were constructed in four years time. In the fields of education, health and commerce, a great deal of improvement was secured (Yazicioglu: 1995). According to Yazicioglu, the number of classrooms in primary and secondary schools, and clinics doubled in four years. However, the project was not limited to these fields: we also see investments in economic, commercial, agricultural fields. In addition to such public investments, the province special administration has involved in industrial and agricultural production, mines business, cultural and sportive development activities, and established joint companies in a large array of fields. Tokat Holding, which involves in import-export, for example, was founded on the framework of the model.

One of the reasons for the success the model lies in minimizing bureaucracy. For instance, since all the funds were unified and redistributed, both wasteful expenditures and scarcity of funding in related areas were minimized. In addition, what Sacit Adali calls "public co-operation" (Yazicioglu: 1995) in a program implies a technical assistance and material change among separate governmental or local institutions. It was used in all investments and reduced the costs through "economy of scale ".

Overall, it seems to be clear that, the community development efforts in Tokat are the realization of an idea which was talked a lot about since the 1960s. In the context of the entrepreneurial management as well as the principle of "self-help", , the Tokat Model was one of the most successful examples of its kind in Turkey.

5. INFORMATION TECHNOLOGY, AUTOMATION AND RELATED INNOVATIONS

An important instrument in the policy of modernisation of government has been extensive use of information technology to increase efficiency in the internal operations of the public organizations as well as in delivering services to the public and in government- citizen relations.

The Turkish government is encouraging public sector organisations as well as private sector firms to make more widespread use of computer systems by levying very low import charges on computer equipment and software. Advances in automation, computerisation and telecommunication possibilities have greatly supported an increasing number of the public sector organisations as well as the private sector in becoming more and more competitive vis-à-vis foreign firms (Milliyet: 1996). Automation and / or computerization is being implemented in almost every industry and every sector. The government itself is spending huge amounts of money on computerising the central government ministries and other public organisations such as the police force. Wide-area networks are being implemented as part of these programmes, in coordination with local and international private sector companies.

The sensitivity to the issue of computerization and utilization of information technology in Turkey does not manifest itself only on the current spending on IT, but also on long-term government plans in the utilization and development of IT. Convened at the Prime Ministry in 1993, the Supreme Board of Science and Technology (TUBITAK) determined Turkey's priority areas in the field of technology and set up 10-year targets in certain fields in which one of them was information technology. The rapid gains of IT applications have helped reinforce the view within the government that IT initiatives need special attention if the public services are to improve their performance and increase economy and efficiency in their operations and resource use. Provisions supporting IT initiatives in government have been included in the seventh five-year plan which is binding for all the public agencies. In the same vein, in 1997, the Council for Science and Technology which is headed by the Prime Minister and consists of the highest rank representatives of related public organizations, academia, and civil society decided to launch an initiative of extending the use of information technology in government. This initiative is planned to be realized within the next three years and includes

- establishing a public-network, codification of all government information, excluding secret documents, and publishing them on-line in order to provide a more "open government"(Aksam and Zaman: 20 October 1997). One will be able, for instance, to access on-line all government information on payment of taxes, student registration at universities, queries and complaints about a public service, registration of births and deaths and accessing the major libraries on-line. This system will also allow the government to make on-line surveys about the satisfaction levels of citizens about public services (Aksam: 20 October 1997). The public-network will also serve to observe and control the human resources within the public sector more efficiently, and to increase the speed of bureaucratic operations (Zaman and Milliyet: 20 October 1997).

- widening use of internet throughout the central government departments and other agencies. For example, all public hospitals will be interconnected via internet and information will flow on-line, the cadastral map of Turkey will be on internet, and the Agency of Cadastration will work mainly on-line.

-providing computers and internet connections for all public schools within the country, including primary schools in villages

-increasing the speed and use of internet in universities, and encouraging on-line conferencing, and establishing "internet-cafe"s.

-providing on-line meeting facilities in government. For instance, an on-line meeting of the Council of Ministers was held in March 1998 via a system similar to video-conferencing.

-Encouraging and supporting the establishment of "free technology zones" in certain parts of the country.

-supporting R&D activities in the field of IT and improving the existing regulations on IT, in order to encourage public-private partnerships in development and utilization of IT in Turkey (Aksam, Zaman, and Milliyet: 20 October 1997).

IT utilization in Turkey has gone beyond the planning stage: there are increasing applications throughout the country. For instance, the Department of National Education has completed a project of extensive use of IT in the internal operations of the department (MEBSIS), which includes a central management information system within the department, establishment of department-wide network, and computerization of major operations within the department and schools (Milliyet: 2.12.1997). Similarly, the Public Registration Office has been executing a large project of automation of all information and operations of the office (MERNIS) in order to increase service efficiency (Turkiye: 1997). Many other departments and public agencies such as Prime Ministry, major hospitals, central government departments and local government units are also putting their IT utilization projects into practice (Zaman: 13.11.1997, Zaman: 1.10.1996).

There is evidence that the efforts at expanding use of IT in the government have provided quick efficiency gains. For example, thanks largely to the extensive automation and utilization of IT, the State Statistics Institute completed all the operations of 1997 population census in less than four weeks, while previous population censuses took at least 8 months and required a large number of personnel (Sabah: 2.10.1997).

There are, however, a number of practical limitations to the wide and comprehensive development of IT in Turkey. These include weak telecommunications infrastructure, problems of software piracy, and poor enforcement of the regulation for protecting software property. Moreover, as English language is often an absolute necessity for IT professionals' effectiveness in the job, it must be noted that only a small proportion of the Turkish population speak English. Still, perhaps the most important problem, particularly facing the public sector, for utilization of IT in government has been financial shortcomings. Although this has been partly overcome by public- private participation and contracting out of IT services to private sector in a number of public organisations, it still remains a major problem.

6. STEERING RATHER THAN ROWING: Towards a minimal state?

Separating provision of public services from their production, or as it is frequently called as "steering rather than rowing" (Osborne and Gaebler: 1992) is already a well established tradition in a number of western countries, and it echoes a much older distinction between policy and administration (Foster and Plowden: 1996, Osborne and

Gaebler: 1992, Stewart and Walsh: 1992). In this model, the prime function of governments is to regulate economic and social activities rather than to establish and run them. A smaller but more flexible and thus efficient, effective and economic state apparatus is aimed to be created at the end. Of course this involves minimizing state involvement in economic affairs, transferring the appropriate services to private and voluntary sectors, opening the public sector monopolies to private and voluntary sector competition, supporting and empowering civil society and private sector to flourish and to become able to undertake the services the public sector ceases to provide.

Privatisation

Privatisation is the major method in Turkey, as in many other industrialised and developing countries, employed for reducing the role of government within the economy and social life, increasing the share of private and voluntary sectors, and increasing the "steering" role of the state through shedding its "rowing" functions such as running SEEs and welfare responsibilities. However, since wholesale privatisation is the extreme side of the changing role of the state, it is generally counted as out of NPM context. Because of this reason and also because it is partially examined in this chapter when focusing on organisational changes within SEEs, privatisation (within the form of asset sales) will not be explored here in detail.

Promotion of private sector (incentives / subventions) (tesvik uygulamasi)

This method involves encouraging and supporting private sector to produce public goods and services by the government through providing tax incentives and through regulations. The prime objective here is to lessen demands for public goods and services and to increase privately provided services.

In Turkey, promotions are often provided through granting tax discounts to the producers of certain strategic goods and services. The application varies from single tax discounts to periodic ones such as tax exemptions. The Turkish government devotes greater importance to certain sectors such as health, energy, and education and have developed special promotions for investments in these sectors.

Service- shedding

Service shedding means that the state leaves the production of a particular public service to private or voluntary sector and no longer perceives itself responsible for production or provision of this service. The Turkish government decided to leave production or provision of a large number of goods and services which had been provided by central or local government organizations, such as production of cements and sugar planting, to private and voluntary sector providers in order to minimize state activities and to increase the share of non-governmental sectors in the national economy and the service provision (Zaman: 1997, Sabah: 1997).

In practice, if a service is not profitable under public provision, the state perceives it reasonable financially to shed it. Service shedding is therefore a cost saving measure (Falay: 1994, p. 29). However, service-shedding does not mean totally abandoning the service. In general, either private sector or voluntary sector fills the gap. In the Turkish experience, the private sector is mostly attracted by health, transportation and related services, while the voluntary sector favours parks and recreation services.

Franchise Agreements (imtiyaz yontemi) and deregulation

In *franchise agreements*, either the whole production or provision of a particular service nationally or provision / production in a specific area is given to a particular company. The history of the application of this technique goes back over a long period, to Ottoman times. There is also a variety of styles in the application of this method in Turkey in terms of the regulatory role of the government, in some cases, particularly where the service is considered strategic for the national economy, when the company which provides the service is under a tight government control, while in general the company is free as regards quality and quantity of the production / provision and pricing for the service.

In Turkey, like in many other countries, franchise agreements has been used particularly in the sectors which are natural monopolies in character such as railways and water provision. In addition, there is a tendency to transfer such services as provision of electricity and running buses within bigger cities to a private sector company through franchise agreements because of the inefficiency of public sector in service production in these areas and the general assumption that private sector runs such services more efficiently (Falay: 1994).

The overall aim of the use of franchise agreements is to minimize the state through reducing the authority of public sector in service production in certain sectors. It is assumed that, transfer of the monopoly to produce / provide a service to private sector would reduce costs and increase efficiency. However, this method does not abolish the state of monopoly in the provision of the services, but rather transfers it to private sector. Hence it could cause new problems in resource allocation.

This led Turkish government to *deregulate* certain public services, to abolish the public sector monopoly and to open them to competition. In this context, the law 3032 abolished public sector monopoly on tea production in 1984, and the law 3291 opened tobacco production to private sector competition in 1985. The government has permitted private sector to open and run schools since the early 1980s, while previously the public sector had monopoly of all levels of education. Similarly, higher education system has been opened to private and voluntary sector competition in the late 1980s and a number of private universities have been established. In a similar vein, large satellite towns and hospitals are allowed to produce their electricity themselves or to buy it from public or private sector suppliers (Hurriyet: 4. 8. 1997).

7. EXTERNAL EVALUATION OF PERFORMANCE: VFM AUDIT AND THE COURT OF PUBLIC ACCOUNTS

Introduction

The Court of Public Accounts (Sayistay) is one of the crucial organizations of the Turkish financial system, equivalent to the National Audit Office of the UK and General Accounting Office of the US. It is an independent and well-respected organization armed with the function of a high court in financial matters as well as its chief function of external audit in all public revenues and expenditures, and presenting the results of its inspections to parliament.

It is a unique and powerful constitutional institution in that the auditors are free in determining their working styles and functions in a proactive fashion. In cases where Sayistay finds an abuse of law, it judges the responsible persons, usually accountants of public institutions, within the institution, and this kind of verdicts of Sayistay are decisive and final. This judgment procedure is the classical field of operation of Sayistay which most Sayistay auditors are occupied with (Gonul: 1996).

Nevertheless, a number of problems arise from the confinement of Sayistay audit to the accounts of public accountants. Firstly, new developments in the Turkish administrative and especially financial system such as rising inflation, and development of non-budgetary arrangements like the shift away from the single budgetary system through introduction of special budgetary funds and promotion of development of private sector through transferring important amounts of public funds to private sector companies lessened the importance of the audit of appropriateness of public accounts to law (Gonul: 1996). The public organizations and institutions with a non-budgetary arrangement such as SEEs, the institutions with special funds, several enterprises founded by local authorities and central government departments, the commercial units of non-governmental public organisations and foundations are out of Sayistay Audit. By 1995, only 39 percent of public expenditures were subject to Sayistay inspection.

Secondly, the confinement of Sayistay inspection to the accounts of public accountants prevents the implementation of new techniques of audit such as audit of risk, audit of performance and productivity (VFM audit).

Thirdly, inspection of all documents of public accountants by Sayistay has become increasingly impossible because of the fact that the number of offices of public accountants has increased dramatically, but the number of Sayistay auditors increased only modestly (Gonul: 1996). Already in 1965, Sayistay General Congress decided to inform parliament that, because of the heavy burden of work, Sayistay could not do its job properly (Gonul: 1996).

Fourthly, Sayistay audit has intensified on inspection of public expenditures because mostly budget expenditures are subject to compensation judgments reached by Sayistay. In addition, the limitation of Sayistay audit to the works of public accountants causes difficulties for Sayistay in producing necessary reports which Sayistay is supposed to present to the Parliament.

The reorganisation of Sayistay

In order to solve the above problems, Sayistay has struggled to reorganise its internal structure, to change its audit methods and adapt new techniques such as system based audit techniques, to establish units of specialisation in specific fields within the institution, to cooperate with audit institutions of other countries, to use information technology extensively in its overall operations and to use other techniques such as automation of audit process, in-service training, and taking related news of national and local newspapers as denunciation (Gonul: 1996).

However, it was not only the above problems that forced Sayistay and its reform-minded new management to reorganise Sayistay and to adapt new techniques of audit such as value for money (performance audit); the role of international literature and experiments cannot be ignored. In his article "Sayistay and Reorganisation", Vecdi Gonul, the Chairman of Sayistay, acknowledges that Sayistay managers investigated the international audit standards published by the Union of Audit Institutions (INTOSAI), the report of WB on "the Development of Accountancy, Financial Reporting and Audit Services in Turkey", the experiments of audit institutions of other countries such as Canada and the UK, and the recent literature on the new developments in auditing and accountancy, new public management and other related fields and has used them in their efforts in reorganising and transforming the Turkish Sayistay (Gonul: 1996, interviews with I. Hakki Sayin and Ihsan Goren). In addition, two surveys conducted among auditors and other employees of Sayistay helped to develop the ideas for reform in the working methods and structural organisation of Sayistay (interviews with Ihsan Goren and I. Hakki Sayin, Gonul: 1996).

Although a few incremental reforms in the working styles and internal structure of Sayistay were carried out in pre-1990 period, the transformation of Sayistay began in 1991 when one of Ozal's managerial team, Vecdi Gonul became the Head of Sayistay. Vecdi Gonul is, in Weberian terminology, a *stereotype* of the managerial elite flourished with the liberal socio-economic transformation process of 1980s and 1990s in Turkey.

We can turn now to the investigation of some of the reforms the reform-minded managers of Sayistay have been carrying out. A measure taken by the management of Sayistay for improving the efficiency of the operations and process of Sayistay audit is establishing specialisation units within the institution in such areas as health, public works, public incomes, treasury, public assets, special funds, education, local government, and the enterprises founded by and works within the public institutions (doner sermaye). The overall aims of the specialization were to collect more detailed information about the public institutions inspected, to provide more efficiency and effectiveness in the audit process, to make the audit operations more collective, and to create a service and results-oriented culture (Gonul: 1996). The first results of the application were encouraging; the short term targets were reached in the first year of application, and a considerable increase in the productivity, and efficiency of the audit operations were provided (Gonul: 1996).

In addition, specialisation within Sayistay facilitated the execution of performance audit, as a unit of performance audit has been created manned by a number of auditors trained abroad in the field of performance auditing (interview with Ihsan Goren). A development closely related to the specialisation of Sayistay was to bring audit planning system into the scene. In order to provide participation of all auditors in the management of auditing process, Sayistay began to require all auditors and other employees to prepare proposals on the inspection programme for consideration by Sayistay management. Thus, the annual inspection program has been prepared as a result of a teamworking and employee participation which encouraged extensive use of personal initiatives as well as increasing the productivity of inspection process (interview with I. Hakki Sayin, Gonul: 1996).

A significant innovation in the working styles of Sayistay auditors is to use experts in the inspection process where a high degree of expertise is necessary. It has provided auditors more accuracy in their inspections to increase their effectiveness in the inspection process. Furthermore, in addition to traditional method of Sayistay audit which is the inspection of documents only, Sayistay developed new methods of inspection such as "physical inspection" and "inspection by act". Both developments were put into practice by a change in the decree of working styles of Sayistay staff in 1994.

Another measure used for increasing efficiency and effectiveness of the financial and performance audit of the public institutions has been in-service training. It is important for informing Sayistay auditors about new techniques in auditing as well as increasing efficiency. Therefore, Sayistay has devoted importance to education activities; a significant number of auditors have been educated inside the country and the UK especially on the issue of performance audit (interview with Ihsan Goren). In 1995, Sayistay launched an intensive programme which includes joint performance auditing practices with British auditors in order to develop an appropriate methodology and provide expertise on the issue of performance and risk auditing (Gonul: 1996).

In addition to the individual attempts at reform of which some have been described above, Sayistay initiated a long-term project of modernization which includes a total reorganization of all of its units, changing its styles of working and culture towards a performance and result-oriented organization and extensive use of information technology in auditing process, which has been supported by the World Bank financially and several international institutions technically (Gonul: 1996, interview with I. Hakki Sayin).

Performance (Value for Money) Audit

Performance audit means inspecting organisations to ascertain whether they use the allocated resources efficiently, economically and effectively (INTOSAI: 1992). The traditional audit laid emphasis on the legal basis of operations and on the financial statements of public organizations. However, the rise of the notion of *welfare state* and increasing roles and functions of the state caused major changes in the aims and functions of the notion of public audit; appropriateness of the operations and expenditures of public institutions with economic rationales, and use of public resources efficiently, economically and effectively entered the agenda of audit institutions (Inan and Gunduz: 1987). With the rise of NPM approach; which perceives three Es of efficiency, effectiveness and economy, called value for money altogether, as the core of values in the public administration; performance audit is on its way to becoming a premier function of audit institutions.

The reasons for development of performance audit run parallel to the development of democracy and rising public conscience on the issues of state affairs. Large masses (as taxpayers) want to know about where and how their taxes are spent, and governments, in return, feel that they need to measure and increase the performance of the organizations they govern in order to maintain public support.

In a sense, the difference between the traditional system of audit, audit of regularity, and performance audit reflects the distinction between traditional law-oriented system of public administration and NPM which is performance and results-oriented in character. The classical regularity audit concerns only on what is being done, rather than what should be done (Inan: 1984). Hence, advocates of NPM assert that the classical regularity audit encourages passivism and risk-averted behaviours, while performance audit encourages and rewards active and risk-taking managers and managements with high performance (Inan and Gunduz: 1987).

Performance audit and the Turkish system

The major European countries developed performance audit first in the reports of supreme audit institutions to parliaments, without referring to a legal source. However, the evolution of Sayistay audit and introduction of performance audit to the Turkish system have pursued a different path; it was not developed as a result of a genuine need in the evolution of Sayistay audit process; rather, it entered the Turkish system through an adjustment of the related laws in 1979 as a result of an emulation of western audit methods (Inan and Gunduz: 1987). Although the literature on performance audit was known among Turkish academics from 1960s on (interview with Ihsan Goren and Bayram Barun), the Sayistay had showed little concern on this issue (Inan and Gunduz: 1987).This could be attributed to lack of a legal base for performance audit in the Turkish legal system as well as the fact that Sayistay staff favoured the traditional public administration approach which concerns merely with regularity audit (interview with I. Hakki Sayin).

The reasons for the introduction of VFM (performance) audit into the Turkish system were similar to the reasons of introduction of structural adjustment programme and related political and administrative reforms as well as the harmony in their timing (1979). There were serious allegations about public spending: managers of public organizations had devoted great consideration on formalities rather than aims when making expenditures and they had struggled to use all the allowances set aside for their organizations (Inan and Gunduz: 1987). In order to prevent waste in public spending and to increase efficiency, effectiveness, economy and productivity in public management, the government made a number of adjustments in the laws and regulations of public expenditure in addition to several other measures.

In this respect, Decree-Law 24 changed the article 22 of the Code of General Accounting (law 1050) and brought new principles which permit performance audit in relation to individual responsibilities of public employees and brought in some sanctions against failure, although the words "performance audit" were not mentioned in the text. It was a reform for the Turkish public management; for the first time, managers with the power to make public spending and their accountants are held responsible for not only legal appropriateness of their spending, but also for the use of public allowances efficiently, economically and productively. The law granted power to Sayistay to inspect the use of allowances set aside for public organizations, in time, in right place, and to a genuine need.

The economic and institutional reforms in the 1980s and 19990s have increased public consciousness about public expenditures. As a result, performance audit was included in the draft text of the 1982 Constitution. Yet, as a consequence of intensive lobbying by traditional bureaucrats, the National Security Council which consisted of military bureaucrats excluded the relevant part of the Article 125 which regulates the objectives and activities of Sayistay (interviews with I. Hakki Sayin and Ihsan Goren, Inan and Gunduz: 1987). However, since the Constitution did not abolish the Act of General Accounting, Sayistay retain the power to make performance audit.

Nevertheless, Sayistay auditors were hesitant to use their power to make value for money audit either in the stage of preparing report to parliament or fixing the responsibility of misuse (Inan and Gunduz: 1987). This episode illustrates that the public organizations which consisted of traditional bureaucrats, like the then Sayistay, were not willing to be used as agents of NPM-type reforms.

The sea change in relation to performance audit as well as several other reforms in the structure, working styles and techniques in Sayistay, described above, came when reform-minded chairman Vecdi Gonul took over in 1991 (Gonul: 1995, Gonul: 1996, interviews with I. Hakki Sayin). The new management of Sayistay has striven to develop and institutionalize VFM audit in Turkey in mainly two ways.

First aspect of these efforts has been to train auditors. In order to provide performance audit training, Sayistay developed close cooperation with the academic world and the supreme audit institutions of other countries especially on the issue of performance audit. Since 1993, Turkish and British auditors worked in a number of projects which aimed to develop performance audit in Turkey; a considerable number of Sayistay auditors have been educated in the British NAO . In addition, experts from Canada have been invited to Turkey to provide technical assistance to Turkish auditors for performance audit (Gonul: 1995, Gonul; 1996).

Another aspect of the efforts of the new management of Sayistay to make performance audit take root was to propose the Law 4149 which clearly defines VFM audit and strengthens its legal basis. The law was approved by parliament in 1996 and performance audit became one of the missions of Sayistay. According to the Law 4149, Sayistay may inspect all expenditures, purchases, and related processes of public organizations on the grounds of value for money, but contrary to regularity audit, it presents the results in its report to parliament instead of judging those responsibles within the institution. In a sense, the mission of Sayistay here is to create public opinion about public expenditures and value for money in public sector, as the final responsibility to act against low performance is on the shoulder of parliament. However, performance audit is a useful mechanism for putting problems of low performance on the agenda as well as serving as a tool of benchmarking in the public sector; innovations and stories of success can come to light and be transferred to other organizations.

Although performance audit is clearly stated in the law, the hard work is to implement it in an environment that is not accustomed to such an inspection and resists to innovations in government (interview with Ihsan Goren). Armed with the power to inspect all public organizations on the grounds of VFM, Sayistay seems to be eager to carry out performance audit. Sayistay auditors have conducted a number of inspections in several public organizations, including Highways Agency and Water Agency, presented the results to the Parliament via the Head of Sayistay (interview with Bayram Barun). In order to institutionalize performance audit within Sayistay, a special unit was established under the supervision of the Head of Sayistay.

However, performance audit faces several challenges in Turkey. The head of the unit responsible for performance audit lists these challenges as follows:

"We can implement performance audit in Turkey. But, first, you have to establish the order of relations well. In Turkey, the relationships between the agents of state as well as missions of organizations is not clear enough. The bureaucracy desires to share the powers of politicians, the administrative accountability has not been developed to a satisfactory degree...In addition, the bureaucracy has been divided on the issue of change. A new class of managerial elite has entered the arena with the reform process of 1980s. However, the other part of the bureaucracy, for instance most bureaucrats of the Department of Finance, remains traditional and resists most changes. The same division exists in Sayistay...between members of Sayistay [relatively elder and traditional bureaucrats] and auditors [relatively young, more educated in management and related sciences and more open to change].

...Although there is no legal obstacle for performance management, the administrative culture remains a significant obstacle for such a change. Public finance is still perceived as a branch of law, the consciousness of taxpayer for the issue of public expenditure is rising but far from being satisfactory for now. Therefore the pressure on parliament from below is limited...The parliament has not supported Sayistay's performance audit wholeheartedly; its action on the organizations with low performance has been limited. Sometimes the organizations dictate Parliament on the issue of performance audit, while it must be vice versa". (Interview with Ihsan Goren).

8. STRATEGIC MANAGEMENT

Strategic management involves increasing "strategic capacity" which means "the capacity of the government or a department to anticipate and plan for future changes in its environment, recast its objectives and programmes accordingly, define and specify desired future outcomes, reallocate resources to achieve them, evaluate results, and measure progress" (Shick: 1996). Reforming public sector management in the line of NPM involves strategic thinking on the aims and objectives of the public sector organisations and determine medium and long term targets.

Strategic management, as an idea, has won good support from politicians, public managers and the public opinion in Turkey. There is no dispute that strategic management is an appropriate tool of governing. However, despite the growing popularity of the notions of strategic management and strategic planning, they have had a lower profile in the Turkish public management reform efforts than other elements of NPM reforms described previously in this chapter. Indeed, the inadequacy of attention to the question of strategic capacity is a serious flaw in the design of the Turkish public management reforms. Overall, the Turkish system is still geared more to the short-term production of outputs than planning for long haul, and to account for what has been produced than to evaluate progress in achieving major policy objectives.

This reflects one of the major shortcomings of the Turkish public management system: the lack of clarity and certainty that exists about the Government's overall strategic objectives, about the way these are inter-related, and about the ways in which they impact on the operations and business of public sector organisations. Budget statements have become the principal vehicle for presenting and explaining the Government's overall programme and strategic aims, generally with a short term (one year) focus. In other words, there is inadequate strategic co-ordination and management of the business of the public administration, which can be attributed to four equally important reasons:

Firstly, in Turkey, management reform has been understood as a day-to-day practical, and pragmatic response to the managerial problems, rather than a planned, visionary change management thinking. According to a prevailing assumption, the philosophy and techniques developed and implemented elsewhere and proved to be successful should be copied in the Turkish public sector organisations without thinking strategically.

Secondly, the heavy day-to-day problems do not allow, at least delay, the Turkish public managers to think and plan for the future.

Thirdly, the frequent change of governments hampers medium and long term plans of individual public organisations since incoming governments of different political and ideological persuasion do come with their own agenda and detailed programmes and public policies which often substantially differ from each other. In a similar vein, frequent rotation of top level public servants often do not allow top level management of the public organisations to make strategic plans and orient management of their organisations accordingly because, in these circumstances, few would have an idea about their position in their respective organisations.

Fourthly, in Turkey, the year is the standard time frame for most budget decisions, operations, and reporting. This short time frame does not preclude strategic thinking, but does mean that there is no assured link of current actions and future plans. In the absence of this connection, even well-intentioned plans often turn into hollow promises. Therefore, for a strategic thinking to take root, a multi-year budgetary framework should be established.

Within the framework of strategic management, the following paragraphs will evaluate the experience of the Turkish public organisations with strategic planning.

Strategic Planning in Departments and other Public Agencies

In recent years, strategic planning has become an instrument with which some departments and other public agencies chart their future course and signal the changes they wish to make. Although there is no formal requirement for a public agency in Turkey to prepare a strategic business plan except the general ones drawn by the five-year plans, they are sometimes required to do so when they seek an extra capital contribution. However, strategic planning gained momentum in recent years, spurred by the governments' own medium and long-term plans. Some ministers, such as the Minister of Trade and Industry Yalim Erez, have instructed their departments to prepare strategic plans. In addition, in a number of other public agencies, the general directors take initiative in the same direction.

Yet, there are difficulties encountered in putting strategic planning into practice in the public services.

Firstly, some plans are more programmatic than strategic; they set out desired initiatives but do not assess the department's or agency's capacity to deliver on its ambitions or the changes that may be needed in policy or operations. They often stake out claims on future resources, but the strength of these claims often is diminished by failure to connect the plan to the budget.

Secondly, strategic planning offers some opportunity to bring departmental actions in line with governmental aims and purposes. However, most of the recent practices have proved a risk that in defining the future, a department may seek to move in directions that run counter to government's interests (Shick: 1996). Therefore, strategic plans of departments and individual agencies should be perceived as expressions of the government's interests, not of the particular department's alone, therefore they should be in line with the government programmes and the general plans prepared by the State Planning Agency.

Thirdly, the strategic plans are, in general, left as documents, rather than being a force for change, where planning is a transforming process. They are not linked to action plans that specified the strategies and operational targets to meet departmental goals. The strategies and targets are often not stated in a form that facilitates monitoring progress in achieving them. This can be explained by the fact that genuine strategic planning is costly. It demands a great deal of attention at top levels, considerable expense in gathering and interpreting data, and time-consuming work in reconciling different perspectives and forging a coherent consensus that is more than the compilation of various wish lists. In view of the already burdensome demands on departments, it would be imprudent to add yet another requirement.

Fourthly, strategic plans are often longer-term versions of annual business plans, rather than concentrating on objectives, the means of achieving them, and the changes to be made in the department accordingly. Strategic plans merely promote the department and campaign for a bigger budget. The issue of what happens after a plan is prepared is as important as the plan itself. It is a common experience that the strategic and business plans are ignored after they have been published or to be taken off the shelf only during budget season to justify a bid for additional funds.

Taking into account the reasons above, it would be helpful for the central agencies to provide guidance on the preparation and use of strategic plans. As the leading agencies in strategic management, State Planning organisation, the Treasury, and PM Administrative Development Unit would take an interest to check the congruence of individual department strategic plans with the Government's plan and targets. The Treasury should be concerned with economic and financial implications of plans, and the State Planning Organisation and the PM Administrative Development Unit should investigate the capacity of the department to pursue its objectives and implement a particular plan.

CHAPTER 6

NPM in THE TURKISH HEALTH SECTOR

INTRODUCTION

The health sector has responded to the pressures of reform encountered by the entire public sector as well as to the ones which are specific to the sector, principally by embracing a number of new models of production and provision of services. The most important ones are decentralisation of public provision and establishment of health enterprises, encouraging private sector management techniques and practices in public hospitals, promotion of private sector finance and private and non-profit producers, increasing consciousness on the demands and views of consumers, increasingly adopting market-type mechanisms, and encouraging competition in the sector; all are elements of NPM which has become a dominant movement in the last two decades .

The principal aim of this section (this and the next chapters) is to investigate NPM-type policies and practices in the Turkish health care system, particularly in the last two decades. To complete this task, however, it would be instructive to survey first a brief history of the Turkish health policy; and the reform dynamics which are specific to the health sector. An examination of NPM-type changes in the Turkish health sector on health sector staff and the issue of developing new public managers in order to sustain the reforms will be left to the next chapter.

1. BACKGROUND and REFORM DYNAMICS

Historical Development of Turkish Health Policy

As has been maintained throughout this study health policy and hence the health system in Turkey and elsewhere is determined by various internal and external factors which themselves are closely intertwined. As seen from the Turkish case, the general economic and administrative policies largely determine the framework within which health policy is formulated and implemented. Particularly, major fluctuations in economic policy have prompted some parallel fluctuations in health policy, too. Within this framework, one can identify three major stages through which health policy in Turkey has evolved.

The first stage, covering the period between the foundation of the Republic and the introduction of the Socialization Policy in 1961, is identified by state involvement necessitated largely by the health conditions of the country. Because of the largely mixed character of the economy where social services were seen predominantly as a state responsibility, the state steadily increased its role in the provision and finance of the health sector. However, governments in that period never adopted a negative or hostile stance towards the private health sector (Tatar: 1993). In fact, most of them openly pledged to encourage private sector involvement. This largely stemmed from the necessity of mobilizing all the available resources, both private and public, to provide the poverty and disease stricken population with health care, rather than from political and ideological considerations. The role of the public sector vis a vis the private sector remained ill-defined throughout the first stage.

The second stage, between 1961-1980, can be identified as a period when there was an attempt to define the role of the public and private sectors in the health care more clearly. The Socialization Act did not only change the social state of Turkey with full responsibility for health but also formally declared its preference for a particular financing system. A tax based system, instead of an insurance based system, was proposed. The socialization policy, which was introduced during a pro-etatist military administration in 1961, was based on the Swedish model and radically against liberalization. Despite a promising start, the socialization process did not deliver a health system capable of dealing with the health problems of the population. Therefore it has been largely perceived as a failure.

The last and present stage effectively commenced with the current tide of structural adjustment and public management reforms prompted by the 24 January 1980 decisions. The early years of this stage did not produce any change in health policy but radical developments that took place at the macro economic level played an important role in changing the philosophy on the role of the state, thus paving way for radical health policy changes. Moreover, the general framework within which the health policy would be formulated began to be shaped prior to the acceptance of the new constitution in 1982 and appeared in that constitution. The last stage, which is still in force, could be best described as liberalization and international cooperation, which in fact means a clear victory for free-marketers. The nature and extent of the policy outcomes of this process will be discussed in detail in the later parts of this chapter.

The Current system of health care delivery and management in Turkey

Health services in Turkey are provided mainly by the Ministry of Health (MoH), Universities, the Ministry of Defense, Social Insurance Agency (SSK), and private sector. Since the total capacity of other public providers is low and they are autonomous agencies, the focus in this research will be on the MoH and its services.

The MoH is the major provider of primary and secondary care and the only provider of preventive health services. It employs 195,000 staff, it operates 691 hospitals (including specialty hospitals) with 79,632 bed capacity. A medical director, together with an assisting hospital manager, manages each MoH hospital, and both are appointed by MoH. Traditionally, a medical director is appointed on the basis of his / her reputation, not necessarily on his / her managerial abilities.

The traditional functions and organisational structure of MoH is not different from most other central government institutions: it is a large, mainly hierarchical-bureaucratic, and rule-oriented public institution with efficiency and coordination problems both in central and governmental level. At the central level, the MoH is responsible for the country's health policy and health services; while provincial directorates which are accountable to provincial governors manage health services provided by the MoH at the local level.

The spirit of traditional bureaucratic organisation reflects itself on the issue of human resources as well. Remuneration is done in accordance with the Law of Civil Servants, which establishes a pay scale based mainly on education, job title and experience. In general, there are automatic cost-of-living rises during the year, but the basic salary is not supplemented by incentives for better performance. Like most of other public servants, health sector staff are granted lifetime employment. Individual hospitals and provincial health managers have little autonomy to hire or fire their own staff.

Traditionally, the MoH is responsible for *financial resource allocation* for both recurrent and capital expenditure once its budget is approved by parliament. The Ministry of Finance directly allocates funds to some budget lines such as salaries, to the accounts of hospitals or to the provincial health directorates, following the authorization of MoH. One chief characteristic of Turkish health care finance system is that *total health expenditure is very low*, accounting for between 3.0 to 4.3 percent of GNP since 1963 (the annual growth rate of GNP is currently 5 percent), the lowest among OECD countries. Financing of health care in Turkey is quite complex, since a large number of agencies are involved in provision and finance of health care (Table 19). Approximately 45 percent of total expenditure is financed by taxation, 20 percent by social insurance funds, and the remaining 35 percent by user charges.

Table 19: Provision and Financing of Health Services

Provision of services	Sources of funds
Public	**State Budget through**
Ministry of Health	Ministry of Health
Social Insurance Organisation	Higher Education Council-Universities
University Hospitals	Ministry of Defense
Municipalities	Other public sector Sources
State Economic Enterprises	
Ministry of Defense	**Compulsory Insurance**
Other Ministries	Social Insurance Organisation
	Bag-kur
	Emekli Sandigi
Private	**Private Insurance Funds**
	Out-of-pocket payments (user charges)

Source: Price Waterhouse (1990), Health Sector Master Plan Study, Ankara: SPO; MoH (1997) Country Health Report, http://www.saglik.gov.tr

Dynamics for NPM-type reform in the Turkish health system

NPM-type changes in the Turkish health system has been based on political, ideological, financial, and economic rationale and dynamics all of which reflect the main rationales put forward for similar policies in the health sector of many developed countries.

(i) Political Dynamics

As discussed earlier, the 24th January 1980 decisions marked the beginning of a dramatic change in the philosophy that had long underpinned the role of the Turkish State to that of liberalization, privatization, and minimal state. A clear expression of this can be found in the assertion by former Prime Minister and President Turgut Ozal: "...reducing state interventionism to a minimum, where possible, is the first and foremost basic principle of development" (his speech in Parliament on the day when he assumed the presidency).

This general attitude change, in turn, has had a significant impact in almost every field of national life, including health, in later years. For instance, in the same speech, Ozal reiterated his commitment to an insurance-based health care system by declaring that "I believe that our...economic power must be used for ...creating a health insurance [system]that would cover the whole society". As will be explained in the next parts of this chapter, this assertion is only "a tip of an iceberg of a changing health care policy" (Tatar: 1993) and a clear indicator of the direction change in the sector towards what could best be described by the notion of NPM. Although this trend towards NPM principles in the health sector was initiated by ANAP governments, the later coalition governments have maintained it, despite their previous disapproval of ANAP's health policies.

(ii) Ideological dynamics

An ideological stance taken by governments since the turn of the decade of the 1980s which shows clear resemblance to the New Right ideology has underpinned health policy in Turkey. NPM-type policies have emerged as the overriding economic policies affecting other social sectors including health. Besides, a strong allegiance to the *free-market ideology, e.g.,* trust in the supremacy of private sector in terms of effectiveness, efficiency, economy, choice, quality, and responsiveness to demands of patients have played a significant role in developing major components of the health reforms.

(iii) Demands and pressures of external organisations

The good relations between such international organisations as WHO and WB and Turkey has a long history, as explained in Chapter Three. As in several other sectors, Turkish government works in close partnership with international organisations on health reform issues as well, and receives technical aid and guidance as well as financial support.

In line with WHO's recommendations to Turkish government on how to change their health policies in priority areas, WHO and Turkey have prepared and signed biennial collaborative agreements to develop projects on a few high-priority areas. In this regard, the Medium Term Program for 1996-1997 includes 17 projects, some of them are related to the current health reforms, and 200,000 US $ have been allocated for these projects (MoH: 1997).

The WB is one of the chief organisations which help developing countries on health-related issues, including management of health institutions. Its contribution towards health reforms in Turkey are both of a technical and financial nature. Among 27 projects which WB has been supervising and partly financing, three health reform projects constitute the greatest ones, along with few others.

All the three WB-financed projects have managerial change elements. For instance, the First Health Project, which has been completed between 1991-1997, aimed to restructure MoH and its provincial branches, strengthen the managerial capacity in the sector, to develop professional health managers, and to reform the traditional administrative mechanisms in line with contemporary developments in management. The second and third projects have also similar contents, although the emphasis is more on the technical issues. The close links between the health projects and the proposed health reform package and the prescriptions of the international institutions prompt the criticisms that these reforms have been imposed by such international organizations as WB, WHO, and IMF (Guler: 1996, Ozen and Ozcelik: 1997).

(iv) Technical dynamics

There are four major technical dynamics of the health reforms that can be identified in Turkey; namely, rising customer expectations, technological improvements, resource constraints, and shortcomings of the present health care system.

Rising consumer expectations

The change in consumer expectations in the health sector result from greater awareness of individual rights, by improved knowledge about how people can keep healthy, and by expectations, albeit not always realistic, about the potential offered by technological advances around the world. The following quotation summarizes the argument on this issue.

> "Firstly, people increasingly expect services to reflect the diversity of their communities and values, and to be responsive to their individual needs and circumstances. Secondly, people wish to be treated with trust, respect and dignity by service providers. They also expect to be involved in decisions about their own care, support and treatment; they expect to be provided with information to help them evaluate options and better manage their own health and well-being; and they expect to have a degree of choice about where or how they receive services. Thirdly, there are increasing expectations about the range and quality of services which could be available in Turkey. Lastly, people want a greater say about what services are to be publicly funded and how access to them is determined. People also want a greater transparency and accountability in how decisions about these services are made" (Shipley: 1996).

Technological changes and Improving clinical and management practices

Dramatic technological changes have occurred over the last two decades, producing major improvements in the way services are delivered to consumers. The main areas of technological development are equipment, techniques, IT, pharmaceuticals, and robotics. These developments are greatly improving physicians' ability to prevent, treat, and manage acute and chronic diseases. New technologies allow treatment and support services to be increasingly customized for individuals. The overall impact of technology on costs is difficult to predict. Experience in other sectors suggests that technical development brings costs down. In the health sector, however, the relationship is not straightforward. There is some evidence that, although the cost of individual procedures may come down, the overall numbers of procedures and costs may rise. This is because more people are willing to undergo procedures when risk, pain and inconvenience are reduced (Shipley: 1996).

Clinical and management practices are changing in response to technological changes and improvement in the management as well as health sciences. A clinic manager in Ankara Numune Hospital described the relationships between technology and health reform as follows:

> "When clinical practices change (usually improve), considerable investment is required to develop the health workforce. The training of professionals needs to keep up to date with new work practices. Likewise, there needs to be a commitment to continual upskilling of the existing workforce; the success rate for some new techniques and technologies is highly dependent on trained and experienced staff. We also need to keep up to date with international best practice in areas such as consumer-focused care, continuous quality improvement, business re-engineering, and other management principles".

Resource constraints

Health services worldwide are already major consumers of scarce national resources, typically accounting for between 3% and 10% of GNP. In Turkey, total health care expenditure increased from 2.3% in 1960s to 3.7% in 1995, albeit still lower in comparison with other OECD countries, and although the MoH share of expenditure on health care has remained relatively constant at around 0.95% of GNP. A MoH document (MoH: 1997) summarizes the role of resource constraints in the health reforms as follows:

> "Currently, Turkey cannot afford to satisfy a considerable amount of the medical needs of its citizens, and in this climate of increasing demand for limited resources like many other countries, Turkey has demanded increased efficiency and value for money in the provision of health care services by the public sector,

while the private sector has tried to achieve similar goals".

The general shortcomings of the current health delivery system

The current status of health care delivery presents a number of problems in Turkey. The health indicators in Turkey are not satisfactory given its level of socio-economic development, in addition to both allocative and technical inefficiencies. For instance, an interviewee believes that "the most common causes of mortality and morbidity in Turkey are, in fact, preventable and controllable" (A management adviser in the MoH SPGK). Moreover, particularly the shortage of funds, low quality of services in the public health sector vis-a-vis the private sector, wasting of resources despite their short supply, and a decline in the standards of the medical profession constitute major technical reasons f or the health sector reform in Turkey.

Likewise, the demographic trend in Turkey implies the need for change in service provision:

> "The socialisation of health services emphasized the rural services, as 70% of the population was living in rural areas in 1961 (State Statistics Institute: 1995), but currently the population is rapidly aging and urbanizing. Therefore, these factors should be taken into account in the planning and delivery of health services" (MoH: 1997).

2. The BLUEPRINT for NPM-LIKE REFORM IN THE HEALTH CARE SYSTEM: The HEALTH REFORM PROJECT (1992-2000)

The main framework of the new strategy for the health sector reforms in Turkey has been established by the Health Sector Master Plan Study conducted by the SPO. The Master Plan Study suggested four strategy options for the sector, namely: incremental improvements in status-quo, the free market strategy, the national health service strategy, and the intermediate option. The SPO preferred the Intermediate Option, and subsequently defined the main areas of reform and strategic targets for increasing effectiveness and efficiency in the sector.

Since the implementation of intended comprehensive reforms requires a long term, stable, and consistent National Health Policy which will not be influenced by different government policies, the MoH has conducted a deliberate process of policy development, by involving all the parties in the health sector. This began with the First National Health Congress in 1992, at which over 500 participants, including representatives from all relevant institutions, universities, press and professional associations, discussed improving health status in the country, and a draft document of National Health Policy was assembled at the end. After open discussion and consultation with national and international organizations, such as WHO and WB, the document was revised and presented at the Second National Health Congress in 1993.

The MoH have devoted considerable amount of time and effort to promote the Health Reforms which were produced in the light of the consultation and the main principles of the National Health Policy Document, and to undertake major researches regarding the subject, since 1994. Since the implementation of the proposed reforms requires changes in legislation, three major draft laws have been prepared by MoH and the Health Project Coordination Unit, a specially organized unit, established for the purpose of coordinating and supporting the reform process and partially funded by the World Bank. These draft laws are: Law on the Establishment and Organization of Health Financing Institutions, Basic Law on Hospitals and Health Enterprises, and Law on Primary Care Services and Family Physician Services.

The National Health Policy Document, the draft laws and subsequent government documents outline the contents and strategies of the Turkish Health Reform Project, which can be roughly summarized under six headings: Hospital and Health Enterprises Reform, Family Physician and Primary Care Reform, Health Information Systems, Human Resources Reform, Organization and Management Reform, and Health Financing Reform.

The proposed reforms follow the general direction of NHS in the UK, and have broad similarities with the Dekker proposals for the reform of health services in the Netherlands. Since the reform package includes radical changes in the organizational structure, employment relationships, and culture of the health sector, it attracted a great deal of debate. Supporters consider that the changes will improve efficiency, make services more transparent, and increase consumer choice. The opponents argue that the proposed system is as yet uncertain and unproved and emphasize the need for cooperation within the health sector rather than competition, and for evolutionary change rather than radical change. While most managers are in favour of the changes many health professionals remain opposed to them.

The implications of the reform package and some of the on-going changes in the sector on the organization, management and culture of the health service in Turkey and their relationships with the New Public Management movement, will be the focus of this and the next chapters.

3. The NPM-TYPE REFORMS

In order to better understand the Turkish health reforms, one needs to look at the worldwide public reform rhetoric and practices, particularly the ones in the health sector. Since the late 1980s, many countries have been in the grip of health sector reform intended to address a range of common problems, including better performance and improved outcomes, achieving more value for money, and making services more consumer-sensitive. For the most part, the health sector reform agenda has concentrated on micro-level supply-side changes designed to improve the efficiency and effectiveness of health service delivery. "Underpinning all of these has been a focus on management and an assumption borne out of an adherence to, and an abiding faith in, the legitimacy and power of a rational model of policy-making" (Hunter: 1996). In other words, there is a long-held belief in many quarters that health services, like any other part of the public sector, have suffered from being led by administration rather than management. Combined with the arguments in favour of the supremacy of markets and flexible organisation in the public sector, is the concept of NPM. Since the nature, characteristics, and principles of NPM were discussed at the first chapter of this thesis; only the chief dimensions of NPM are referred to, for the purpose of comparison with the ongoing changes in the Turkish health sector.

Table 20: The major components of NPM

First brand: *The shift from traditional public administration to public management*
De-bureaucratisation
Reorganisation of the state
Creating and flourishing a new class of public managers
Changing the administrative culture

Second brand: *New (private sector) management concepts and techniques*
Shift from citizen to consumer / customer
Market-type mechanisms
Participation and partnership with private and voluntary sectors
Empowering organisations, managers, and communities
Extensive use if IT and encouraging IT-related innovations
Separating service provision from its production
Measuring, evaluating, and rewarding performance
Strategic management
Decentralization and devolution of authority.

Introducing such new concepts as management, flexibility, markets and decentralisation into the traditional public sector settings, such as the health sector, means forming a hybrid model of management and organization of the service which combines elements of both public and private sectors (public + management). The key elements of this model are listed below, in Table 21.

Table 21: The NPM-type changes in the Turkish health sector, and their present state

Change	The Current state
* Market-type mechanisms and competition	(C.I & I.P)
* Consumerism, user involvement in priority setting, and increasing choice	(C.I. & I.P.)
* Reorientation of MoH and organizational reforms in order to provide	
-Separation of purchaser /provider responsibilities to aid competition and improve efficiency and effectiveness	
-Decentralization, and devolution of management responsibilities, moving away from top-down orientation and hierarchy	(I.P)
* A new style of Management, and culture change	(C.I. & I.P.)
* IT-related reforms, especially MIS, as vehicles for performance measurement and control	(C.I & I.P)
* Public-Private Cooperation, blurring the traditional barriers between the two sectors	(C.I.)

C.I. Currently implemented
I.P. In preparation

The above two tables clearly show that, many of the current changes in the Turkish health sector carry closely parallel elements with the dimensions of NPM. Indeed, Peters's summary of the NPM-type reforms, (deregulated, flexible, market-oriented and participative government and organisations) (Peters: 1996) describes the final goals which the Turkish health reforms aim to achieve. The main elements of the proposed changes in the Turkish health sector will be examined in detail in the next parts of this chapter.

a. Competition and Market-type Mechanisms (MTMs)

The idea underpinning the new policies in the health field stems from a general belief in the superiority of markets over governments, of competition over co-operation, of self-reliance over community responsibility, and of flexibility over hierarchy. The introduction of more business-like arrangements and greater competition into the health services is in accord with these economic, organisational, and social trends. Indeed, the vast extension of market and market-type mechanisms into the heartland of the public sector is one of the most fundamental features of NPM.

Perhaps it is the extensive impacts of the marketisation of the health services that attract a great debate. Proponents of the NPM-type reforms suggest that health services are no different from other services in terms of the expected responses to market mechanisms. Therefore, strengthening market mechanisms should improve the efficiency of health services and so achieve greater value for money. The opponents of the reforms argue that market theory has limited application to public services, particularly to health services for such reasons as the difficulty of measuring the output of health services, problems of asymmetry of information between patients and health professionals, and hence the need for health professionals to make decisions on behalf of their patients, and the belief that everyone should have free access to health services.

This section will focus, first, on the major initiatives and practices, proposed as well as those already implemented, for introducing market elements into the Turkish health sector. An analysis of these practices will follow this.

(i). The MTMs in Progress

User Charges

User charges have been a historical phenomenon in the Turkish health care system. However, they have become a prime concern since the 1980s, with the current marketisation movement. The developments in the 1980s have brought about some substantial changes providing impetus for additional reforms. The state is planning not only to withdraw a significant part of its subsidy but also to withdraw its effective control over the prices of services provided by both public and private sectors in the "health market". The intended health care system foresees public hospitals to be financially more independent than they are at the present, so prices would have to be determined on full-costs basis.

In the Turkish health care system there are two kinds of user charges. The first one consists mainly of hospital fees paid by patients who have no organized financial coverage. Until 1980s, the level of public hospital charges had been lower than service costs, providing people in this category with a high level of state subsidy. Other user charges for items fall into the second group.

In the period between 1980-1988 user charges both in MoH and university hospitals were increased dramatically (200 percent in real terms) (WB: 1990). As a result of this increase as well as an allegedly improved charge collection mechanism, public sector health institutions have increased the proportionate share of user charges in their revenue portfolios.

Yet, the performance of different public sector clinics and hospitals in this issue has varied. University hospitals have been relatively successful in securing a large proportion of their recurrent budgets from user charges, since they have more freedom in to determine the level of charges, compared with other public hospitals. Although not as successful as university hospitals, certain MoH hospitals have also managed to significantly increase their revenues from user charges. The following quotation which has been taken from the words of a manager in Ankara Numune Hospital illustrates this clearly:

> *"As a service provider, we have to get the price of the service we provide. In this way, we get at least most part of our expenses, and thus we are able to provide quality services to patients...The insufficient level of user charges is a major problem. However, even within the framework of the insufficient level of charges, we became financially independent from the central government. By the virtue of a limited release of the high level of government subsidy and control over user charges, we are now able to pay more to our physicians (through our revolving capital), to invest more on infrastructure and technology, and thus provide better health care. We do not need central government contribution to our budget any more".*

The relatively smaller rural hospitals, however, have been less successful in this field, when compared to larger hospitals, because of the difficulties in getting user fees in relatively poorer rural areas.

How can this overall increase in user charges be explained? Most interviewees attribute this to three factors. First, the number of user fee payers have increased. This is particularly true for larger and well-known hospitals. Second, the charge collection system has improved, employing new technologies and methods. Third, the economic conditions of the population in general have improved. This argument, however, is significantly open to debate, as it has been suggested in some quarters that the economic conditions of the poor have been worsened by liberal economic policies pursued since the early 1980s (Tatar: 1993).

Contracting Out (CO)

CO has a relatively short history in the Turkish health system. Although the system has always utilized what could be called "competitive tendering", especially in purchasing various types of goods and services such as maintenance work, no hospital ancillary services such as cleaning, catering, heating, and laundry were contracted out to private companies until the 1980s.

Like user charges, contracting out of hospital ancillary services has also been introduced in the Turkish health system as a part of a grand strategy of NPM. rather than appearing in isolation. Since the early 1980s, MoH has promoted the practice of CO in public sector hospitals. For instance, a directive issued by MoH and distributed to its hospitals in 1985 recommended CO in cleaning services. Similarly, in 1989, the then Minister of Health issued another decree requesting from top hospital managers to devote efforts to provide catering and cleaning services particularly by buying them from private sector.

Nevertheless, despite this official backing, little progress was made because of bureaucratic and financial problems until the mid-1990s. Only few Chief Medical Officers devoted significant efforts to apply this method in their hospitals. However, this does not mean that the situation will not improve in the foreseeable future. There are reasons for being optimistic in this context. First, political will has been clearly expressed in this direction. Second, the interviews have disclosed that there are observable enthusiasm for CO among various levels of health managers. Third, most interviewees believe that, the relative failure of attempts at application of CO in the Turkish health sector stems from some temporary problems which can be solved in time, rather than structural and difficult problems. However, a small number of interviewees expressed their caution and pessimism in this context, the main argument being that CO would not bring efficiency and economy gains because of the fact that labor costs are lower in private sector than in public sector. The following quotation summarizes the views of the latter group:

"CO would work in western countries where labor costs are high. In a country like Turkey where labor costs are still very low the pursuit of cost-containment cannot be justified, hence the rhetoric of cost savings through CO is overoptimistic" (An official from Turkish Physicians Union (TTB).

On the other hand, most interviewees seemed to agree the following suggestion:

"Given the overstaffed, inflexible, and overbureaucratic structure of the Turkish health sector, CO would provide a gateway to a smaller, flexible, easy-to manage organization, in addition to its cost-containment effects... If applied properly, it would provide considerable savings on overheads... Perhaps this is why more organizations have applied this technique" (A management consultant to MoH).

There are already signs of such a trend towards extensive use of CO. A prestigious MoH hospital, Ankara Yuksek Ihtisas Hospital, has played a pioneering role in CO by contracting out its cleaning services since 1985. Almost all managers interviewed from various hospitals declared that their hospital has been contracting out at least one of their ancillary services. Besides, it is not only hospitals and clinics that have been experimenting with CO; several central units of MoH and its line departments have also increasingly employing CO for their ancillary services. For instance, the Health Reform Project Unit have purchased a significant number of its projects from private sector providers. There are also plans for extending CO applications to IT functions of MoH.

(ii) The proposed Market-Type Mechanisms

In addition to the mechanisms in use, the Health Reform Package envisages two more important steps for extending competition and market into the system: separating the purchasing and providing functions and devolving services such as personnel and finance to self governing HE units. Since the latter will be examined later, under the heading of "decentralization of the health services" in this chapter, only the main themes of the former will be touched on here.

Separating the **purchase** of the health care **from** its **provision** is expected to create a network of buyers and sellers, the necessary first step for a market to operate, opening both supply and demand sides to competition. According to the proposed model, purchasing authorities, (District and Village Health Authorities, and line - and in some cases central, departments of MoH) will have freedom to determine quality standards for health services and to make choice among health service providers such as hospitals and village clinics in their purchase of services. Introduction of a *FP* (family practitioner) *system* is another dimension of the intended internal market system. The proposed reforms envisage that people will have the opportunity to choose their own FP, and FPs will buy services from competing service providers.

For their part, provider units are expected to espouse a culture of commercial organizations and acquire new skills in business planning, marketing, contract preparation and negotiation, as the supporters of the internal market in the Turkish health system see it. At the same time they have to continue running existing services, carry through any other major developments already in the pipeline and make progress on resource management and quality assurance systems. The purchaser organizations, on the other hand, will tend to focus on the quality and price of the health care they pay for, and will act as the representatives of the consumer (interview with Tansu Ciller by a private TV channel).

(iii) The *problems* of Market type Mechanisms

Introducing market-type mechanisms (MTMs) into a planned system of health care brings a number of problems with itself. The critics of MTMs, mostly professional organizations, some academics, and a considerable number of traditional public administrators in the MoH, point out the potential dangers of this application for the health sector.

Firstly, there are significant elements of *monopoly* within the public health service because provision has been planned to avoid duplication and achieve economy of scale. Particularly in relatively backward rural areas, there are little alternatives for the existing (mainly public) providers of the service; it is highly likely that the existing powerful groups will dominate the market and leave little room for newcomers into the market. Consequently, *regulation* is needed to prevent monopolistic abuse, to guarantee equality of access.

Secondly, although there are plans for encouraging competition in the provision of health service, barriers to entry still exist in terms of hospital facilities and medical personnel. For instance, the general director of SSK, one of the largest providers of the health care in the country, complained that their hospitals are short of both medical staff and financial resources to the extent that they will have to close a considerable number of hospitals and clinics because of the financial problems and poor competitiveness of their health facilities (Sabah: 6. 10. 1998). The words of a senior manager in Konya State Hospital seem to reflect a widespread feeling among health managers, especially in smaller ones:

" I do not think we can compete either with the financially better private sector or with better equipped bigger hospitals in these conditions. Bigger public hospitals can generate more money, because they have more users. Private sector hospitals and clinics have more advantages than public ones, since they usually accept richer patients...Besides, as a state hospital, we feel we have moral responsibilities about accepting poorer and -in market terms- disadvantageous patients".

Thirdly, there is a genuine danger that the need to generate income, in order to remain alive under market conditions, may lead HEs and other health suppliers to focus on more profitable areas of work to the detriment of the loss making one and discriminate between different categories of patients, (such as poorer and richer patients).

Fourthly, several private organisations which have the potential to compete with HEs are non-profit organisations which pay neither taxes nor dividends. This puts HEs at a competitive disadvantage. They are further disadvantaged by the fact that their clientele have, historically at least, generally been poorer and therefore needing more care, and therefore more costly, than the clientele of private hospitals.

Lastly, contrary to the argument which has been advanced in favour of purchaser/provider split that "extended contracting process will improve the accountability of providers by making the quantity and quality of services supplied explicit", putting certain quality standards would discourage innovation and make the market process difficult. Besides, measuring quality of service is always more complicated than expected. For instance, a study in the US found that, contrary to expectations, competitive bidding for services lead to a lack of innovation because contracts were won by those providers who could meet certain quality standards set by the purchaser (Ashton: 1995).

Existence of these problems would mean that contrary to the rhetoric used to support the reforms, an efficient allocation of resources is not expected to be achieved automatically through the strengthening of market forces, even if competing purchasers are introduced.

b. Consumer - Orientation

Considering consumers of the public services as customers and struggling to increase their satisfaction is an important element of NPM. In the context of health services, it is even a more apparent trend, for a simple reason: since almost everyone is affected by the public health system whether as patient, service provider, or taxpayer at large; it is of importance to learn what opportunities they have to articulate their needs / demands and how their individual and collective rights / interests are protected. This section will explore this point in the current state of the Turkish health care system and the emerging trend towards a more consumer-oriented approach.

The relevant characteristics of the traditional system

If medical care were taken as a good like any other, then market forces would simply determine what was provided for whom. However, in the case of Turkish health care system, a combination of the bureaucratic and professional model, rather than the market model, has been dominant. Under this model, the health care consumer has been left with restricted choice and limited ability to exercise both exit and voice. Once a patient has presented himself for treatment, the use of resources is determined by the professional. The consumers of health services are in a weak position in relation to the strategies or choices involved in diagnosis and treatment, since the provider has expert knowledge.

Besides, there are also limitations in the exercise of voice on a collective level. Like any other public organization, MoH has limited democratic accountability. There is no locally elected tier and therefore, formally, the only accountability within the organization is the accountability of the Health Minister to Parliament for money spent within the ministry, for policies pursued and successes and failures. The other kinds of accountability, such as responsibility to customers for the quality of the services provided has been ill-defined and under-developed.

Existing mechanisms for protecting the rights of patients

There are a number of mechanisms through which people can make complaint and seek redress. Professional organizations, such as Turkish Union of Doctors (TTB) and Turkish Union of Pharmacists (TEB), have statutory committees and a quasi-judicial procedure to hear complaints against their members for breaching their terms of conduct. Hospital managers are obliged to maintain systems to receive and monitor patient complaints, and mechanisms to carry out investigations if necessary. However, in practice, the use of these systems is very rare partly because complaint procedures are too complex and subject to long delays, insufficiently publicized, and sometimes lack impartiality (Deger: 1996). Furthermore, the interviewed health consumer activists argue that those with complaints may fail by this as hospital managements and officials in the MoH more vigorously defend actions to avoid additional costs, although all the interviewed managers deny this on their part. Regarding compensation for inquiry, the administrative courts are the ultimate sources.

Although there have been a number of changes, health consumer groups argue, these are relatively limited in scope. The consumer groups, such as Hasta Haklari Dernegi (Patients' Rights Association), recommend a national code for dealing with hospital complaints, including the introduction of an independent review.

From status-quo to change

However, during the last two decades, several *attempts* have been made *by successive governments to increase choice by changing to a more market / business-oriented system.* In addition to these impositions from above, there have been two other forces at work during the last two decades. First, *active consumerism* developed with the emergence of a number of campaigning groups concerned to promote the interests of the consumer. Second, there has been the notion of *participation*, that is, an involvement of the patient in health as they have become more conscious of their well-being and in demanding involvement in the process of health service development.

Exercising voice: What people think of the public health organisations

From the 1980s, *surveys* began to be used to establish what people thought of the MoH and the public health services. These have found that consumers have a *low level of satisfaction* from the health services (MoH: 1996, Health Reforms Surveys-1) and they do support the proposed health reforms, particularly HEs, which are believed to improve the quality and efficiency of the health sector (MoH: 1996, Health Reforms Surveys-1; Kaya: 1997). According to the surveys, consumers in the Turkish health sector, have a large number of specific complaints, including difficulties in getting information about their progress, long waiting times, and a general habit of doctors of patronising their patients. Support for health services funded by taxation remains high, as few are willing to pay directly for their own treatment. Interestingly, more people are dissatisfied with hospitals than with primary care.

However, with regard to medical practice, users lack the knowledge and will to assess critically the treatment they receive. They feel like patients rather than consumers, they complain about the "hotel" aspects of care rather than the quality of treatment which they cannot judge. In other words, patients tend to accept what they are offered. In fact, this reflects the general cultural attitudes: people in Turkey are traditionally less critical than Europeans or North Americans in relation to health care.

Dissatisfaction with the publicly provided health services is one reason why more people exercise the other consumer *option of exit to choose private health care. However, it is* necessary to note that because those supplying services at a local level tend to be in a monopoly position, this method may only be successful as managers allow it to be. Moreover, managers interviewed hold that there are even fewer avenues for exercising voice in the private sector. Although it is believed that the operation of price mechanism will keep standards high, patients are in no stronger a position to judge the quality of care than they are in the public health institutions and there are fewer ways of obtaining redress.

Health care users as active consumers

Specialist consumer organizations concerned with health issues have maintained a high profile. They have campaigned on various issues to safeguard patients' rights and can claim to have achieved some shifts in policy. For instance, the Women's Health and Population Control Association has been particularly active in spreading information about health care and birth control issues, and has achieved a considerable degree of public awareness on these issues. Likewise, there are particular religious and cultural groups which are active on particular issues of health care. For both women and particular cultural and religious groups there has sometimes been a failure of the public health system to understand sufficiently the cultural and emotional dimensions of illness which may take the MoH's position unacceptable. In addition, the increasing number of health consumer associations and trusts have achieved significant changes in the Turkish health policy in favour of patients, and has raised consciousness on patients' rights. Further signs of *active consumerism* can be found in the notion of *organised self-care groups* around particular illnesses and disabilities, although they are still small in number. Nevertheless, at the moment, the level of consciousness and organization of health sector consumer groups as well as community participation in health-related issues are far from being satisfactory (MoH: 1996, Community Participation Survey 1-2), especially when compared to major Western countries.

The health reforms and consumerism

The proposed health care reforms introduces the market model into the health care, bringing competition between agencies within the MoH. This means Health Enterprises competing for contracts to treat patients. In theory, a HE which does not attract sufficient patients will stop trading. The reform package is the culmination of a trend in government policy apparent in the 1980s, which aimed to strengthen control over services. An aspect of this is by encouraging the individual consumer to become more active, as Gordon (1991, p. 36) argues:

"...the liberal idea of government consists -over and above the economic market in commodities and services, whose existence forms the classical contribution of an autonomous rationality to the process of civil society- in the form of something like a second order market of governmental goods and services. It becomes the ambition of neo-liberalism to implicate the individual citizen, as player and partner, into this market game".

The current rhetoric emphasizes the concept of the consumer rather than patient. It declares that the interests of the consumer should be central to every health care decision. Managers should go directly to the user to find out their views, through surveys and the like.

Patients should have more information, be consulted about and have more involvement in decisions about health care.

To some extent, rhetoric has been translated into action. Directors of quality assurance are appointed in hospitals and other health institutions to ascertain patients' views. Surveying patients and communities is encouraged as a method of establishing opinions and preferences to inform management action. From the early-1990s, the use of these methods has become relatively widespread, taking a variety of forms, from routine monitoring to specific surveys to target services for improvement. Besides, under the internal market system, GPs and purchasing authorities are expected to act as proxy consumers, therefore they can become people's advocates.

The Patient's Rights Decree (Hasta Haklari Yonetmeligi): Adopting the Patients' Charter in the Turkish Setting

Perhaps the most far-reaching initiative taken by the MoH in terms of consumerism is the Decree of Patients' Rights which was issued in August 1998. As a model inspired by Patients' Charter in the UK, the decree defines the rights of individual patients vis-a-vis health authorities, and establishes standards of health care delivery. It encourages patients to feel like consumers / customers of the health service, and aims at giving greater autonomy to the consumer.

Although the decree identifies the rights of patients (e.g., patients have the right to treatment, to accept or refuse any particular treatment, and to choose and change doctors and nurses) the exercise of some of these rights depends on availability. The philosophy here is that patients can exercise more control and choice over their treatment by having more information about their treatment details in hand. In order to secure this, hospitals and other health organizations are obliged to publish brochures about patients' rights and to distribute them to their patients. According to the decree, courtesy and helpfulness are the vital elements of treatment process. Parallel to the managerialist trend in the health sector, the decree emphasises on standards of health care and service delivery against which management performance can be measured in subsequent reviews.

Nevertheless, a large number of commentators have rightly argued that, in the absence of a clear and efficient measuring and auditing system, this highly ambitious project would not work as expected (Radikal: 5 Ekim 1998). Although the decree would be helpful in increasing self-confidence among patients and consciousness about their rights (Hurriyet: 3 August 1998), and improve the health staff- patient relationships, this should not be seen as a "panacea" for all the illnesses of the health sector, as some MoH officials do (Radikal: 5 Ekim 1998). As a director of Istanbul Doctors' Association suggests,

> "None should be overoptimistic about the decree. This decree only reminds people their existing roles. Every patient wants a smiling nurse, a good doctor, and a clean hospital. However, the disturbing issue still remains: how will you provide all these overnight? And how will you change the existing cultural norms by a decree? We are dealing with the results, without changing the causes for these results." (Radikal: 5 Ekim 1998)

Analysis of the consumerist initiatives

In any debate about how consumers can and should become involved in health care, it must be remembered that in reality it is the professionals who almost always dictate what service they need and will receive. Therefore, it is essential that there is a strong voice from patients and clients, whose priorities will not necessarily be the same as those of either the managers or health care professionals. Thus, an important characteristic of consumer empowerment and patient choice is that it restrict the autonomy of professionals; "even if it had not been embarked upon with the express intention of reducing professional autonomy, it could end up having that effect" (Harrison and Pollitt: 1994, p. 125).

Nevertheless, direct transfer of decision-making power is not always the case; the network of relationships is rather more complex, and the notion of consumerism is quite pervasive. For instance, the recent experience gives an impression that consumers are given increased power only over issues in which professionals have little interest, usually over the "hotel" aspects of hospitalization, appearances (such as interior decoration of hospitals), managerial procedures (such as appointment system), improving social facilities to patients and the provision of information (such as distributing leaflets and brochures). Although these relatively superficial changes increase patient's convenience, satisfaction information and choice to some extent, the choice and voice of consumers over such issues as resource allocation and treatment style are limited at the present. The future progress of the consumerism still remains to be seen, particularly such issues as to what extent consumers will remain content with the limited role allocated to themselves.

c. Public-Private Partnerships: Using non-governmental resources more effectively

The state health sector is not the only player in the field of health care: various nonprofit groups, independent physicians and pharmacists, and traditional healers are all active, and direct payments to these providers account for almost half of all health spending. Expansion of private for profit and nonprofit services has reduced the administrative and fiscal burden on the government sector and broaden consumers'. options. There is a widespread view among physicians and managers interviewed that, for some types of health care, especially simple curative care, private providers may well be more efficient than the government and offer comparable or better services at lower unit cost, although hard evidence is not readily available, in part because it is difficult to establish comparability, taking quality into account.

Since the early 1980s, The Turkish governments have taken considerable steps to encourage private and nonprofit sources of health services. These measures include, showing considerable effort to reverse past tendencies toward unnecessary restrictions, negligence, and hostility against non-governmental health care, as a part of the liberal government policies of the last two decades; providing technical and financial assistance to them; and transferring the operation of government health facilities to non-governmental providers through sale, contract, or lease.

Having acknowledged this positive trend, however, many interviewees reported certain negative aspects of empowering non-government health sources, mainly emanating from poor implementation as well as country-and region-specific problems. The words of a hospital manager in Istanbul province summarize one problem of this kind:

"The decision-makers in Ankara suppose that encouraging the expansion of private for profit providers create competition between private and public sectors. However, this is true when there are adequate human and material resources around. What we have witnessed now is that private sector offers our doctors in state-owned hospitals relatively lucrative working conditions and double the pay physicians get in the public sector. Hence, they transfer the best human capital and desert the public sector hospitals in terms of quality doctors...".

Moreover, inadequate regulation and control of certain private clinics and hospitals has led to problems of competition and quality control.

Establish-Operate-Transfer (EOT) Model

EOT model can be analyzed both under the headings of market-type mechanisms and public-private cooperation, because it carries elements of both notions. In general terms, it is an expression of a wider economic model, Build-Operate-Transfer. It would not be an exaggeration to suggest that it is the most widely used form of public-private sector cooperation in the Turkish health sector.

This model allows private firms, particularly foreign ones, to establish particular high-tech facilities such as computerized tomography units in hospitals and operate them for a fixed term and then transfer them to these hospitals. In order to encourage potential investors, government has offered some attractive incentives such as guaranteed level of revenue and investment grant. The aims of extensive use of this method in various health sector organizations can be summarized under three headings: providing cheaper service, solving the problem of the insufficiency of high-tech diagnostic and treatment equipment throughout the country and easing the difficulties that have been experienced in maintaining and repairing the existing stock of such equipment.

Partly because of the strong government backing, the model has been implemented in many hospitals in larger cities. The momentum of implementation of this model is expected to increase dramatically, after the current health reform package begins to be embraced on a wide basis.

d. Restructuring the Health Service Organisations

Towards Reorienting the MoH

Health sector reform requires a deliberate policy on the part of government to improve performance. For reforms to the service delivery, finance, or organisation of health services to be managed effectively, health ministries must be reoriented away from their current functions to structures and capabilities consistent with reform. The interviewed planners of the Turkish health reforms believe that, " reform efforts would suffer if potentially beneficial policies are implemented in the absence of a ministry of health capable of managing, or at least supporting, them" (a MoH management adviser). They further assert that " the success of organizational and financial reforms with respect to efficiency, improving health status, and consumer satisfaction depends upon the active participation of the MoH" (a top level manager in MoH).

The main *purpose of reorientation* is to facilitate progress towards the goals of health sector reform by improving efficiency and effectiveness with which governments manage their programme. From the assertion of the interviewees and written sources of the Turkish health reform programme, one can deduce three major objectives and expected outcomes of measures to reorient the MoH. The first objective is making the ministry smaller and less hierarchical, mainly by decentralisation and rightsizing; emphasizing management of performance and resources instead of bureaucratic rules. The second one is shifting the mix of staff and skills from an emphasis on technical and medical training to a concentration on management, planning, and finance. The last objective is separating the functions of service provision and service financing to enable better performance through pro-competitive measures involving both the public and private sectors. The main reforms in this area will be explored below in turn.

Figure 2: The New Model of Service Provision

Health Services	*Provider*
* Third level treatment and rehabilitation Services * Some of second level treatment and rehabilitation services	Hospitals working under competition
Most of second level treatment services	Clinics and Hospitals
* First level treatment services * Individual preventive services	GPs, District Health Clinics
Community preventative services	District Health Clinics, Village Health Clinics
Environmental services	Public Regulations

Sources: 7th Five-Year Development Plan, MoH- Health Project Coordination Unit: 1992

Decentralisation

Decentralisation is defined as "the transfer of authority, or dispersal of power, in public planning, management and decision-making from national levels to sub-national levels, or more generally from higher to lower levels of government" (Mills: 1990). This general definition can, however, obscure the fact that there are various forms of decentralisation; each leading to different policy outcomes. *Deconcentration* refers to the transfer of administrative responsibility to field-based offices of the central government. *Devolution*, on the other hand, is the transfer of significant decision-making or political power to a level of government such as an elected local council. This will often have considerable authority to manage budgets. *Delegation* means transfers managerial responsibility to organisations that are only indirectly controlled by government.

Decentralisation is a central tenet of health sector reform in Turkey. It is perceived as "an effective means to stimulate improvements in delivery of services, to secure better allocation of resources according to needs, to involve community in decisions about priorities, and to facilitate the reduction of inequities in health" (WHO / Europe: 1996). The attraction of centralisation stems largely from the fact that it is difficult for central administration to be close enough to the users of services to make appropriate and sensitive responses to expressed preferences.

Like other parts of the public service, a number of problems of centralized systems have been identified in the health sector: inefficiency, slow pace of innovation and change, and a lack of responsiveness to external changes that affect the sector at large. It is presumed that decentralisation can remove these drawbacks: "(decentralized organizations) can be more effective than centralised institutions, and front-line workers are better able to identify problems and opportunities. They can be more innovative...in the types of solution they adopt. They can generate high morale, more commitment and greater productivity from the workplace" (WHO: 1996).

However, successful decentralisation requires certain conditions and a specific cultural and social environment, including sufficient managerial capacity of the unit to which responsibility is devolved, and readiness to accept several interpretations of one problem. Furthermore, a number of critics (e.g., Belek and Belek: 1997) emphasize that a careless implementation of decentralisation in the health sector organisations would cause several problems:

Firstly, inter-regional equity may suffer under decentralisation unless steps are taken to redress the balance, especially where decentralisation includes local generation of resources such as user fees and local taxes. Secondly, it would be a problem how to balance the need to set national health priorities such as policies on family planning, AIDS control, or financing mechanisms against allowing local authorities the flexibility to set their own priorities and allocate resources as they see fit. Thirdly, decentralisation can create a great deal of confusion about lines of authority and lines of accountability, especially when only some functions are decentralised but others remain under the control of the original ministry (Decentralisation and greater financial control by no means imply, the complete financial independence of each individual facility). Lastly, there are a number of common operational problems that face decentralised systems: such a system would increase rather than decrease administrative expenditure; it adds to a number of bureaucratic layers and creates more bottlenecks in decision-making; and the central ministry is often unable to reorient itself to play a supervisory/ monitoring role in a decentralised system, as opposed to earlier focus on direct service delivery.

This section will focus on the notion of Health Enterprises and its applications in Turkey, since it is the only major concept of decentralisation which has gained currency in the Turkish case.

Health Enterprises (HEs)

HEs are public health care institutions (such as hospitals) which serve with a management understanding based on principles of efficiency and effectiveness, which are able to meet their costs from their revenues, and can compete with other public and private sector counterparts.

The policy on HEs in Turkey has mostly been informed by health sector reforms in developed countries, particularly NHS trusts in UK, and influenced by the suggestions of international actors such as WHO and WB. However, the majority of the managers and management consultants interviewed in the MoH as well as managers in MoH hospitals, suggested a number of arguments in favour of HEs which provide an insight into the logic and objectives of HEs.

The first argument for HE is that it improves efficiency:

"It removes managerial responsibility from MoH, which is a large, hierarchical and bureaucratic organisation, to a smaller and flexible organisation, which is a hospital...By doing this, it generates better management practices, incentives, and performance at the hospital.....Autonomy increases managers' ability to take action on perceived inefficiencies and clarifies lines of responsibility. By granting greater freedom to hospitals, we are saying to the hospitals that "you are free to bring your innovative styles into the management, whether by contracting out, teamworking, quality circles, or whatever it is"....In this way, it is also easier to hold the (empowered) managers responsible for the mismanagement and inefficiencies..." (A management expert in the Health Reform Coordination Unit).

The second and equally important argument is that it will help to set the hospital managements free from political and bureaucratic interference:

> "The foremost benefit of the autonomous HE is that it would minimize the interference of politicians into the managerial affairs of the hospitals. I hope it will achieve this goal" (A middle manager in Health Directorate in Konya province).

The last argument in favor of HE is that HEs will minimize the financial burden of MoH hospitals and increase responsiveness to users, as expressed by a manager in Ankara Numune Hospital:

> " Because we are (in Ankara Numune Hospital) granted autonomy in most of our financial and managerial affairs, we have become able to provide better health care to our patients. Since we became more dependent on our patients after autonomy, we began to give the patients more value... they are our customers now, we cannot afford to let them go away from this hospital, they are ultimate source of our revenue.....we are able now to generate our own resources, we are not dependent on MoH at all. Furthermore, if asked, we can lend some resources to MoH health institutions, whether financially or as material resources".

The Turkish experience with HEs

The notion of HEs for public sector hospitals has been placed in the hub of almost all post-1980 health sector reforms. The basic Act of Health Services of 1987 drew the general framework for HEs, in that they would gain managerial and financial autonomy. For instance, the Act has permitted HEs to hire their own personnel on the basis of contracts while it has hitherto been managed centrally by the MoH.

As seen from the individual articles of the Act and its justification, HEs are thought to serve to realize the goals of effectiveness, quality, enterprise, economy, and efficiency, all of which constitute the values of NPM (Resmi Gazete, 1987: 8, MoH: 1997). An external management advisor explained the logic of creating HEs in NPM terms:

> "This is a different organisational structure which is formed outside the usual bureaucratic structures...The aim in establishing HEs is to create a type of organisation that would face the possibility of making profit or financial losses which in turn would enable them to benefit from profit they make and bear the consequences of the losses. Physicians, too, would have to share the managerial burden, in such an organisation. These organisations will have the freedom to recruit their own personnel and deal with them afterwards. These are the motives behind this particular concept which is parallel to the new-right policies".

Within the framework of the Health Reform Project (1992-2000), the issue has reappeared on the agenda. The proposed general organisational model for HEs is as follows:

Figure 3: The Proposed HE Model

Board of Directors ----- * General Manager of the hospital (chairman)
(Seven Members)
* Manager of Medical Services
* Manager of Nursing Services
* Manager of Operations
* Representative of Special Provincial Administration
* Representative of Local Admin. of the Ministry of Finance
* Representative of Provincial General Assembly

General manager

Manager of Medical Services   Manager of Nursing Services   Operations Manager

Source: MoH- Health Project General Coordination Unit (1997).

The managerial and financial responsibility for HEs will belong to the Board of Directors. The board will consist of six members chaired by the Enterprise General Manager; of whom three are executives in the hospital and three are from the community and local organizations. Participation of local community representatives in the hospital management is thought to help to ensure reflection of the community's needs to the hospitals.

Health Enterprises and new management techniques in the public health sector

Contrary to the physician-led hospital management system, "HEs are planned to be *managed by professional managers* or physicians who possess the management skills and willingness to devote their full time on management not on medical practice" (MoH: 1997). They also will be able to *select and hire their employees and determine their wages.* Besides, they will have the authority *to allocate resources where they consider necessary.* The main revenue of the health enterprise will be generated from service provision through *block contracts*. The contract system will be extended further to the level that the *price and quality of services* provided by the health enterprise will be set through *negotiations* with the institutions buying the services (which means introduction of purchaser -provider split).

Another principle which has been advocated by NPM and will be introduced in the public health sector is *decentralisation of budgetary process* in order to empower hospital managers in their dealings with financial affairs. Currently, MoH hospitals have been financed by line-item budget system which was introduced to control spending on staffing levels and to limit the consequences of weak local management. Health personnel working for publicly operated health facilities are compensated on a salary basis, the relation between individual performance is weak and thus performance is low. Because of the latter, physicians perform private practice to maximize their income and actually work much fewer hours than their public job requires.

HEs will not be financed through the current line-item budget system where hospital managers have limited liability for performance, except perhaps for ensuring that each line item is fully expended. Instead, *service contracts* will be introduced in order to empower the public hospital managers over the use of funds. According to the interviewed planners of the health reform package,

> "The new budget system is intended to increase managers' flexibility while holding them accountable for efficiency [and] performance...".

Yet, it is not only a *performance and results-oriented budget* system that will be installed into the health system. A number of other *innovations and management techniques*, such as *service quality standards* and *assessment procedures*, are also being introduced within the framework of the health reform package. For instance, in order to decrease the information asymmetry of patients while using health services, an *accreditation* system for hospitals is being developed. This will serve to provide comparative information to the public and private purchasers for benchmarking on the issue of how well a hospital is doing, to assist choice of hospitals by the patients, and to encourage local pressure on health services to improve.

The experience with Pilot Health Enterprises

Since transferring all major hospitals into HEs will take time, and also requires additional legal amendments in the relevant law, the Turkish government started pilot schemes hospitals. It is also thought that, this will provide a base for assessment of the benefits and problems of introducing HEs into the current health system. Initially, five of the largest hospitals in Ankara and Istanbul were selected as pilot hospitals, in addition to Yuksek

Ihtisas Hospital which was granted this status long before this initiative, by a special decree (Basaran: 1997). These hospitals have been granted additional powers in recruiting and firing their staff, generating their own resources, and autonomy in managing their capital, human and material resources (MoH, SPGK: 1995, 1996).

Regarding the performance of these pilot applications, it is difficult to find hard data at the present. Since HE policy is at an early stage, few evaluations have been conducted. Besides, because of inadequacy of the management information gathering about the past performance of some hospitals, the existing data does not allow researchers to conduct comparative performance analyses (Tokat and Kisaer: 1991). However, the interviewed managers both in MoH and within individual hospitals all agreed that HE status has brought significant efficiency and economy gains. For instance, Ankara Numune and Yuksek Ihtisas Hospitals have raised almost all of their revenue out of their own activities and minimized their dependence on the central government, since they gained autonomy five years ago.

Restructuring the primary care services

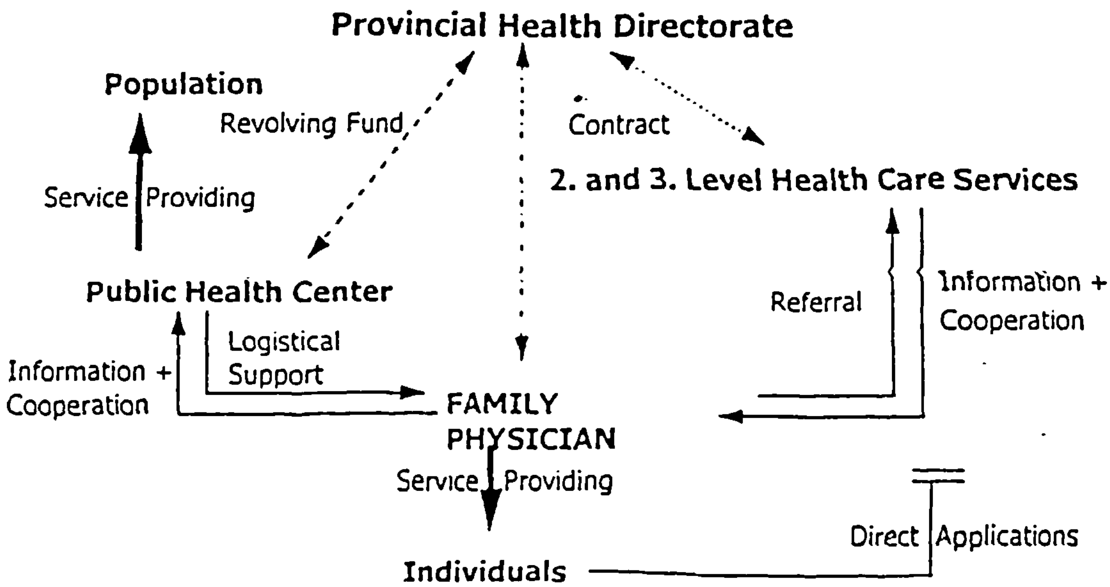
One component of the health care reform is the restructuring of the primary care services in accordance with the emphasis given on primary care over hospital services. It aims to increase the *quality* and *efficiency* of health services provided at primary level by introducing the **Family Physicians** system into primary care.

In the proposed system of primary care, health posts, health centres and public health laboratories, which are currently available, will be subject to small changes in the size of their service population, functions and relations. *Health post* will be the smallest unit in the health care system serving a population size 500-1000 in rural areas. Each health post staffed by a midwife will be attached to a health centre or a public health centre. *Health centre* staffed by at least one physician and an adequate number of other personnel will serve a population of 3000-5000. Health centres will be responsible for the monitoring, evaluation, and coordination of public health services, community diagnosis studies, health education, preventive health services and other related services.

The proposed system visualizes establishment of a new institution in every district, *Public Health Centres*, responsible for coordination of health centres and health posts, in addition to its functions at primary level. In the proposed system, individual preventive services and primary-level curative services will be provided by family physicians. Family physicians will work in private practice according to the standards imposed by central government. They will be responsible for primary curative services, follow-up of secondary and tertiary services, individual preventive care, and the related services. An important point for the perspective of NPM over this issue is that, patients will have the right to choose the family physician they will register with. This, as argued by the planners of the new system, means a significant step in favour of *consumer choice*, and thus the notion of *quality determined by customers.*

The proposed system also envisages to include *a performance-related pay* element into the health system: The family physician will be paid on a capitation basis, according to the number of registered patients in addition to a minimum level of payment. In addition, some other criteria, such as geographic conditions and age, will be considered in the determination of capitation payment.

Figure 4. The Proposed System of Health Care



Separating the financing from the provision of services: the General Health Insurance Scheme (GHIS)

The system proposed for financing health services is the **GHIS** and the institutional structure to implement this is the **Health Financing Organisation**. The GHIS "aims at ensuring *equity* first by achieving universal coverage for all citizens who are not currently covered by social security schemes and then by regulating the distribution of public subventions among revenue groups" (MoH: Country Health Report: 1997). In a sense, the planners of the health reform project aim to balance the health reform project which has been criticized as "devoting more consideration on efficiency, effectiveness and quality but little on equity" in favour of equity, by introducing GHIS.

The major concept of the system is *separation of the financing from the provision of services,* to be combined with purchaser / provider split. This separation is expected *to promote efficiency* through *consciousness of costs* and *control of expenses* from the insurance point of view and promote *quality* by introducing *competition in service provision.*

The working system of GHIS is not based on traditional lines of service delivery, rather it is mostly contract based. The Health Financing Institution collects premiums from its members and the state subsidies and transfer these resources proportionally to the insured population living in and around the province to the contracted institutions that will provide the insurance services for the health needs of its members. Contracts for providing health service can be made with both public and private institutions. The main innovation is the central fund for basic insurance which is intended to allow free consumer choice of insurer to be combined with compulsory finance. This amounts to a sophisticated health voucher scheme, called Yesil Kart (Green Card). Given competition among providers, it means that the relationship between insurers and providers could evolve along several different lines, depending on market forces.

Discussing the insurance system the Turkish health reform package brings, OECD (1992, p. 98) identified a number of potential benefits, including "improvements both in efficiency and in equity, increasing consumers' choice of insurance cover and insurer, encouraging insurers to be active purchasers, giving providers competitive incentives to produce cost-effective care, and changing government's role from a direct regulator of price and volume to a facilitator of competitive markets. However, critics suggest a number of potential difficulties in introducing managed competition into the market for health insurance, basing their argument on the possibilities of risk selection, and formation of private monopsonies and cartels among insurers. by competition. It would be premature to evaluate the real effects of this model at the moment, since it would take years for such a comprehensive model to bear fruit.

Analysis of the restructuring of the health service organizations

The restructuring of the MoH has been stimulated by a number of factors in addition to the desire to improve performance. Shortages in government finance have meant that an ever-growing public sector could not be supported. Donors have also put pressure on the government to reduce the size of the bureaucracy. New ideas with regard to the changing role of health ministries -from direct delivery of services to monitoring and finance- have also given impetus to reforms in the organization of civil servants working in the ministry. However, since the experience in this area has not been well documented, evidence about the performance of these organisational reforms is limited.

The success of the reform process is also constrained by a number of structural obstacles. Turkey suffers from a mismatch between the organisational structure and management system of the MoH and its sectoral reform policies. MoH is not structured in a way that facilitates integrated finance and management of programmes, or promotes intersectoral cooperation and public/private partnerships. The success of attempts to coordinate with, and regulate, the private sector depends critically on a ministry's managerial capacity as well as on a structure that clearly delineates responsibility for interactions with the private sector.

In addition, the administrative divisions of the country's government (provinces, departments, and arrondissements) are inconsistent with the health districts that are established. Attempts to reconcile the health district boundaries with existing political boundaries raised several problems: efficiency would be compromised because of lack of sufficient population in some areas; access to referral facilities would be limited; and there would be inconsistencies in the number of health areas in a single arrondissement.

Furthermore, the goals of the proposed reforms are inconsistent with the existing organization of the MoH, which has departments with overlapping mandates leading to duplication of responsibilities. Moreover, human resource management functions are divided among three institutions: the MoH, the Ministry of Finance, and the State Personnel Agency. This structure leads to conflicts between managers and compromises attempts to establish performance-related incentives and sanctions.

The organisational reforms require substantial resource inputs (i.e., money, personnel, and time) especially for large scale programmes and training, redundancy payments, and salary increases. Consequently, Turkey partly relies on donor (mainly WB, and WHO) support to meet these expenses involved. The cost implications of large-scale reforms may be such that they may only be partially implemented. In addition, the government and donors seem to underestimate the time needed to reorient MoH. Reorientation implies substantial changes to attitudes and practices in addition to retrenchment, training, and recruitment. Many interviewees complained that reform policies are put in place well before the ministry has an appropriate mix of managerial skills and their support. Given the difficulty and cost of reorienting MoH, short time frames are unrealistic.

e. Management Information Systems

Performance management and importance of information

The new managerialist tide is perceived by its supporters as "only a new means to the old end of better organizational performance" and "better results could be guaranteed only if the new managers knew what they were doing" (Strong and Robinson:1990). The managers need better information if performance is now measured and improved.

Firstly, the MoH needs to compare the activity that take place in different provinces and districts such as the amount of spending and the number of patients treated. Although this information was available before, it had not been used in a systematic way, especially for performance measurement and comparison purposes. This information also enables the province and district health directorates and hospital managements to compare the aggregate activity that takes place in each tiers.

Interrelated with the emphasis on performance information is often an implicit assumption that business-like and efficient management requires the use of IT. Computerised information systems symbolize the modernity inherent in the new managerialism. In a sense, being able to use computers represents a managerial competence and rationality, especially in a developing country context like Turkey. Managers who have not accepted this necessity have been described as the new illiterate.

The participants at both the First and the Second Health Congresses criticized the lack of information and accounting systems in MoH and its hospitals (MoH: 1992, 1993). Subsequently, substantial investment in operational and management information systems has accompanied the recent health reforms, driven by new reporting requirements geared at the production of performance information.

The Management Information System in Turkey

Reflecting the scale and complexity of the MoH and its functions, information flows of the ministry are both extensive and highly varied. Thus, the overall aim of establishing a health information system is "to facilitate the flow of timely, accurate and complete information throughout the organisation...as a tool that affect the MoH's overall effectiveness and the efficiency of its operations" (MoH: 1997, Country Health Report). The particular aims are to help the rationalisation of the roles and responsibilities of units within the MoH, decentralisation of decision-making, and making decisions more cost-sensitive (MoH: 1997, Country Health Report).

The First and Second health Projects have health information system sub-component which aims to establish a *Core Health Information System* within the MoH. The system will obtain required data from ministry units and other national and international organizations and also transfer data back to them. Its structure will be decentralized, and information will be disseminated without delay. It consists of two sub-continents: The Basic Health Statistics Module which involves basic health indicators, and the Core Health Resources Management System which comprises financial resource management, material resources management, human resource management, and drugs and pharmacy information clusters.

Similar aims and principles underlie the hospital reform activities. The Hospital Information Systems, a sub-component of the Second Health Project will provide health care providers, policy-makers and managers with a computerised Hospital Information System to improve the effectiveness and efficiency of their services through more accurate, timely and complete health care resources management as well as clinical information.

Computerised systems to support the services provided by several units of MoH have already been established. The MoH Department of Information Processing to serve the entire Ministry was established in 1996, and establishment of the infrastructure has been completed. In addition, an increasing number of hospitals have completed their own management information system.

The reactions of managers towards management information systems

As suggested above, an essential part of the health reform programme is an information system which cuts across the traditional boundaries of the health sector organisation, and has the potential to result in a reorganisation of work practices within the sector, and to gather necessary information for measurement of efficiency and performance. Majority of managers' interpretations of the management information technology reflect a perception that it will assist them in identifying hard data they need to run the business, particularly in measuring the performance of individuals as well as general performance of their organisations. They also expect that the use of IT, particularly management information systems, will flatten the organisational hierarchy, will help strategic management of the health institutions, and will create a cultural change among health sector staff as a result of the IT-enabled performance evaluation system.

However, not everyone seems to be happy with such a fashionable system. There are mainly three groups of critiques to the current applications: Firstly, some managers, albeit few in number, were critical of such expensive instruments as computers. They believe that extensive use of IT can provide little benefit but a large number of unnecessary data. The second bunch of managers assert that the newly introduced management information systems would be used as another vehicle of the increasing central control, and reinforcing a bureaucratic structure with centralized managers attempting to exert control over medical professionals. A third critic mainly comes from academia. Some of the interviewed academics argued that management information systems have a political side too. According to this point of view, these systems embody a prior judgment, implicit or explicit, about which activities it is most important to control; this determines the information items collected by the system. To the extent that information systems are often designed by outside agencies, such as management consultants, or by middle level technical staff, top managers are therefore allowing themselves to be controlled from elsewhere.

CHAPTER 7

THE PEOPLE SIDE OF THE CHANGE: CREATING NEW PUBLIC MANAGERS OUT OF TRADITIONAL HEALTH ADMINISTRATORS

INTRODUCTION

In Turkey, like in the UK and Australia, the New Right policies in the 1980s and 1990s invested heavily in changing responsibilities and style of health service management. This is not a policy that is specific to the health sector; rather it is a part of a wider strategy throughout the public sector which is based on the idea that the public sector has a lot to learn from the private sector. However, the health sector is one of the domains in which the NPM-type public service reform has been implemented. Within the context of the health sector, the people side of the NPM-type changes has three interrelated dimensions:

(i) changing the existing organizational culture from a combination of traditional-bureaucratic and professional one to a customer /consumer driven, and performance oriented one;

(ii) a move from administration by hierarchy and rules towards an entrepreneurial management style with determining characteristics of leadership /coaching, flexibility, teamworking, participation, and devolution of authority;

(iii) and developing managers of the new type through such means as management education and training, introducing human resources management techniques to replace the inflexible personnel administration, and involving the existing staff in management as a part of a crusade for a cultural change in the sector.

The main focus of this chapter is to investigate these developments in turn. This chapter complements the previous chapter, by examining the effects of NPM process on the health sector staff; in that creating new public managers is an essential part of the New Public Management. The chapter ends with a general evaluation of the NPM-type changes in the Turkish health sector.

1. TOWARDS A CULTURAL CHANGE?

The emphasis on organizational culture

The "excellence literature" (Peters and Waterman: 1982) has devoted great emphasis on changing the culture of organizations to effect improvements in performance. Although "organizational culture" is a formless and difficult concept to define, it is powerful in its implications. According to a popular definition, it covers the values, beliefs, and assumptions that shape behavior in organizations and are reflected in structures and processes (Ranade: 1994). A wide range of influences, from its history to its environment and ownership and control, are effective in determining the culture of an organization. However, it is the dominant groups within it, their values and interests that shape organizational culture mostly.

The concern with cultural change is similarly multi-faceted. The basic idea is that the hearts and minds of public service staff need to be won over to a new attitude and style. But again it is noticeable that management is seen as the chief agent of change. Implicitly the old attitudes are inappropriate and need to be replaced. The new public service will be more responsive to its citizen users -quicker, friendlier, willing to provide more information in more digestible formats, easier to complain to when things go wrong.

The organisational culture of the Turkish health sector institutions

The essential elements of traditional organisational culture in the Turkish health sector institutions, can-be summarized as doctor-led, incremental, solidarity-based, reactive rather than proactive, and inward-looking rather than innovative (Tokat: 1997). Put it in another way, the organisational culture essentially supports administration rather than management, concerning with maintaining stability and the status-quo rather than achieving improvement and change, and with the process and rules rather than aims and results. It had developed as a response to a political culture and environment shaped externally by the rules and internally by the dominance of physicians.

Changing the culture of the Turkish health sector

The Turkish health sector reforms, be it proposed or being implemented, have been perceived as involving a major change in organisational culture, by both managers and academic commentators. They argue that the reforms are intended to be comprehensive and to change the culture of health-care providers. This involves a reconceptualisation of public health providers (e.g. hospitals) as businesses, and creating mechanisms that reward flexibility and entrepreneurialism. A shift in dominant culture can be proposed, from one of professionalism, where clinicians make decisions on the basis of patient welfare and treatment and accountability is internal and related to patients rather than financial stakeholders, to a new managerialism, where the provision of managerial and financial information is seen as an essential element in the drive of public accountability.

The legitimisation of managerial as opposed to professional decision-making has been achieved through the introduction of a *new language of economic rationality and performance*. However, the old language of clinical decision-making and *the language of equity and free access to health care* has not totally disappeared; but a new one has entered the scene. This has caused a clash between the two interpretive schemes, and people are being mobilised to effect or resist the new language of economics and accounting taking over from what used to be a mainly clinical concern. Indeed, one explanation for the confusion, instability, and low morale among health sector staff is this clash of values between a public service ethos and a private sector, market-based, commercial ethos. Seeking to weld these two cultures together remains a huge task confronting senior management.

Another reason for the resistance to the new language is that many have perceived an affinity between the rise of New Right political philosophy and the use of accounting and economics to engineer reforms in the public sector, where it has become central to debates about capitalist rationality and economic efficiency. Opponent of NPM-type reforms attribute this to the New Right's assumption of superiority of private sector disciplines, where management consulting and accounting are well established, under the dominance of large accounting and management consultancy firms competent in designing public services.

Perhaps because of this clash and resistance, the implementation of the new language is mostly symbolic in that it signifies *new power relations*. As a first step, managers, accountants, management consultants, and IT specialists have been imported into the MoH and other public health organizations in order to introduce the skills and concepts needed to effect this culture change rapidly. However, it was not the only measure: several more strategies have been adopted in order to overcome this powerful resistance and to realize a cultural sea-change. The ones which deserve special attention include *appointing general managers to health management posts*; *involving clinicians in management by transforming them to managers*; *fragmenting* the health service organisations and staff in a number of ways; and *involvement of consumers*. Since the latter was examined in the previous chapter, the other three measures will be touched on in this section.

(i). Employing managers in health management posts

In order to bring a new cadre of health managers with modern management understanding, the MoH first tried to appoint general managers to several management posts, both in the ministry in Ankara and its provincial and line departments as well as hospitals. However, this attempt failed partly because of a strong opposition by powerful professional associations, unions, and media, and partly because of the fact that the existing laws do not allow the posts in provincial health directorates to be filled by persons other than doctors, even if they are veterinaries or from other medicine-related fields. For instance, the local administrative court invalidated the appointment of a general managers to the post of vice-provincial manager in Sivas province in 1992. Only a few management posts have been filled by general managers in the central departments of MoH in Ankara. This has tended to slow down the speed of projected cultural change.

(ii). Involving doctors in management process

One of the overriding goals of the management reform process in the health service is to ensure that the service providers, especially doctors, are fully integrated into the management process, to obtain their co-operation, and to overcome their resistance to the process of change. The MoH encourages its hospital and district managers to use various tactics towards this end. One way is encouraging managers and doctors to come together as a representative -but voluntary- body, such as medical executive committees, to advise top management, and to involve in management matters. This body could be a temporary or permanent. However, since the present regulation does not allow creating new formal structures within public organisations without a parliamentary consent, such committees are informal in status.

The case for clinician involvement has been rehearsed many times and is taken as already established. The fundamental problem appears to lie in the balance of power within the MoH as an organization. Clinicians have been accustomed to having the prime influence over the deployment of resources and to enjoying considerable freedom to pursue their professional activities. As agents of government, managers have been gradually given more "structural power" to control the "expert power" of the professional. Therefore, management has become attractive to clinicians. This has bearing, in part, on a conceptual question: "to what extent senior and middle managers and clinical directors with management responsibility identify themselves as "managers"?". To answer this, one needs to look at the extent to which they internalized the new culture and roles. The interviews conducted for this thesis suggest that to a considerable extent, the strategy of involving clinicians in management and creating hybrid managers has been successful.

(iii). A Fragmentation of the Health Service?

Another measure of overcoming resistance from health professionals is fragmenting the health service organisations and dividing professionals, in order to prevent their collective resistance, by a variety of ways.

The impact of the *local freedoms given to HEs*, such as devolving to them the authority to make budgets, contracts, pricing, income generation, asset acquisition and disposal, borrowing, reorganising management structures, and employing and firing their staff, and determining pay and conditions, is likely *to fragment the public health organisations* further. While managers in various health sector organisations will be doing similar tasks, they will do so in different ways. Besides, when the internal market is established, managers will be distributed into health service providers (HEs and local clinics) and health service buyers (district and province health directorates and MoH itself) and this will bring certain changes in the attitudes and behaviours of managers. The skills and styles required will consequently vary among the health service organisations.

One direct impact of this variety and fragmentation is that managers do, and will, need *extra management education and training* in order to successfully manage their organisations within this new environment and to achieve the targets set. First of all, they have to deal with their local plans for service provision and development as well as the requirements of MoH at the centre. The second reason is about the human cost of change. As the reform process continues, there will likely be increased pressures on staff at all levels, and with eventual casualties. It will be the skilled and learned managers' job to use their expertise and knowledge in the management of change to lessen negative effects.

A Further Division Among the Managers: Pros and Cons of the Reforms

The dramatic changes envisaged in the reform package pose further great challenges for health managers. Although it is not clear at present whether this expected trend will go to the extent of a "Darwinian Management" where the ability to adapt quickly is the key to success and survival (Thompson: 1991, Flanagan: 1991), it is highly likely that entrepreneurial managers will find greater ease for themselves within the new environment, while traditional managers will find themselves more isolated than before.

Most of the managers interviewed acknowledged that the changing environment towards more marketisation, intensifying competition from the private sector, and increasing globalisation in the health services have forced managers at all levels to be more entrepreneurial. They also agree that there is an apparent transition of the management understanding among health service managers from a corporate team management towards a more individual general management. This has also been confirmed by previous research: according to the Research into the Organisational Culture in the MoH, conducted by Ozdemir and Yalin (1998), 67% of the health managers were strongly willing to adopt new management techniques in their organizations, while only 12% were opposed.

Another interesting result of the interviews is that the managers who favour the new management practices and willing to change the culture of their organisations in the line of such values as enterprise, entrepreneurialism, efficiency and economy (the new public managers) are willing to manage the comparatively autonomous provider organisations such as hospitals and village clinics, while traditional managers prefer to work in the relatively hierarchical traditional organisations such as provincial health directorates and certain central departments of the MoH. Perhaps it would not be an overestimation to suggest that, most of the new public managers will find their homes in provider organisations, such as HEs, while the traditional managers will be found intensely in the purchaser side, when purchaser/ provider distinction is put into practice.

Within this environment, it is difficult, at least at the present, to predict to what extent these proposed reforms will change the existing culture of the sector, although the supporters of the NPM-type changes in the health service are confidential of success. However, there are signs that the culture of the health sector has begun to change in the hands of an emerging group of new type of health managers who can be best characterized by "entrepreneurial, performance and results-oriented managers", as a result of a new style of management, as shown by some evidence below.

2. TOWARDS A NEW STYLE OF MANAGEMENT

The full implementation of the proposed health reform programme will take time because of the resistance of professional organisations to NPM-type changes, the capacity and infrastructure problems, and the reality that one would expect legislation to precede any attempt at introducing new reforms. Moreover, in its existing shape, the programme lacks a detailed implementation schedule. Therefore, the increasing number of energetic managers have seized an opportunity to create their own style in terms of putting the ideas of reform into reality, and implementing the contemporary management techniques in their own organisations.

Indeed, the changing managerial environment has forced them to be creative, in that the proposed, as well as current, changes in the health sector management demand a whole new mind map for managers to navigate over the new landscape. They must be able to cope with a more fragmented world and one which recognizes that the function of the state health sector is now a business. The language of business was foreign to MoH managers only a decade ago, but now it has percolated through even to many professionals who were accustomed to viewing their job as providing patient care to exact scientific standards with little attention to cost.

Although some critics of the old ways of managing the service still have serious doubts about the methods that are now being introduced, most interviewed managers seem to be deeply committed to the new way of doing things. They agreed fundamentally with the diagnosis and therapy of NPM: "the old, hierarchical, rule-based administration failed, and public services should be run by the principles of flexibility, performance and results-orientedness, three Es (efficiency, effectiveness, and economy), customer orientation, and empowerment of managers and employees". However, most of them seem to be realistic about the NPM-type developments in their field: the idea is fine, but its implementation would prove difficult within the existing environment.

(i). Leadership and teamwork

Good leadership is one of the essential pre-requisites in the emerging managerial culture. Managers are supposed to lead and coach their subordinates within the frameworks of the mission and strategic targets of their organisation. Most of the interviewed health managers admitted that they feel that they are under pressure to transform themselves from being classical bureaucrats and administrators of their units to being leaders, under the tide of new health care management.

Admittedly, leadership requires having an entrepreneurial character and thus an ability to take prompt actions. But would this lead managers to being the dictators of the workplace? The interviewed managers reject the claim that they are simply bosses or dictators. They portray their job as "balancing resources" or " a kind of arbiter". This image reflects at the same time the qualities of leadership they prefer. A manager in Ankara Numune Hospital described his managerial style as : " tough but tender, decisive but willing to hear the other side of the case, global in vision but sensitive to individual demand and possible sources of conflict". Another preferred quality of leadership, according to interviewed managers, is better communication and encouraging dialogue among the employees as well as between managers and employees.

However, *leadership* is not the only player in the field; *teamworking* has also been developed as a balancing notion to "strong leadership". Although critics of the managerialisation of the public services argue that teamworking conflicts with the notion of leadership, it is the argument of the advocates of NPM that these two can be reconciled, through putting a leader on every team. Consensus has still to be reached on several aspects of the work, but managers are in charge of that consensus.

The interviewees stressed that all kinds of consultation among managers as well as employees have taken place on a variety of tasks in their organizations, and an increasing number of jobs are being reoriented in order to facilitate teamwork. In addition, teamwork has taken a new form: the team spirit creates harmony. The leaders of the teams have increasingly received a much greater flexibility of structure and team membership than existed before, especially in line departments. The team leaders, mostly managers and chiefs, usually have a chance to select his/her team members. Regarding the roles that each team member plays, managers frequently have an opportunity to build harmonious teams, regardless of members' original professional skills. For instance, within the Health Projects Coordination Unit, there are teams with various roles consisting of management consultants, doctors, academics, and psychologists

(ii). Entrepreneurial management

Entrepreneurship in the public sector

Entrepreneurship has traditionally been associated with activities of individuals operating within the private sector. However, increasingly there is evidence to suggest that the concept and practice of entrepreneurship has a role to play in the public organizations, particularly as governments are encouraging those organisations to become more market-oriented. There are arguments developed in favour of public entrepreneurship suggesting that "when the public sector is characterized by quasi markets, the concept of entrepreneurship is likely to be particularly relevant" (Ennew, Whynes and Feighan: 1997). The argument here is that, if markets need entrepreneurs in order to function effectively, then quasi markets will also demand individuals who play a similar role.

However, given the absence of ownership, lack of the profit motive and other private sector characteristics, can one expect that individuals would act entrepreneurially? To answer this question one must refer the definition and essential characteristics of the term "entrepreneur". In this respect, three major definitions of this term can be identified (Ennew, Whynes and Feighan: 1997). Shumpeter perceives the entrepreneur as having a decision-making role and defines his role as to innovate, Leibenstein defines it as the individual who achieves success by avoiding the inefficiencies to which other people or organizations are prone. Similar to the latter, Casson regards the entrepreneur as someone who specializes in taking judgmental decisions about the coordination of scarce resources. Taking these definitions into consideration, there is no reason to suggest that a public manager cannot be an entrepreneur, if he/she carries necessary characteristics that is "task related motivation, expertise, personal gain, and a supportive environment" (quoted from Casson: 1982, in Ennew, Whynes and Feighan: 1997). Indeed, as the pace of public sector reform and economic changes increases, the need for public entrepreneurs becomes much greater.

Entrepreneurial management as an increasing trend in the Turkish health institutions

Like the shift from administration to management, there is an increasingly observed trend in the health sector that the health service managers are becoming more and more entrepreneurial. The interviews conducted for this thesis confirmed the previous research that the emphasis on a more business-like, entrepreneurial and participative style of management has increasingly been gaining currency among senior and middle-level health managers in Turkey (Oguzhan et al: 1997, Oncel: 1994). Compared with only one decade ago, there has been a greater readiness to engage in commercial enterprise and to adopt private sector management styles and practices, both in hospitals and central and line departments of the MoH.

However, the degree of this change varies among the health organisations. Firstly, since the main agents behind these changes are the senior managers (e.g. regional directors of the MoH, chief medical officers and operational managers of hospitals), the innovative and entrepreneurial style of management is intensive where an organisation is filled with the new type of managers. Secondly, those organisations which have undertaken a joint venture with private sector or with another public sector organisation have been observed to be engaged in more innovation and entrepreneurialism, than others. Lastly, the degree of entrepreneurialism depends to some extent on the need as well as opportunity of the organization to generate additional resources to maintain and develop the organisation. For instance, a former director of Sivas Municipality Health Services acknowledged that he had little opportunity to make innovations when he was a deputy director in Sivas Provincial Health Directorate because of the relatively rules-oriented nature of the organisation, and when he was transferred to the Municipal Health Services, he could easily implement all the innovations he wanted.

(iii). Participative Management

Participative management, which means replacement of traditional management by control, with open communication, empowering employees and rewarding them for their performance, is another characteristic of the emerging new management style.

Communication

Many of the health managers interviewed stressed that they consulted with, at least informed, their employees well about the existing operations and the future direction of their organization.

Communication of information takes several forms. One manager in the Health Reform Coordination Unit claimed that management in his organization is visible and accessible to employees by an open door policy and regularly talking to employees out of their offices. In Baskent University Hospital, the quality management team have frequently sent brochures about the mission of the organisation, the new developments in management of the hospital, and a wide range of similar subjects to all employees. Likewise, in the same organisation, the managers regularly have both formal and informal conversations with employees on hospital management and other issues.

Similarly, a senior manager in Ankara Numune Hospital asserted that he and his colleagues in senior.management posts in the hospital have held regular meetings with employees to inform them about the new developments in the hospital, the current status and results of the new management techniques which have been in implementation in the hospital, such as TQM, and have frequently asked them to provide their ideas about how to improve the services in the hospital and their complaints about their superiors and the environment in the hospital at large.

Employee Empowerment

A number of managers interviewed seemed to be aware of the fact that however able they were to think creatively and solve problems, they were no match for the combined effort of all employees. Obviously, such a managerial attitude promotes environments essential to employee participation and risk taking. As a part of the widespread quality management initiatives, the managers interviewed in almost all health organizations claimed that they have empowered their employees by replacing formal procedures with encouragement to use discretion and common sense when faced with a decision.

Although they all still operate within a highly bureaucratic environment, a considerable number of health organisations have improved their daily operations and decision-making process by various innovations, where the regulations allow. For instance, the managerial director of a large hospital in Istanbul province has tried to replace the traditional hierarchy with semi-official team structures in relevant units of the hospital. Although job descriptions, pay structures, and official layers of job functions remains the same, a significant change in organizational structure of public organizations requires legislative approval, a number of -unofficial but empowered- teams were established to handle important functions. This practice has flattened the organisational decision-making structure of those units, reducing the real functional structure to only three layers: team members, team managers, and senior managers.

Rewards

Another aspect of the new management style is rewarding performance and improvement in workplace. However, contrary to its common use, "rewards go beyond financial returns to include such things as recognition, feedback and meaningful work" (Baird and St-Amand:1995).

The idea behind **recognition** of the positive contributions of the employees is that "a regular pay cheque and good benefits [do] not guarantee high morale or job satisfaction for the majority of their employees....Employees need...to receive recognition and feel appreciated to be truly satisfied with their jobs" (Baird and St-Amand:1995). In addition to this general justification, there is another reason for extensive use of "recognition" in the Turkish public sector context: the current system is not performance-oriented, and performance-related pay is not a part of the existing system.

Although the managers interviewed claimed that they are all aware of the need for recognition of the performance of their employees and they have been recognizing their employees' performance and hard work, the styles of expression of recognition varies among managers, from a simple handshake to thank the successful employee in person, to give presents, and to announce their performance in a public gathering. Most of the activities which fall into heading of "recognition" are non-monetary, informal, instantaneous recognition. However, in the case of exceptional performance, the MoH and larger hospitals use formal recognition programmes and special awards such as cash bonuses.

Regular **feedback** at all levels is increasingly serving as a technique for positive reinforcement of the new management philosophy, after implementation. In addition to the formal requirement of annual evaluation, an increasing number of organisations require managers to provide feedback and employee surveys on a weekly or monthly basis, in order to measure job satisfaction and morale among employees and to identify problem areas in the organisation. Some large hospitals and MoH conducted similar surveys among patients, the customers of the health service. Although there is a popular complaint among middle level managers and employees that the results of such surveys have not been taken seriously, a large number of managers interviewed argued that they take action when they receive the results of the surveys and feedback.

In addition to the above mechanisms, some health organisations or units have struggled to **make the work meaningful** and enjoyable for their employees by employing a number of methods. This include eliminating unnecessary procedures in the workplace, utilizing frequent job rotation, and increasing employee responsibility over the work. In addition to these individual efforts, The Health Project Coordination Unit and the State Personnel Agency do devote efforts to spread this good practice throughout the organisations.

(iv). Devolution of authority

Although the senior management in the MoH have been introducing a modern business model of organisation and management, and encouraging innovation, the front-line managers are still trapped inside the traditional bureaucratic-hierarchical mechanism, with its political interference and its central allocation of funding. Many line managers complained that the devolution rhetoric has not been put into practice sufficiently, because, the central government, including the MoH, still maintains the belief that it knows best, despite the increasingly popular managerialist philosophy. This begs an urgent question: if the central government does not devolve its significant functions and powers at the moment, in their turn, do the line departments of MoH do so? The answer reflects a great deal of variety among the organisations and their managers: an increasing number of managers in the line departments of MoH have devolved some of the functions and authorities to lower levels, while others are reluctant to do so. Both parties have their reasons. The complaints about the heavy bureaucracy in the health organisations, like in most other public service, and the belief and experience that flexibility makes organisations more efficient and productive, are the main reasons for devolving authority to lower levels. However, the managers who are reluctant to devolving authority justify their attitude in such terms as lack of capacity to manage at lower levels and political and administrative risks of devolving authority.

The trend towards a new style of management, as explained above, does not seem to be limited to the health sector. In her research on managerial characteristics of the municipal managers in Izmir province, Sahin (1997) found a similar trend towards a more participative, and entrepreneurial management with more delegation of authority, teamworking, and communication. According to the research, 52 % of the managers consults their employees on workplace issues, 91.5 % delegate a considerable amount of their authority, 91% encourage their subordinates to be more active on management issues, 87.2 % of municipal managers encourage teamworking.

3. FLOURISHING NEW PUBLIC MANAGERS

The third leg of the people side of the NPM-type change process is developing managers. It is of importance for the success of reforms, because, at the end of the day, it is the managers who will maintain the reforms after a launching period. Indeed, by the nature of the NPM, adequate number of skilled public managers is vital, in that it would be absurd to introduce a "managerialism" without competent managers.

This begs the question of "how to develop managers?". Studying the Turkish health sector reform experience, one can suggest three main strategies for flourishing health managers: changing the employment relationships in the sector, especially introducing concepts and practices of human resource management, involving clinicians in management and creating hybrid managers with clinician background and managerial characteristics and skills, and extending management understanding and skills among the staff through management education and training. Since the issue of involving clinicians in management was explored in the previous section, the emphasis of this section will be on the other two issues.

a. Human Resources, new employment techniques and managers of the new type

(i). Changing employment practices

The values of the society and the characteristics of the economy in which an organization exists are inevitably reflected in that organisation. It is necessary, therefore, to examine the values embodied in the culture of the Turkish society with emphasis on employment relationship.

Until the early 1980s, the role of the state as the principal employer had not been questioned. The notion of "father state" was the dominant theme in state-society relationships. The direct reflection of this perception on the public employment system was a paternalistic attitude within public organisations, which includes life-time job security, organisational integration, and equal pay. Since the early 1980s, however, the values that created the notion of the state caring for the individual, whether as a recipient of services or as an employee, have been systematically eroded. The neo-liberal policies have transformed this position by emphasizing the primacy of the market and customer-citizens. Individuals must now survive within the market.

In many respects, the traditional model of state as an employer is in direct conflict with the values embodied in New Right ideology, where free market is seen the most efficient principle of organisation. Central to this ideology is the claim that the role of the state in the provision of services should be reduced to a minimum; which calls into question the very nature of the idea of public service and employment. The new, mostly private sector, management techniques, such as contracting out and quality management, has made fundamental changes not only to the way services are delivered, but to employment relationships with the public servants. The continuance of the traditional system has now been questioned, and local pay flexibility in relation to geography, skill, and performance are already becoming established principles.

Local flexibility in relation to pay and conditions and other linked working practices will be given an additional impetus when the legislation about the decentralisation of the provision of health services and Health Enterprises is endorsed by Parliament. However, the creation of self-governing Health Enterprises acting as autonomous employers, being free to determine their own terms and conditions of service, with little reference to national agreements, may be slightly less attractive and more problematic than it sounds at first. Even if all hospitals and community services were to become self-governing enterprise units, it is likely that there would be a continuing tendency towards some mechanism which would seek to establish a national or regional baseline from which more flexible local arrangements would stem, if only to avoid the obvious but real potential problem of wage spirals and leap-frogging.

As with any changes, there are a variety of influences at work, many of which could counteract each other and some may well work together in a way not originally anticipated. On the broader national stage, the guiding role of the state as a good employer has begun changing, although there are still huge problems stemming from increasing population, and thus rising unemployment. There has been a shift of some sort in the attitudes and values of society during the last two decades which have affected organizational values and employment practices, but the exact extent and nature of the shift will only be clear when data out of extensive research into this field are obtained. The focus of this section is on some of important policy and measures in the human resources field.

(ii). HEs and Human Resources Management

According to the Health Reform Project, most responsibility for the operational organisation and delivery of health services will be placed at HE units level. Those with special skills in the management of human resources will also be based at HE units level and there will be minimal need for such skills at district level. The role of the central departments of MoH will evolve as one of broad strategic management on a coordinated national basis together with the offering of certain agency and consultancy services to HEs and districts. In other words, most of human resource activities will be refocused at HE units level. The approach being taken to the people, among issues of self-government reflect a *human resource management* emphasis in contrast to the traditional *personnel* emphasis. It is the estimation of interviewed managers in various posts that the trend will likely be towards having higher-quality and higher-paid staff at unit level, and towards enabling line managers to manage their own staff. However, this formula of "less manpower = more productivity" will eventually lead to more unemployment, as in many developed countries such as the UK.

In the meantime, it seems that there is another aim of establishment of HEs in terms of employment relationships. The creation of smaller independent employing units such as HEs will mean that, in terms of industrial action and bureaucratic solidarity, the scope of trade unions and other professional organisations will be considerably limited. Perhaps one of the chief aims of this practice is to weaken professional dominance in the sector and resistance from the bureaucracy.

(iii). Health Enterprises (HEs) and Personnel Contracts

Contracts have long been perceived by planners of the Turkish health reforms as well as managers alike, not only as essential for the vitality of the HEs but also as eminently important for changing the culture of public servants towards a performance and results-oriented one. For instance, the Basic Act of Health Services (Article 7) outlines the essence of contracts. It is explicitly stated in the justification notes of Article 7 that, there is a close link between efficiency and effectiveness and employing personnel on a short term contractual basis:

> *In order to encourage service effectiveness and efficient practice HEs could employ their personnel on a contractual basis (Resmi Gazete: 1987:9).*

Likewise, the justification notes of temporary article 1 express the importance of contract-based employment:

> *It has been proposed that each HE should, as suits them, be able to enter into contractual agreement with those who apply for such a status in order to provide the necessary incentives in the newly-created HEs...(Resmi Gazete: 1987:9).*

However, there is fierce opposition to contract-based employment among proponents of the traditional bureaucratic system. For example, CC decided to cancel some articles of the Basic Act of health Services, mainly the articles related to contract-based employment, making the implementation of contract personnel system impossible at the present. This caused frustration and resentment among supporters of NPM-like reforms, be it academics, or managers alike.

"The Act was prepared with the spirit of management. But unfortunately CC canceled the vital articles of the Act. Without these articles, other articles are unable to bring the benefits the legislator has expected" (a management consultant in the MoH).

However, the proponents of NPM-like management reforms has attempted another action in favour of contract-based employment in the health sector through putting it in the health reform package, attaching it on the reforms which HEs bring about. The issue of whether this strategy will work or not remains to be seen.

(iv). Market Type Mechanisms and HRM

The unrelenting emphasis on the desirability of market or market-type mechanisms has considerable implications for professionals and managers alike. First, it implies a further move away from the traditional model of lifetime professional careers, working under secure terms and conditions of service. The public service providers of the future will be working to contract or contract-like agreements which will be time-limited and strictly monitored. Central government is encouraging them to move towards a parallel model of employment: many of their staff will be employed on term contracts, with well-specified work targets and standards and a growing performance-related element within their remuneration. This is already common practice at top management levels and is set to spread.

Market-type competition has also an impact on what one might term "professional solidarity". Doctors, for instance, working for one provider are potentially set against those working for rival providers. Skillful managers would be able to use this argument to encourage staff to focus merely on their standards and targets.

Another consequence of the market philosophy in employment is to introduce a much wider range of flexible working practices in service provision units. Some examples are increased part-time working, home-working, seasonal working, already considered by a number of health authorities (where current legislation allows). These are all practices which are characterized by a degree of employment insecurity which might be seen as a mechanism for reducing labour costs. However, at the present, employment flexibility is an exception rather than a rule for most of the health service organizations. Besides, the chief purpose behind some applications of employment flexibility is often other than efficiency or economy, for instance most of beneficiaries of home-working and part-time working applications are married physicians with small children.

(v). An obstacle to a more efficient Human Resources Management: inflexibility in rewarding and punishing employees

One of the central themes of NPM is a focus on performance. It perceives every employee to be both part of a corporate team and simultaneously a lone individual whose contribution to that team is routinely monitored and assessed (Strong and Robinson: 1990). Keeping in the line of the general NPM literature, the rhetoric of the Turkish health reform stresses that professional ethics and aspirations are to be accompanied by a new stress on individual incentives (MoH: 1992, 1993, 1997).

However, at present, there are still problems to be tackled. Although the reforms aim to change the prevailing old ways in favour of rewarding performance (MoH: 1997), the inflexible and uniform old mechanisms will remain to shape the pay and rewarding system in the sector, until the reform package are fully implemented. Similarly, the local managers lack the power to fire the disloyal and incompetent employees and even very limited authority to discipline them. This is a significant factor which hampers the intended cultural change towards a performance-oriented one, since it would be much more difficult for managers to implement change initiatives without having sanctions on doctors, based on new disciplinary procedures.

b. Management Training: preparing health managers for the new environment and changing the culture

Most health managers are physicians. The interviews conducted for this research shows that they are often ill-prepared for the positions they hold: they take only few management courses in their higher education in medical faculties. Furthermore, by nature of the profession, doctors tend to take individual decisions and are, generally, not good team members (Numanoglu et al: 1997). However, the new managerial paradigm demands health managers to act as cost-conscious, entrepreneurial *leaders* with certain leadership and teamworking skills, along with the ability to learn and adopt new management techniques in the workplace. This requires a proper management education and training for health managers, in addition to certain individual characteristics.

Indeed, management development can be seen as a *learning experience*, for those holding managerial roles in an organization. Such experience may be a highly visible educational programme, with recognized qualifications albeit no organizational outcome; it may be a training event focused on particular skills and understanding; or it may be an almost unrecognized flash of insight at the workplace, prompted by others. In all these cases, *learning* is at the heart of development.

The researches conducted among senior and middle managers within the central organisation of the MoH. its line departments, and hospital managers have also shown the need for management training for managers (Oguzhan et al.: 1997, Oncel, Aksu and Tezcan: 1996, Kaya: 1997).

Recognizing the need for developing new type of managers, the "National Health Policy Document" determined the related strategy of the MoH as "encouraging professional health management and developing human resources in this direction" (MoH: 1993). Keeping in line with this strategy, the MoH defined strengthening the institutional capacity of the ministry through management training as one of the essential targets of the *First Health Project* which was launched in 1991. Among the responsibilities of the Health Reform Project Coordination Unit is developing health managers who will function as leaders in the management of change and who have the abilities of making cost-effectiveness, efficiency and productivity analysis, encouraging teamworking and other human resources management techniques, and applying the other contemporary management techniques in the workplace.

In order to put this mission into practice, the Health Reform Project Coordination Unit (SPGK), with the collaboration of the Management Faculty of the Middle Eastern technical University, prepared an extensive programme of management training for health managers. This programme includes an intensive 4 weeks management training module and additional seminars and conferences about the fundamental principles of management science and new management techniques. It consists of training of senior and middle level managers within the central departments of the MoH, and managers of the line departments of the MoH in provinces, starting with senior managers within MoH and managers of the health managers from the pilot provinces where the First Health Reform Project is undertaken.

The curriculum for the programme has been developed using mainly business management techniques. The intensive training module consists of four courses: Strategic Management, Organizational Change Management, HRM, and Management Practices and Information Systems. The subjects of weekend seminars for senior managers include contemporary management concepts, leadership, global trends in health management, crisis management, organizational change and development, teamworking, strategic management, learning organizations, and individual skills. Although this initial programme was completed in 1997, the MoH plans to continue its management training activities and even to extend the management training programme via broadening its scope and extent to include all managers in the sector, since the initial programme was perceived useful, and successful, by both MoH and the participants (Ozdemir and Yalin: 1997).

In addition to these management development initiatives, a number of educational programmes for health managers are operating. An increasing number of universities have opened special masters and Ph.D. courses, and summer schools for health management education. The attendance at the short courses and seminars on various management skills and concepts in TODAIE (Turkish and Middle East Public Administration Institute) has increased sharply in the last decade. Furthermore, the MoH has granted scholarships for management education abroad for over 400 doctors who are holding managerial positions, within the context of health reforms (MoH: 1996, 1997).

EVALUATION OF THE HEALTH REFORMS

In view of the relatively short period that has elapsed since the NPM-type changes began, and most of the essential elements of NPM are in the shape of proposed reforms, waiting for legislative approval and implementation afterwards, it would be premature to draw firm conclusions on their impact. However, it is possible to identify some tentative lessons derived from the existing experience and the general trend so far, and to indicate the strengths and weaknesses of the arrangements that have been put into practice.

To begin with, it is apparent that the changes to the Turkish public health system have unlocked established relationships, and will likely continue to do so. Doctors who have traditionally exerted a great deal of influence over the development of health care have found their own position under challenge by increasing influence of managers and management consultants, and by the notion of "consumerism" which limits the control and influence of the doctors in favour of patients. As Hunter (1996) argues, " instead of hospitals seemingly existing *for* doctors with administrators primarily facilitating their work and that of nurses, there is now much more emphasis on the control and direction of medical work". Along with this *power shift*, health care professionals are regarded in less individualistic ways and much more as members of a team. The establishment and development of HEs are likely to reinforce this *corporate approach*; individual doctors and nurses, from now on, will be subject to business plans, mission statements, and priorities of the organization they work for. Perhaps, the observations of Harrison and Pollitt below (quoted in Hunter: 1996) for the case of British health sector would be perfectly valid in the Turkish cases as well.

> Compared with 20 or even 10 years ago, the average professional's work is nowadays much more likely to be costed, audited, used as an input for performance indicators, subjected to explicit budgetary or workload ceilings...and / or included within the scope of patient satisfaction surveys. In addition to...managerial controls, individual clinical decision-making may well have to take account of a multiplying number of guidelines or protocols laid down by professional bodies at national level.

There are great expectations among several quarters, such as hospital managers and health policy-makers, that the ongoing changes and reforms in the pipeline will bring efficiency gains, and will change the organizational culture in the health sector. The goals of the intended system would be summarized as in Table 22:

Table 22: The characteristics of the old and new health care system

Old System	New System
Politicized bureaucracy	Efficient business
Monopolistic environment	Competitive environment
Production-driven organization	Customer-driven organization
Static system	Dynamic system
Primary and secondary services were separate	Primary and secondary services are integrated

On the other hand, the professional organizations argue that the market-oriented reforms will cause turmoil and uncertainty in the sector, rather than bringing a promised revolution. However, it may be premature to harbour these doubts: the reforms have had scant chance to work. There are indeed signs that the introduced measures are working, and senior managers and medical staff in many big city hospitals are coping with a dramatic shift in their traditional markets, as explained above.

Conditions of successful NPM-type health reforms

An important element of the evaluation of the current health reforms is to identify the conditions under which specific reform measures will generate improvements in efficiency, effectiveness, consumer satisfaction, service quality and improvements in health status which NPM-type reforms generally aim to achieve. The Turkish experience suggests five conditions for achieving these goals.

The first condition is the *policy itself.* For instance, retention of some portion of the revenue collected from patient fees for use by the health facility is a necessary policy to ensure that user charges lead to improvements in service quality and access to quality care. The second one relates to *the structure of the health sector and the role of MoH.* It includes such elements as administrative arrangements within the ministry, procedures for accountability, the extent to which managerial decisions are decentralized, and the quality and coverage of health management information systems. The third one is *managerial capacity* which concerned with individuals and institutions responsible for leadership, planning and evaluation, decision-making, and regulation of the sector. The fourth one is commitment of managers in the health sector to a performance, quality and results-oriented set of values is not sufficient; there must be explicit *political commitment* as well. The last condition deals with *factors* that are largely *outside the influence of the health sector.* These "macrocontextual" factors include a country's macroeconomic performance, infrastructural development, educational levels, and cultural norms.

Obstacles of the reform process

The NPM-type reforms have been hampered by a variety of factors from internal contradictions of the proposed reform package to a harsh resistance from the traditional bureaucracy and professional groups, and technical reasons. Since the general, intersectoral obstacles of the NPM-type reforms have been discussed in previous chapters, this section will examine the important ones of the additional obstacles which are specific to the health sector reforms.

(i). Internal contradictions, and conflicting measures and elements of reform

Particular measures do have implications for some or all of the goals of reform, but sometimes these implications conflict. For instance, user fees usually have negative consequences for equity, but have a positive effect on quality and efficiency. Likewise, universal coverage with health insurance should have beneficial effects as regards equity but could be detrimental to efficiency and cost containment. Strong leadership and the notion of "letting managers manage" would also contradict with the practice of teamworking. Similarly, involving consumers in setting priorities in health care do often conflict with a focus on medical effectiveness / health outcomes, which suggests that certain facilities should be withdrawn or medical treatments curtailed, e.g., closure of a local hospital which is unacceptable to the public (Hunter: 1996). When reforms have potentially conflicting consequences for the achievement of sectoral goals, it is important to make explicit the necessary trade-offs so that decision-makers may be better informed.

(ii). Dealing with unnecessary political interference

By nature, management in the public sector is a highly political process, operating in the centre of political debate and public attention. Managing the interaction between political process and the organization is an essential function of senior management which requires skill as well as training. The senior managers have to meet the demands of elected politicians while struggling to improve the performance of their organizations at the same time.

Nevertheless, as in many other public organizations, disharmony between political authorities and health sector managers occur frequently, partly because business-minded health managers often have unrealistic expectations about the relationship between politicians, and partly heavy interference by politicians into the day-to-day management of public organizations mainly for political reasons. Many of the health managers interviewed complained about conflicts between themselves and local as well as central politicians on management issues, and argued that a separation between politics and management would bring efficiency gains. For instance, a former head doctor of Konya State Hospital stated that the Minister of Health dismissed him mainly because he does not share the minister's political ideas, although he was very successful in managing his hospital. Similarly, a hospital manager in Aydin province was appointed to a more passive job because of his argument with the local representative of the party which was in government at that time (Hurriyet: October 1998.)

The words of a middle-level manager in a hospital in Ankara, an academic himself, reflects a widespread argument within hospital management quarters:

" In the past, we had problems with both politicians and senior managers in the centre (MoH). With the new movement in health sector management since the mid-1980s, the bureaucratic interference by MoH has been minimized...because they think that if they allow us to manage our own management affairs freely we would perform better...they only interfere in crisis situation or to teach us the new policies and techniques... I do not argue against these types of new bureaucratic interference, because they are necessary. It is necessary to set some guidelines and working principles for managers, because the interaction between public and private sector and new management techniques created new opportunities for corruption and misuse of public funds. However, our problems with illegitimate political interference still remains. In my judgment, politicians have no legitimate right to interfere in daily operation of a hospital or line department of MoH, except in strategic affairs and cases of social and ethical distortion".

Perhaps the heavy interference by politicians in health management is one reason why the idea of Health Enterprises, which is expected to minimize both political and bureaucratic interference in the management of hospitals and village health clinics, have found a common acceptance by the managers at all levels as well as in academic quarters.

(iii). The negative role of professional organizations in the reform process

One challenge to the new management style is to cope with what is called as " tribalism" (Thompson: 1991) in the sector; the tendency of professional groups to cherish their historic rights to govern their own affairs. It would be overoptimistic to suggest that the medical and nursing professions, at least the professional unions, are, and will be, changing overnight their traditional negative attitudes towards reforms. This may be out of the perceived threat to their position or jobs, confusion about what the changes are intended to achieve, as well as a hostility over what is seen to be a destruction of traditional public service values and their replacement with a set of market-based values that are anathema to many who choose a career in public service.

(iv). Problems in Measuring Performance-Output, Outcomes and Quality

In looking at the experience of NPM-type reforms in the Turkish health sector, the question of how to measure success -or indeed change-becomes visible. While significant improvements in service provision and financial statements have been identified in some organizations, mainly hospitals (Tokat and Kisaer: 1992), in general the measurement and reporting, and thus evaluation, of performance has been limited, if not nonexistent. The greatest challenge to this job is the unavailability or limited baseline data on performance in most organizations; some institutions do not prepare regular reports on their performance or do not publish them. Unavoidably, this makes an adequate assessment of the changes, especially the comparative ones, difficult, if not impossible.

Although some parts of performance can be, and have been, managed by hospitals as well as central departments and provincial branches of the MoH through contracts that specify outputs, this kind of information is also loose and does not give an adequate picture of the overall performance in the organization. Further, this information is often not used in policy development, since the MoH and SPO, policy and regulatory agencies, do not have a system to effectively monitor and evaluate this pool of information.

In order to overcome this barrier to performance measurement and evaluation, MoH and SPO follow two main strategies: establishing a comprehensive management information system, examined in this chapter, and conducting individual studies on a wide range of issues, such as performance management, customer satisfaction, and community participation. These surveys/studies include Financial Flow Analysis in the Health Sector, Hospital Management Development Study, Health Personnel Attitude Survey, Health Services Cost Survey, Analysis of Workload Indicators of Staffing Needs, Community Participation Survey, Healthcare Expenditure and Finance Survey, etc. (MoH: 1997).

CHAPTER 8

CONCLUSIONS

INTRODUCTION

The previous chapters provided answers to the research questions posed at the outset. This last chapter will draw some concluding remarks which highlight the major findings of the study and briefly discuss some of these findings. This chapter continues to review the potential implications of the findings of this research for the theory or/and practice of the administrative reform, particularly for the study on NPM.

WHAT IS NPM?

Many people do not recognize the term "New Public Management (NPM)". Although there is an international movement which is called as New Public Management, which implies a set of professionals, intellectuals, and politicians who share a common, coherent set of ideas about how the public sector should be managed; it lacks an identified founder, a distinct founding text -a holy book- and a common name. The core ideas of NPM appear under different labels: "reinventing government" (in USA), "modernizing the state" (in Latin America), "the Value for Money approach", "entrepreneurial government", "planned market approach" (especially in health sector), and "modernization of government" (in France), or even "the management approach".

On the issue of the core ideas of NPM, one could present them in various ways. One such way is to gather them under a number of core principles. An alternative way is to think in terms of a longer list of key measures which have been employed to put the core ideas of NPM into reality. This thesis has attempted to utilize both methods. Chapter 1 examined the essence and core ideas of NPM, listed the specific measures employed within the contexts of NPM reforms. The actual implementation of the main elements of NPM in various countries constituted the main body of the work, taking their implementation in the Turkish public sector in general and in the Turkish health sector in particular as the case study.

The AGE of PUBLIC MANAGEMENT REFORM

NPM is a practitioners' movement. The important role the researchers of various background and perceptions in the development of NPM has been to monitor and evaluate the reforms and make suggestions. In this respect, this study makes a significant contribution to NPM research by evaluating NPM process in a developing country setting.

As suggested throughout this thesis, the 1980s represented a watershed in administrative reform around the world, especially in several OECD countries. The inherited administrative systems of almost every type were criticized as "proving to be sluggish inflexible and insensitive to changing human needs and novel circumstances" (Caiden: 1991, p.1) and visibly falling short of adapting to the changes in markets, politics, and public attitudes clearly gaining momentum everywhere. These traditional systems included the welfare state and representative bureaucracy in the West, those of the Eastern Bloc with bureaucratic centralism, central planning, technocratic management, and statism, and those of the Third World with autocratic and personal "law and order administrations".

As a reform of the traditional administrative systems gained currency in the theory and practice of public administration since the 1980s, there are insistent, strong pressures for further change, even if there is no crisis situation; although the reform movement began as a response to the financial, managerial, and intellectual crisis of the state in the West emerged after the oil crisis in the mid-1970s, and fueled by the dominance of the New Right ideology in Anglo-Saxon Countries. The additional sources of these pressures are:

- globalisation and the development of a global market place which increase the need for a competitive public sector;
- fiscal crisis, and in the process creating debt burdens, which partly stem from growing public sectors and public employment,
- rising citizen interest and consciousness towards public services and thus their dissatisfaction with existing services, and increasing demands to improve the responsiveness and quality of public administration
- decreasing the trust towards national bureaucracies on the premises that bureaucracy has become a self-serving social class and unable to meet the demands and wishes of the people,
- rapid development in the information technology which gives the public sector a major opportunity to increase efficiency, and

- the encouragement of international monetary institutions to poorer countries of the world to make substantial reform in their public sector

Most of these pressures have been common in the majority of nations, particularly in OECD countries. This, in turn, gives rise to the claims of a *convergence* of the contents and shapes of the reforms. In Ingraham's words, " the commonalties are more important than the differences" (1996, p. 4). Advocates of the theory of convergence, such as Barzelay (1992), Aucoin (1990) and Osborne and Gaebler (1993) further claim that the reforms which are occurring since the early 1980s represent a paradigm shift towards a post-modern, post-bureaucratic, post-Fordist, and post- industrial administration and management. According to this vast literature, what is increasingly being faced are: a transition from direct bureaucracy to a hollow state, networked organizations, virtual organizations, a transfer of power from bureaucrats to citizens who are supposed to be the customers of the government, shift to entrepreneurial, market-based and-customer-oriented government and public administration, and changing the administrative culture towards a "managerial" one through extensive use of private sector management techniques in the public sector organizations.

The ORIGIN of NPM, or NAMING the CROSS-COUNTRY EXPERIMENTS OF PUBLIC MANAGEMENT REFORM

NPM, with its synonyms "new managerialism", "entrepreneurial government", "reinventing government" etc., is the term used to describe these organizational, managerial and cultural changes which have taken place in the public services of numerous countries since the 1980s. In essence, it incorporates the application of private sector management philosophy, values, and techniques in the public sector, and a set of values and ideas justifying a central role for management and thus managers within the organizations and society. It is also a challenge to traditional public administration approach which is based on the dominance of rules, inflexible and hierarchical administrative style; and to professionalism.

It is important to note that NPM is not only a set of concepts growing out of a formal body of theory. It has largely evolved from an inductive process of observing NPM practices and then drawing some general conclusions about underlying principles, or at least assuming that these practices need not be unique to the setting in which they were first adopted.

However, this has led to two different consequences for NPM. On the one hand, since the theory follows the practice, the problem of "theory-practice gap" which has been a major problem within the social sciences is considerably minimized. On the other hand, however, this has led to the claim of "unavoidable diffusion of NPM" that is highly controversial. The above view suggests that NPM is nothing more than the public management reform equivalent of a cake recipe, that is a set of practices that can be readily transferred from one culture and one political system to another. If such is the case then discussions of principles and paradigms are academic; what is needed is only to identify best practices. It will then be up to politicians to realize that they have only to open the book, follow the instructions, and reap the rewards.

However, this view would not be convincing, because there is no single model of public management, and reforms must take cultural differences and local circumstances into account. Since the applicability and effectiveness of NPM concepts will vary considerably from one country or jurisdiction to another, we are left with a considerable challenge: how might we apply these concepts to new settings?

One approach would be to simply pursue an inductive approach, and evaluate how NPM techniques might work in each country on a case by case basis. Another would be to identify widely employed concepts and principles of NPM, and to test their adaptability across countries and cultures. This research has attempted to reconcile these two approaches through identifying the main elements, principles and concepts of NPM, and examining their implementation in several countries, and then focusing on their implementation in a specific country (Turkey) setting.

IS NPM NEW?

Our study of the origin, and theoretical and conceptual basis of NPM in Chapter 1 came to the conclusion that much of the concepts and tools of NPM are theoretically not new, most can be traced back to previous administrative movements, such as Classical Administration, Taylorism, Public Choice, and quality movement. Especially the similarities between the arguments, concepts and tools of NPM and TQM are noticeable; although, unlike NPM, TQM has a more sound, agreed, and well-articulated theoretical basis. What is new is the " special mix of measures" which make up NPM, the practical use of these elements, and a shift in the "emphasis". Although theoretically old, some ideas, for instance the ones of public choice scholars, have been practically tested on a large scale during the course of applications of NPM-type reforms.

The TURKISH MOVE to NPM

It would be possible to locate public sector reforms in Turkey within a managerialist analytical framework informed by NPM global paradigm, representing a confirmation of the globalisation claims of NPM, particularly with different institutional settings and administrative cultures.

Like the countries with Anglo-American administrative tradition, public management reforms in Turkey have been driven by such factors as macro-economic and fiscal crises, the effects and requirement of globalisation and international competitiveness, developing IT, government oversize, bureaucratic inefficiency, the effects of the New Right ideology on the state and public administration, and the popular belief in favour of cut-backs. In addition, there is a set of country-specific factors that influence the extent, shape, and speed of the public management reforms, including the increasing national debt and thus dependence on international monetary agencies, failure of traditional approaches towards administrative reform, personal commitment and leadership of certain politicians and a newly-emerging managerial elite. Among these pressures, one external dynamic, the role of international agencies, needs special attention because of its vast influence over the reforms as well as its impact on the development of "NPM-type" reforms in Turkey.

Public management reform and international transfer of knowledge

Much of the diffusion of administrative reforms to the developing countries is done via international financial institutions and other donor and consultancy agencies. Reforms to public management play a large part in many bilateral and multilateral aid programmes. Those international agencies with significant leverage through their financial power- such as IMF and WB, frequently seek conditions related to public management in loan and credit agreements. The Turkish case seems to be a perfect reflection of this pattern of international convergence in public management reform, in that most of the WB loans granted in the last decade have either had public management conditions attached or had components to assist public management improvement. For instance, WB and WHO have played a significant role in the design and implementation of "the health reform project", which is a blueprint for a

NPM-like reform process in the Turkish health sector.

Socio-economic change leads to administrative / managerial reform

Would a bureaucratic transformation and a possible paradigm change be a by-product of a fundamental change in socio-economic and political transformation? The Turkish case proves it so; the structural adjustment process brought about significant reforms which are administrative-managerial in character.

In the 1980s, following the outbreak of a significant macro-economic, financial, and debt crisis, Turkey began implementing a programme of fiscal adjustment and market-oriented reforms, known as "the structural adjustment (SA) process". The outcomes of SA were positive, to the extent that the acute features of the crisis were overcome: balance of payments came back under control, the country recovered her creditworthiness. In time, however, the emphasis changed to the reform of public sector and the bureaucracy, although SA remains a major objective. Among a number of other reasons listed above briefly and explained in Chapter 3 in detail, the basic motive is that the government and people have realized that the SA process is not enough to respond to the challenges of our time; the state structure, particularly the public sector, and the bureaucracy has be transformed if the economic and political reforms of the 1980s are to be permanent. Furthermore, the success and development of the private sector has meant a significant reduction in the size and function of the public sector, and has led to a significant move in the public sector towards adopting the philosophy, values and techniques of the private sector.

Dimensions of NPM in Turkey

The rise of NPM has to be explored not only in terms of how so-called "best practice" management is introduced into the public bureaucracy, and how this has challenged the traditional public administration, but also and more importantly in terms of why politicians, public bureaucrats and managers are prepared and in some cases keen to pursue NPM agenda. For instance, NPM agenda represents a major challenge to the powerful traditional administrative elite in many respects. This fact makes *political explanations* of the managerial discourse in Turkey more tempting.

In fact, these two distinct approaches to NPM reform reflect the impact of two different theoretical perspectives which, taken together, constitute the NPM. On the one hand, the Public Choice approach demands a cutback of the state, lessening bureaucracy, and diminishing the power of traditional bureaucratic class in order to allow citizens to make their choice rather than to be supervised in a paternalistic way. On the other hand, the managerial approach suggests an internal optimization of public sector through importing private sector instruments, enhanced customer orientation and the introduction of aim-and-results- oriented management.

(i). Reforming the Turkish bureaucracy

The roots of existing organizational structure and culture of the Turkish bureaucracy can be traced back to the Ottoman tradition which was based on a highly centralized state structure and a paternalistic administrative culture. When established in 1923, the Turkish Republic inherited the Ottoman bureaucratic system and administrative culture, with slight adjustments. The bureaucracy, which used to perceive itself as the sole guardian of the religion-based administrative structure, was quick to adopt its new role of "the guardian of the Ataturkian principles and the Republic". During the first years of the Republic, under the umbrella of the Ataturkian principle of statism, which implied a state-led socio-economic growth, the public sector had grown rapidly, providing the bureaucratic elite a larger place in the polity and increased prestige and power.

When the Democratic governments assumed power in 1950, a clash emerged between the political and bureaucratic elites, as the government attempted to lessen the prestige and influence of the bureaucracy over the polity and to make administrative reform. The 1960 military coup was a triumph of the bureaucratic elite over the politicians, as the 1961 constitution secured an enlightened supervision of certain state institutions which were all filled with traditional elements of the Turkish bureaucracy over the political process. This fact, coupled with the traditional inefficiency and unresponsiveness of the Turkish bureaucracy, caused failure of many attempts at administrative reform, as the bureaucracy was the main instrument for implementation of the reforms.

However, the 1980s marked a turning point for this status-quo, as the environment and work conditions of the bureaucracy changed, with the socio-economic reforms which have been implemented under the label of SA. The citizens have had their expectations raised by the government, and thus indirectly by the bureaucracy, heightened via their participation in a transformed market place. However, the traditional bureaucracy has failed to adapt to the new environment; work is still largely accomplished through a byzantine system of rules and regulations and a control-based management style within the bureaucracy.

Since, the early 1980s, a number of initiatives have struggled to transform the Turkish bureaucracy, mirroring a similar shift in the private sector. Nevertheless, the traditional cultural values held within the public administration, with little exceptions, resist change and preserve a culture of control, operating within a hierarchical and rigid structure. The reformist governments of the last two decades perceive that the traditional organizational structure and values stand in the way of greater efficiency and performance through creating internal monopolies. Furthermore, a political factor - the long-lasting clash between political and bureaucratic elite- has also had an important role in the development of anti-bureaucratic sentiment and bureaucratic reform initiatives, particularly in the process of deprivileging the traditional bureaucracy. The explanations of the public choice theories on self-interested, budget-maximizing bureaucrats, and natural inefficiency of bureaucracy have provided an ideological weapon for New Right governments, who have frequently enjoyed a dominance in the Turkish political life since the early 1980s, in their crusade against bureaucracy. As a matter of fact, the relative inefficiency of the Turkish bureaucracy has provided grounds for such initiatives.

A number of strategies have been employed for the designed transformation of the Turkish bureaucracy: deprivileging the traditional bureaucracy through a number of cultural / behavioural and policy changes, reorganization of the state structure and dividing organizations which are filled with the bureaucrats of the anti-reformist tendency, creating and enhancing an alternative (managerial) elite, installing elements of performance management into the public sector, and downsizing the public sector in order to make it smaller but more efficient. Although the success of the initiatives aimed at transforming the bureaucracy into a managerial one has been only partial so far, there are indications of a strong move from the traditional bureaucratic perception towards an entrepreneurial-managerial public management system. The case study of the Turkish health sector also further verifies this thesis.

(ii). Private Sector Management Concepts and Techniques in the Turkish Public Sector

In response to increasing public dissatisfaction with public services, a number of private sector management concepts and techniques have found currency in the Turkish public sector. Although there is a variety of private sector management techniques on the scene, there are certain principles and techniques with private sector origin that have become a gold standard for administrative reform within the framework of NPM, including consumer and customer orientation, market-type mechanisms, participation and partnerships, empowering organizations, managers, and communities, extensive use of IT, and enhancing IT-related innovations, separating provision of public services from their production, and performance management, and strategic management.

Although some of these concepts and techniques have been in use for over a long time, the others have been introduced recently. Similarly, despite the widespread use of certain techniques, some of them are mere rhetoric. Since the use of many of these principles and concepts are still in their infancy, it would be too early to evaluate their impacts on the existing managerial structure and culture of the Turkish public sector. However, given the existing performance of these techniques, it would be possible to reach tentative conclusions.

The analysis carried out in Chapter 5 suggests that, there is a great potential in the context of Turkish public management for adopting new management techniques. Its existing experience with private sector techniques has proved encouraging. Firstly, there are indications that public service organizations are attempting to be more responsive to their users. Secondly, public organizations have tended to shed surplus staff and productivity has increased in many areas. Public officials are now more cost-conscious, conservative of resources, and rational in planning the use of resources. Thirdly, public organizations tend to be more rational in their approach to service delivery issues and in determining their strategic direction. An increasing number of organizations have published strategic plans and mission statements, and have tended to re-think on the business process and alternative service delivery possibilities.

However, introducing and implementing private sector management techniques in a developing country, like Turkey, raises several issues such as the capacity to manage implementation, appropriateness of the timing and nature of such practices in the local context.

Firstly, introducing and implementing new management techniques in a developing country, like Turkey, may be more problematic than Anglo-Saxon industrialized countries, due to the differences in governance and institutional context, weakness in government capacity and various institutional constraints. Such transplanted practices and institutions may not work as expected and their benefits may not be realized. For instance, the introduction of entrepreneurship and such features as performance-related pay run the risk of bringing with them self-seeking behaviour on the part of individuals. This raises the questions of *whether the private sector models can accommodate traditional public sector values* and *whether it is possible to import business-like methods into the public sector without weakening dedication to the collective interests of the service.*

Secondly, experience in Turkey suggest that NPM reforms tend to focus on the design and policy content of reforms rather than on their implementation. The government, as well as such promoting institutions as IMF, WB, and OECD, tend to put more emphasis on questions of what to implement, and less on questions of how to implement. Implementation is usually taken for granted as the assumption seems to be that "the decision to reform will lead to actual implementation". Therefore, the capacity dimension of introducing and implementing reforms, especially those based on the new approaches, has been under-analysed.

Finally, the issue of "to what extent the rhetoric has actually been put into reality" still needs further study to be explored. There are still points that need to be touched on. For instance, even though the public managers have theoretically been freed to manage under the NPM-type management reforms, civil servants feel that they are still being subjected to unnecessary regulations as well as cabinet-imposed pay freezes and overall payroll caps. However, these could be short-term problems of reform rather than structural barriers to the realization of NPM's potential in this area.

NPM in the Turkish Health Sector

The health sector has been one of the leading areas which have embraced private sector models of provision of services. Coupled with a number of other political, ideological, and technical pressures for reform, radical developments which have taken place in the macro-economic level have played an important role in changing the philosophy on the role of the state, and have thus given way for radical health policy changes. The NPM-type changes in the health sector have been formulated in the Health Reform Project (1992-2000) which was prepared by the Ministry of Health and the State Planning Organization, in the light of suggestions for reform made by such international technical and financial agencies as WHO, and WB.

The major private sector management techniques and principles adopted by the health sector are competition and other *market-type mechanisms* such as user charges, contracting out, and the divorce of purchasing from provision of the services; a strong shift to *consumer orientation* with such characteristics as protecting the rights of the patients, taking certain measures to improve exercising voice and exit mechanisms in the health sector, encouraging users of health facilities to feel like customers and issuing Patients' Charter-like regulations; using non-government resources more effectively through *public-private partnerships*, particularly via Establish-Operate-Transfer Model; *Restructuring the health service organizations* to improve efficiency via more decentralization, and particularly through Health Enterprises, and introducing the General health Insurance Scheme; and developing *management information systems* to facilitate performance measurement and appraisal within the sector.

However, it is not only new management techniques that is worth examining in our discussion about NPM in the Turkish health sector; the people side of the change is also equally of importance. The health policies of post-1980 have heavily invested in transforming the style of management and the administrative culture within the sector. Within the context of the health sector, the people side of the NPM-type changes has three interrelated dimensions: changing the existing organizational culture from a combination of traditional-bureaucratic and professional one to a customer / consumer driven, and performance oriented one; a move from administration by hierarchy and rules towards an entrepreneurial management style with determining characteristics of leadership /coaching, flexibility, teamworking, participation, and devolution of authority; and developing managers of the new type through such means as management education and training, introducing human resources management techniques to replace the inflexible personnel administration, and involving the existing staff in management as a part a the crusade for a cultural change in the sector.

The LESSONS LEARNED from the TURKISH EXPERIENCE

(i). NPM is a global phenomenon

The brief survey undertaken in Chapter two on OECD countries of different traditions, particularly the case studies on Turkey and the Turkish health sector has enabled us to find evidence to assert that NPM is a phenomenon in many other places than limited to

Anglo-American tradition, and supports the claim that NPM would diffuse to and work in various country settings, with little regard to their administrative tradition, and development level. However, the level of diffusion varies because of a wide variety of reform dynamics.

(ii). The necessity for a "NPM culture"

NPM reforms have been implemented in different countries with diverging strategies. While some governments have chosen a rather autocratic top-down strategy, others opted for a smooth, voluntary step-by step process. However, apart from the different mixes of NPM elements and diverging strategies, one major prerequisite has existed in all countries: NPM reforms were successful only if the respective governments succeeded in transferring NPM philosophy into the thinking of the public servants. In other words, NPM will be sustainable only if the concepts and instruments are supported by an appropriate "administrative culture", as expressed by the managerial values and attitudes of the senior level of civil servants. To this end, it is necessary to develop a new management thinking, new values, and attitudes to train for the use of new techniques and instruments by the existing personnel. NPM requires "new" public managers.

However, training is only one factor in the successful development of the human side of NPM. For public managers to be able to follow NPM guidelines, it will also be necessary to take into account, and accordingly take necessary measures for selecting and recruiting "suitable" public managers, introduce a motivating incentive system for public managers, and provide adequate interaction between public managers, their superiors, and the team of employees regarding leadership, communication, and control. In addition, it remains an open question as to whether education and training of the new skills and attitudes is a prerequisite for NPM reforms, or if it should follow such reforms. The Turkish case suggests that there is a interrelation between reform and training, in that training leads to the changing of public servants' attitudes and thus promotes change, while ongoing reforms increase the demand of public servants for training for new skills and techniques.

However, an important lesson derived from the Turkish case is that it is not only up to well-trained public managers with a radical NPM-orientation to champion the change towards NPM; it is also the rules and procedures that make the difference.

Public managers regularly encounter severe difficulties and dilemmas when they implement reforms and change the way the public services operate. They often face the danger of being isolated in, or expelled from, the dominant administrative system. If they choose to assimilate themselves in the existing culture, they would find greater acceptance within the system. but assimilation brings the danger of adaptation to the existing bureaucratic rules and old attitudes. The readiness to initiate managerial reforms and innovations are sometimes dissipated by such cultural adaptation.

(iii). The Importance of Coherence of Reform Package

Unlike New Zealand, the reform process in Turkey has not had the coherence obtained from strictly pursuing a theoretical model; it has rather been driven through the political processes. This fact implies that there have been contradictions between them, and political needs have had supremacy; although it is possible to distinguish a series of different theoretical influences, such as public choice theory (in de-bureaucratization), principal-agent theory (in separating provider and producer), and TQM. The lack of an easily identifiable framework means that the managerial reform process in Turkey lacks the clarity and pervasiveness.

Another dimension of the issue of coherence of the reform process is the lack of a unifying strategy at the political level on desired outcomes, which would carry across to the determination of priorities to be sought from individual public organizations and ministries. This failure has given way to the criticisms that the government has lost control over the individual public organizations, with different agencies pulling in different directions. One possible way to prevent this happening is to introduce strategic management within central government, through such ways as New Zealandian Strategic Results Areas and Key Result Areas. Although the State Planning Organization has occasionally suggested similar prescriptions, only few of them have found a chance for application. In addition, reform programmes should be holistic, have a clear vision and objectives, and simple priorities.

(iv). The Importance of Political Leadership for Change

One lesson drawn from the examination of the Turkish management reforms is that it is vital for a reform programme to secure the backing of a high level of political authority. Most of the successful reforms undertaken in Turkey have had a high political involvement, while the health reform project has suffered from a deficiency of political will.

(v). The role of Implementation Leadership

Governments' commitment for reform provides strategic leadership, and thus necessary, but not sufficient for the reforms to take root. Since the ministers do not have time, and often skills, to manage the reform programme on a day-to-day basis, there is a need to create dedicated managers within the public service to lead the implementation process. In this sense, it is of importance for the government to support entrepreneurial and innovative activities in the workplace, and enable energetic managers of public organizations find more room for their entrepreneurial activities.

The IMPACT of NPM on the STATE

NPM reforms have affected the state, particularly the public administration in three major ways. First, it leads to a process of marketisation of public production regime that challenges the traditional distinction between public, private and voluntary sectors. Although the traditional segregation between these sectors still remain, the borderline between them is blurring. Second, it has changed our perception of what "public" is. On the one hand, the Public Choice approach demands a cutback of the state, in order to allow citizens to make their choice rather than to be supervised in a paternalistic way. On the other hand, the managerial approach suggests an internal optimization of public bureaucracies through importing private sector instruments, enhanced customer orientation and the introduction of results-and aims-oriented management. Third, it has created a hybrid mixture of governance mechanisms, through preserving some characteristics of existing traditional system, such as public service ethic, and certain accountability principles; and introducing a number of new mechanisms, including; establishment of semi- autonomous agencies, decentralization and delegation of much of the financial, HRM, and managerial responsibility to lower levels, contracting out of ancillary services, and introducing elements of market such as competition. Various forms of public-private ventures and partnerships, strategic alliances, and franchising networks between public and private sectors are all examples of this trend towards hybrid organizations.

SPECULATIONS ABOUT the FUTURE of NPM

There is no doubt that the boundaries of state activity, the orientation of public services and the ways in which they operate have been significantly changed since the early

1980s. It is also likely that NPM-orientation of the public service reform will continue for a foreseeable period. Indeed, there appears to be a new consensus emerging on the role of the state and the issue of how the public services are managed. Contrary to initial expectations of the skeptics of NPM, the changes experienced in many countries are "far beyond being a flash in the pan, a ritual bow to the latest managerial fashions and buzz words,...fresh paint and new logos" (Farnham and Horton: 1993, p. 259).

It seems that, in the long run, NPM approach will be more influential in both developed and developing countries than the traditional public administration. One reason to believe in this is that NPM is both ideologically and materially attractive to many interests, particularly to those who benefit from it such as management consultants, politicians, and many energetic managers.

Another factor which positively influences the future of NPM is its "pick and mix" character. Since it is not a package, and one can take any of the items from the total menu, the governments of the foreseeable future will find the ease of establishing their own version of NPM which is adaptable to the local needs.

The future of NPM-type reforms in Turkey

It is expected that the driving forces behind current NPM-type reforms will intensify for a foreseeable future, although the scope of the changes in process is not yet known. For instance, "doing more with less" will continue to be a feature of the public management environment. More importantly, financial pressures show no signs of decreasing. Financing the permanent demand for new and improved services across the public sector by increased taxation or borrowing has increasingly become an unacceptable and unsustainable option, because the limits of taxation and borrowing are already regarded to have been reached. Therefore, innovative solutions, on which NPM reforms are largely based, are needed to provide public services within tight resource constraints. In our case of the health sector, for instance, health costs are likely to rise given increasing citizen demands, technological advances, and aging population, therefore NPM reforms, particularly seeking alternative ways for financing health care, are likely to survive for a foreseeable period of time.

APPENDICES

1. A model of "Shopping List" for NPM reforms
2. Restructuring the State: Ozal and Post-Ozal Periods
3. The List of Interviewees

APPENDIX 1

A MODEL OF "SHOPPING LIST" FOR NPM REFORMS

1. POLICY CHANGES

a. DE-BUREAUCRATISATION

Lessening bureaucracy (rules)

- Cutting red tape, simplification of paperwork,
- Reducing statism, government intervention and bureaucratic controls, and de-regulation

End "bureaucracy" as a principle of organisation

- Attack bureaucracy as an organisation style (breaking through bureaucracy) [ineffective, wasteful, resource consuming, inefficient, hostile to innovation and quality]
- A paradigm shift from the traditional administrative state and progressive era notion of distinctive public administrative culture towards a contractual, performance and results-oriented government structure and culture.
- Deprivileging bureaucracy
  - challenge to their status
  - financial cuts
  - end tenure (life-long career in the public sector)
  - flexible human resource management
- transforming the bureaucrats of the imperious state into caring public servants of the community

b. CONSUMERISM / CUSTOMER ORIENTATION and RAISING RESPONSIVENESS OF THE PUBLIC ORGANISATIONS: empowering citizen (citizen = customer)

- customer satisfaction surveys
- courtesy campaigns,
- customer care training
- citizen's charters
- one stop shops
- complaint procedures
- educating public employees on courtesy, responsiveness, and relations with the clients
- purchaser-provider divide
- establishing bureaus dealing with relations with customer
- consumer protection measures (rules, laws, associations, consumer societies...etc.
  administrative courts and redress for grievances
- establishing customer councils
- raising quality of services / value for money
- Improving accessibility and participation
- Setting service standards
- Reducing administrative burden

c. OTHER POLICY CHANGES

- A stress on cost-cutting and reducing expenditure
- efficiency
- And more importantly, larger re-examination of governance in democratic institutions in response to changing demographics, technologies, global competition, public expectations and decreasing trust and confidence of people in their government.

2. CHANGES in ORGANISATION and STRUCTURE

- Reduction of the number of ministries and agencies for efficiency purposes
- Reshuffling and establishing new ministries, new state-controlled regulatory and coordinating agencies, new independent administrative bodies, new semi-autonomous agencies within the departments, new bodies to encourage technological change, new or reinforced evaluation or auditing agencies, and a proliferation of instruments to foster and monitor administrative reform
- Flattening organisational and management structures
  - -reducing the size of organizations
  - -delayering and reduction in managerial levels [e.g., in UK, there are now four management levels, instead of eight earlier: director, senior, middle and junior management]
- Franchising
- Corporatization [autonomisation of SEEs]
- Separation of policy-making from service delivery
- Cost and responsibility centres
- Disaggregating departments through agentification
- Creating self-governed bodies (i.e. hospitals)
- Decentralisation and organisational devolution

3. CHANGES in CULTURE

- Entrepreneurial - managerial culture (encouraging innovation, creativity, personal initiative and risk taking, transforming bureaucrats of the state towards managers of their organisations)
- Results and performance-oriented (not rule and law oriented) organisational culture
- Service (not authority) culture, customer oriented culture
- Excellence culture
  - -leadership culture
  - -quality culture
  - -consciousness on the values of efficiency, effectiveness and economy

4. CHANGES IN PROCESS AND TECHNIQUES

- Performance measurement and performance indicators
- Performance agreements [between president or ministers and chief executives or lower level managers]
- Mission statements
- Management scrutinies
- Just -in-time inventory control systems
- Business process reengineering
- Standard private sector cash management practices
  - electronic banking
  - a thirty-day payment schedule to reduce early payments
  - a more business-like payment schedule of grants to local governments
  - more demanding collection policies of funds owed to the government
- Quality management techniques
- Management by Objectives, setting goals and objectives derived from the detailed political programme, and integration between political and administrative systems
- Policy evaluation
- Long-term strategic plans: a planning system that allows for longer planning horizons so that choices can be better matched to the longer-term objectives of the organizations (not

short-term plans based on budgets)
- Devolution of authority and management responsibility towards lower levels, strengthening line managers
- Introduction of measures to strengthen accountability of quality, output and performance
- Development of corporate plans
- Greater financial autonomy of departments and other institutions of state
- Improving financial management systems
  [Introduction of innovative systems and techniques that help departmental and agency managers focus on results as well as provide a better management of state resources]
- Output-based and flexible budgets [The focus has been on achieving targets defined in terms of outputs and results within relatively broad budget frames. The traditional expenditure control and planning functions of the budget often follow the shift towards budgeting for results.]

Competition and other market elements in public services
- Contracting out
- Commercialization and user charges
- Asset sale
- Vouchers
- Tendering
- Internal markets
- Alternative service delivery
- Benchmarking
- Privatization and slimming state
- Public / private sector polarization and the opening up of new lines of sectoral cleavages
- Managed competition [the process in which a public agency competes with private firms for the provision of public services under a controlled managed process that clearly defines the steps to be followed and the roles of all the participants]
- Improving partnership with organizations outside of government (private sector, NGOs and voluntary sector)
- Private financing for public infrastructure: A policy to facilitate private sector investment in the provision of public infrastructure (i.e. construct-operate-transfer system)
- Monetarism: a general preference for the use of monetary incentives over
  non-monetary incentives (such as ethics, ethos and status)

5. CHANGES IN HUMAN RESOURCES MANAGEMENT

a. Dismantling the traditional statutory framework for civil servants which was based on permanence, full time work, tenure, a sharp public-private distinction and equal pay for people of the same rank, through
- Introducing short-term contracts for officials
- Flexibility in hiring and firing Making easier to dismiss civil servants, compulsory redundancies (for underperformers as well as a part of a government slimming programme) and also to recruit new officials if necessary
- Recruiting part-time workers
- Increased pay differentiation
  -performance -related pay
  -extra pay for difficult and strategic posts
  -individualisation of the pay
  -weakening public sector trade unions
  -threats to the notion of a unified civil service
- Contracting out of some services previously done by state employees

- Decentralisation of personnel matters to individual units (within units, there is a choice of whether to devolve personnel matters to line managers or to retain central control over them)
- Localisation of recruitment
- Reducing the number of employees
  -natural wastage [early retirements and non-filling of vacant posts]
  -temporary transfers of staff
  -compulsory redundancies

b. Emphasis on management and new public managers [Creation and development of a managerial cadre within the civil service]

- A growing emphasis on management skills in managers and employees
  -Public management training programmes by private sector (in France) or with a private sector logic (in UK)
  -Rising management (and economics...) education in universities
- Attempts at attracting private sector managers into the public sector
  -recruiting them directly
  -indirect way: advertising most senior public administrative posts and
  -making them competitive
- Empowering managers and employees (let managers manage)
- Encouraging innovative practices [political back-p for innovative practices is necessary]
- Use of management consultants
- Employment of generalists who are in mobility among several institutions and sometimes between public and private sectors (especially generalists who mostly have degrees of management, economics, and other social sciences)

APPENDIX 2

RESTRUCTURING THE STATE: The OZAL and POST-OZAL PERIODS

The Ozal Governments Period (1983-1991)

The abolished organizations	*The created organizations*
Dept. of Finance Dept. of Customs and Monopolies	Dept. Of Finance and Customs
Dept. of Youth and Sport Dept. Of Education	Dept. Of Education, Youth and Sport
Dept. Of Development and Housing Dept. Of Public Works	Dept. Of Public Works and Housing
Dept. of Village Affairs and Co-operatives Dept. Of Agriculture and Forestry	Dept. Of Agriculture, Forestry and Village Affairs
Dept. Of Social Security Dept. Of Labor	Dept. of Labor and Social Security
Dept. Of Trade Dept. Of Industry and Technology	Dept. Of Industry and Trade
	Undersecretariat of Treasury and Foreign Trade Gaziantep University Units of Co-operation with EU Agency of South-Eastern Anatolia Project
Agency of Media Organization of State Information	Agency of Media and Information
Agency of Free Trade Zones	Unit of Free Trade Zones in SPO
Undersecretariat of Environment	Agency of Environment
Undersecretariat of Agricultural Reform	Agency of Agricultural Reform
Agency of Roads, Water and Electricity Agency of Soil and Water Agency of Soil Accommodation	Agency of Village Affairs
Prime Ministry Maritime Organization	Unit of Maritime Affairs in Prime Ministry
Agency of Physical Education Units of Sport in Dept. Of Education	Agency of Physical Education and Sport
Agency of Radiophone	Agency of Radiophone Affairs
Dept. Of Culture and Tourism	Dept. Of Culture Dept. Of Tourism
Agency of Environment	Undersecretariat of Environment Agency of encouragement and Development of Defense Industry

The Akbulut Government Period (1991-1993)

Mass Housing and Public Participation Agency	Mass Housing Agency Public Participation Agency
	Family Research Agency The Status and Problems of Women Research Agency
	Agency of Development of Small and Middle-size Industries

The Yilmaz Government Period (1993)

Department of Agriculture, Forestry and Village Affairs	Department of Agriculture and Village Affairs Department of Forestry
Undersecretariat of Environment	Department of Environment

The Demirel Government Period (1993-1994)

	The Universities of Harran, Suleyman Demirel, Adnan Menderes, Zonguldak Karaelmas, Mersin, Pamukkale, Balikesir, Kocaeli, Sakarya, Celal Bayar, Abant Izzet Baysal, Mustafa Kemal, Afyon Kocatepe, Kafkas, Canakkale 18 March, Nigde, Dumlupinar, Gaziosmanpasa, Mugla, Sutcu Imam, Kirikkale. Gebze High Tech. Institute, Izmir High Tech. Institute
	Economic, Cultural, and Educational and Technical Cooperation Agency

The Ciller Governments Period (1994-1997)

Department of Finance and Customs	Undersecretariat for Customs Department of Finance
Maritime Unit within Department of Transportation	Undersecretariat for Maritime Transportation
Industrial Possession Unit within Department of Industry and Trade	Turkish Patent Agency
Undersecretariat for Treasury and Foreign Trade	Undersecretariat for Treasury Undersecretariat for Foreign Trade
Public Participation Agency	Privatization Management Agency
	Agency for Securing Competition
	Universities of Osmangazi and Galatasaray

Source: Yurdakul: 1996.

APPENDIX 3.

The LIST of INTERVIEWEES

Sayistay (The Turkish Court of Accounts)	
Ihsan Goren:	Head of the unit responsible for performance audit
Bayram Barun:	Sayistay auditor
I. Hakki Sayin:	Sayistay auditor
Fikret Coker	Sayistay auditor
Yasar Cakmak	Sayistay auditor
DPT (The State Planning Organization)	
Adil Temel:	Head of Economic and Strategic Studies Department
Muharrem Varli:	Chief expert
The Undersecretariat of Treasury and Foreign Trade	
Yusuf Kurtoglu:	Chief Manager
Ahmet Coskun:	Expert
The Unit of Administrative Reforms in Prime Ministry	
Talat Bayraktar:	Chief Expert
Ihsan Memis:	Chief Expert
Aytekin Yilmaz:	Chief Expert
The State Personnel Agency	
Ismail Ayaz:	Expert
The Ministry of Finance	
Riza Ciftci:	Chief Inspector
Sinasi Yurdakul:	Expert
The Ministry of Health	
Dr. Haluk Ozsari :	Deputy Undersecretary of the Ministry of Health
Dr. Goksenin Aktulay:	Head of health Reforms Department within MoH
Dr. Suleyman C. Numanoglu:	Chief expert in Health Reforms Unit within MoH
Assoc. Prof. Dr. Cihangir Ozcan:	The Director of the Basic Health Services Department
Dr. Turkan Oguzhan:	Expert in Health Reform Unit
Cetin Bozkaya:	Head of a section in the Health Reform Unit
Uygar Kanra:	Management adviser to the Health Reforms Unit of MoH
Dr. Serap Sener:	Head of a section within Health Reforms Unit of MoH
Ahmet Muderrisoglu:	Chief Management Consultant to the Health Reforms
Dr. Cetin Deger:	Head of a section within Health Reforms Unit of MoH
Dr. Serdar Savas:	Turkish Representative in WHO
Dr. Kemal Hosgecin:	Head of Publications section within SPGK
Ayla Hanim:	Press Advisor of the Health Minister
Dr. Nuray Goksu:	Head of Hospital Management section within SPGK
Ankara Numune Hospital	
Prof. Dr. Osman Muftuoglu:	Medical Director
Doc. Dr. Hasan Mert:	Deputy Medical Director
Doc. Dr. Ferit Saracoglu:	Coordinator of Public Relations and Social Services

Konya Health Directorate	
Dr. Orhan Satilmaz :	Director
Dr. Eyup Cetin:	Vice-Director
Dr. Sinan Bahceci:	Middle Level Manager at the Konya Clinic
Hacettepe University Hospital	
Prof. Dr. Ismail Ustel:	Management improvement advisor
Konya State (Numune) Hospital	
Dr. Erdal Kalkan:	Specialist
Baskent University Hospital	
Prof. Dr. Mithat Coruh:	Head of the TQM Unit
Suheda Guray:	Expert in the TQM Unit
Others	
Doc. Dr. Fahrettin Tatar:	Hacettepe University (Health Management)
Prof. Dr. Mehmet Tokat:	Hacettepe University (Health Economics)
Prof. Dr. Aziz Akgul:	Management advisor to the DIT
Doc. Dr. Birgul Guler:	TODAIE
Vahit Erdem:	Former Undersecretary of Defence Industry Agency
Yavuz Gokmen:	Journalist, friend of former President Turgut Ozal
Prof. Dr. Nazif Gurdogan:	Kirikkale University (Management)
Ersen Ekren:	Undersecretariat for Treasury, Responsible for WB-supported projects
Prof. Dr. Tekin Akillioglu:	Ankara University (Turkish Administrative Law)
Dr. Ilhan Cetin:	Former Sivas Province health director, Sivas Municipality Health director

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