

GOVERNMENT REFORM IN TURKEY AND POLICY RECOMMENDATIONS*

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ABSTRACT

The structure, functioning and administration of the government in Turkey face serious problems. Previous administrations and current government in Turkey has been trying to cope with economic, social and political problems. This paper aims to analyze the major problems and suggest policy recommendations for reform.

Key Words: Government Reform, Restructuring the Government.

JEL Classification: H11, H89

I. INTRODUCTION

This paper aims to analyze the major problems related with public management and economic activities of the public sector in Turkey and suggest policy recommendations for reform. The study is laid out as follows: In the next section we will explore the need for government reform in Turkey. Section three is for explaining the reform for restructuring government activities in Turkey. Section four is allotted for concluding remarks

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II. THE NEED FOR GOVERNMENT REFORM IN TURKEY

The structure, functioning and administration of the government in Turkey is facing serious problems. Since the declaration of the Republic until the present time, the problems existing in the public sector and in public administration have been worsening with every passing year. For many years Turkey has tried to cope with economic, social and political problems, and instead of solving these problems, the government itself has been the source of these problems.

The main problems of the Turkish public sector can be summarized as follows:¹

- Budget deficit (financing deficits of the public sector),
- Heavy tax burden and underground economy,
- Heavy debt and interest rate burden,
- Inefficiencies of the public enterprises,
- Problems created by the economic enterprises owned by local governments,
- Administrative, financial and supervision problems of local governments,
- Bureaucratization (expansion of the bureaucracy, red-tape, unnecessary formalities, lack of flexibility, secrecy and suppression of facts in the administration, slow progress in the works, lack of productivity, waste and squander, reluctance to delegate bureaucratic powers and authority, increase in the number of employees, etc.).
- Excessive centralization (decision-making and implementing powers are concentrated in the center, political and administrative centralization; utilization of public resources by the central administration, accumulation and distribution of revenues at the center; economic and financial centralization)
- Political corruption (bribery, embezzlement, nepotism, cronism, pork-barrelling, rent seeking, etc.)
- Insufficient coordination, control and supervision activities (lack of coordination among service units, ineffective implementation of control and supervision activities)

¹ For more information please see: Aktan, 1994; Aktan, 1995; Basbakanlık, 1993a; Basbakanlık, 1993b; DPT, 1994a; DPT, 1994b; DPT, 1994c; DPT, 1994d; DPT, 1994e; DPT, 1994f; DPT, 1995a; DPT, 1995b; TESEV, 1997; TİSK, 1993; TİSK, 1994; TİSK, 1997.

In order to be able to resolve the problems existing in the economic activities of the public sector and in public administration, the basic principles and action plan of the reform, called *Reform for the Restructuring of the Government* must be created and implemented without delay.

III. RESTRUCTURING OF GOVERNMENT

A Social Consensus Council (Economic and Social Council) must be established to fulfill the task of realizing the *Reform for the Restructuring of the Government*. Other than the political power and bureaucracy, this Council must include the representatives of universities, professional organizations, voluntary institutions, and trade unions among its members.

Task-forces to be created within the structure of the Economic and Social Council must prepare the basic principles and strategic planning of the reform for the restructuring of the Government. The task given to the Economic and Social Council is in fact the realization of the reconstruction project of the Government. The basic philosophy of this project is the preparation and implementation of a "new" social contract between the citizens and the Government through dialogue and consensus. The legitimacy of any Government not based on a social contract is always debatable. The basic structure, functioning, tasks and duties, as well as the scope and limits of powers and authorities of the Government, must be realized with the participation of all social sectors.

The main purpose of the reform for the restructuring government is to bring a new definition to the economic activities of the Government. In this context, the tasks and functions of all service units, along with those of the central administration and local governments must be defined in a clear cut manner. Furthermore, the scope and limits of the economic powers and authorities the central administration and local governments hold have to be set forth according to the rules of law.

On the other hand, the main purpose of the *Reform for the Restructuring of the Public Administration* is to take measures for the reorganization and the improvement of the administration structure.

Suggestions regarding both fundamental reforms are indicated below:²

² You may look at the following policy recommendations reports published by government and nongovernmental organizations: Basbakanlık, 1993a; Basbakanlık, 1993b; DPT, 1994a; DPT,

Reform for the Redefining the Roles and Functions of Government

The economic activities within the national economy are performed mainly by three sectors:

- Public Sector (public economy)
- Private Sector (private economy)
- Third Sector (Third economy -non-profit voluntary organizations)

The main objective of the government reform for the redefining the roles and functions of the government is to determine which economic activities are to be performed by the public sector within the national economy. Which goods and services should be produced by the public sector? What should be the duties and functions of the Government? How should services and resources be distributed among the central administration and local governments within the public sector? The analysis of such questions has great importance for the redefinition of the economic activities of the Government.

The Reform of Restructuring the Public Sector Economy

Our own suggestions regarding the reform for the restructuring of the government are summarized below:

- In a competitive market economy, goods and services should be produced and supplied as much as possible by private enterprises.
- The basic duties and functions of the central government should be restricted to external and internal security, diplomacy, justice, judiciary and infrastructure services.
- The central government (central administration) should perform the above indicated services through the legislative, executive and judiciary organs falling into the scope of the general budget. The number of Ministries attached to the executive must definitely be reduced.
- Other than performing the services indicated above, the central administration should be responsible for taking and implementing decisions related to the general economic policy.

1994b; DPT, 1994c; DPT, 1994d; DPT, 1994e; DPT, 1994f; DPT, 1995a; DPT, 1995b; TESEV, 1997; TİSK, 1993; TİSK, 1994; TİSK, 1997.

- Services like education, health, public works, environmental protection should be delegated to local governments. The central administration should only be responsible for preparing the policies, plans and programs concerning education and health services, whereas local governments should be responsible for the implementation of such services.
- In general, all local goods and services should be provided by local governments. There must definitely be a clear "sharing of services" among local governments.

Municipalities should be responsible for the following services:

- Master plans,
- Construction permits and control of construction works,
- Collection of local government taxes,
- Recycling and disposal of wastes, waste collection services,
- Infrastructure investments,
- Asphalt services,
- Water, sewage, natural gas, electricity services,
- Construction of green areas, parks, gardens, sport, recreation and entertainment areas,
- Cleaning the environment, environmental health and protection, - City transportation services,
- Cemeteries etc.

The redefinition of services to be performed by other public institutions is as important as the distribution of powers and services among central and local governments. In this context, it becomes necessary to redefine the tasks to be performed by public enterprises, social security institutions, and off-budget public entities.

The final aim of the reform for the restructuring of the government should be privatization. The duties and functions of the government should be transferred to the market economy and to the third economy as much as possible.

Also the scope and limits of the powers and authorities the government holds must be determined. In this respect, a consensus must be reached on the following main topics:

- How the government shall use its power to levy taxes must be set forth clearly. The tax reform is an important dimension of the reform for the restructuring of the public sector.
- How and within which limits the central administration, local governments and other institutions shall use their borrowing powers must be defined clearly.
- The public economy must be ruled by the principle of balanced budget, and the conditions and the limits under which governments in power may temporarily diverge from the rule of balanced budget must be defined clearly from the beginning.
- Fiscal discipline must definitely become more effective. The main aim should be to change the government from being excessive and wasteful in its expenditures into being more saving-conscious. For this purpose, rules and institutions must be created for the effective control of revenues and expenditures.
- Budget laws should be adopted for a period of two years instead of one year. In order to improve the effectiveness of public services, budgets must be prepared every two years and a Zero-Based Budget System must be adopted. The program budget is insufficient in ensuring effectiveness of public services. The aim of applying the Zero-Based Budget System in determining the allocations is to ensure the effective utilization of resources.
- For ensuring effectiveness in public services, cost-benefit analyses must be executed, especially in the case of public sector investment projects.
- Public institutions which did not use their allocations within a certain financial year should have the possibility of using such allocations during the following year either in full or in half. Thereby, public institutions will be prevented from making unnecessary expenditures, with the belief that they will otherwise be deprived of their allocations.
- The creation of funds outside the scope of the general budget and the covering of expenses from such funds caused very serious problems in past years. Such funds must be fully abolished and included in the scope of the general budget.

- While the scope of the public sector is reduced on the one hand, measures must be taken to improve the functioning of the market economy on the other.
- The implementation of the Competition Law which will encourage competition and prevent unfair competition must be effective, and the Competition Institution which will be in charge of the implementation of the law must be rendered functional.
- Public enterprises must be transferred to the private sector in the shortest time possible. Public enterprises that are not suitable for privatization or the privatization of which will take a long time must be removed from the control and supervision of Ministries and attached to an autonomous institution; their activities should be subject to the provisions of the Turkish Commercial Code.
- Prices of production factors should be allowed to be determined freely according to the supply and demand in the market.
- Private sector investments should be encouraged in the field of education and health. Education and health institutions of the government should cease to operate free of charge and should function in a competitive market along with private education and health institutions. Instead of providing free of charge services for low income groups at education and health institutions of the government, they should be given scholarships, education and health vouchers, thus encouraging them to demand services from the market. The possibility of transferring the management of government hospitals, university hospitals and hospitals of the Social Security Institution to the private sector on contract basis should be investigated and their management should be privatized as much as possible.
- The Government should definitely refrain from investing in sectors where the private sector is already operating successfully. The ownership of public enterprises operating in such sectors must be transferred to the private sector under feasible conditions.
- The Government should implement a well defined new incentive policy which will reinforce the market economy.
- Instead of performing public services themselves, the central administration and local governments should tender out such services to the private sector. In

this context, it is important that tender provisions are well regulated, and that the announcement, conditions and outcome of tenders are transparent.

- Under no circumstance should the government execute any infrastructure or major investment projects itself. Even the number of joint ventures the government undertakes with the private sector should be limited substantially. However, it is crucial to determine the basic principles of such tenders and to ensure their transparency.
- The principles of the build-operate-transfer system should be regulated within the framework of well-established laws.
- Foreign capital investments to Turkey should be encouraged.
- The tax system should have a neutral effect so as to have the minimum effect on the decisions of the domestic and foreign entrepreneurs and investors. The tax ratios should absolutely be decreased and flat rate taxes which do not entail exceptions or exemptions should be implemented as much as possible.

The Reform for Restructuring the Public Administration

The reform for restructuring the public administration should contain recommendations about the reorganization of the government's administrative structure and about ensuring the effective and efficient operation of the administration. The recommendations which can be included in the action plan prepared to this end can be summarized as follows:³

- A constitutional-legal-structural reform is significant for the efficient administration of the government. First, a "genuine" Constitutional Reform needs to be executed.
- In addition to the Constitutional Reform, the basic laws and institutions pertaining to the structure and administration of the government need to be restructured with a Legal Reform. Legal legislation (laws, regulations with the force of law, regulations, etc.) need to be readjusted within the framework of the new administration paradigm and philosophy.

³ The following reports published by government and nongovernmental organizations are also suggesting policy recommendations for reforming bureaucracy in Turkey: Basbakanlık, 1993a; Basbakanlık, 1993b; DPT, 1994a; DPT, 1994b; DPT, 1994c; DPT, 1994d; DPT, 1994e; DPT, 1994f; DPT, 1995a; DPT, 1995b; TESEV, 1997; TİSK, 1993; TİSK, 1994; TİSK, 1997.

- An Institutional Reform needs to be implemented along with the Constitutional and Legal Reforms. The Institutional Reform entails the reorganization of the central and local governments and other public institutions by taking into consideration their functions and duties.
- A general reorganization of the government's administration is crucial for an institutional reform. The central administration, local governments, public enterprises, off-budget public entities, social security institutions need to be reorganized in accordance with their functions and duties. Organizational structure is a key issue for effective administration.
- 'Transparency' in public administration has to be ensured. The main recommendations about this topic are as follows:
 - The 'right to information' should be guaranteed and individuals should have easy access to official information and documents. The public should consider having access to information a right and the government should consider giving information an obligation. The information and documents (such as information on national defense and diplomacy) to which citizens cannot have access should be clearly specified by laws. Otherwise, secrecy in public administration should be out of the question
 - In order to ensure transparency in public administration, the public should be given the opportunity to attend meetings (such as municipality councils and trials) where public decisions are taken as listeners. In particular, legal arrangements should be made in order to ensure the participation of the public to local governments. Individuals should be able to participate actively in the decision-making process. Local governments should be the first step in the concept of a participatory government for democracy.
 - The decisions taken at all council meetings as part of the decision-making process should be shown to anyone interested in these decisions and a copy of the decisions should be provided if requested. Significant public decisions should be written and filed along with their legal basis; the public should have the right to request or see decisions along with its legal basis.
 - In order to ensure transparency, the public should be informed about topics such as how the administration works, what kinds of limitations there are concerning the actions and behavior of public employees, etc.
 - In order to achieve transparency, the public's access to the administration should be facilitated. Public institutions should consider individuals as

'clients,' rather than 'citizens.' The concept of client and not citizen should be institutionalized in public administrations.

- The penal sanctions against secrecy and concealment in public administration should be clearly defined by law.
- The centralist and protectionist approach of the government in public administration should be abandoned. The administrative and financial autonomy of local governments should be ensured. In order to achieve this, a division of tasks and authority between the central and local governments should be achieved. As for financial autonomy, the central and local governments should share their income; the resource dependency of local governments to central governments for financial autonomy should be eliminated or should be decreased significantly.
- The existing economic enterprises of municipalities involved in commercial and industrial activities should be privatized in the shortest time period possible; legal limitations against the establishment of such enterprises should be adopted.
- A serious supervision reform to ensure effectiveness in the overgrown and bulky government structure needs to be implemented. Within this framework:
 - The supervision of the legislative, executive and judiciary branches of the central administration need to be revised;
 - *The Exchequer and Audit Department* should be responsible for the financial supervision of the central administration only; a Local Governments' Exchequer and Audit Department separate from and independent of the Exchequer and Audit Department should be established in order to supervise the accounts of local governments.
- An institution called the *Institution for the Supervision of Political Corruption* working with the parliament should be established in order to eliminate or significantly decrease any political corruption in public administrations.
- In order to ensure the legality of public administrations, an institution similar to the Ombudsman in Western countries has to be established as a supervisory mechanism.
- A Law on Government Ethics should enter into force in order to ensure honesty in public administration and to eliminate or decrease political

corruption (bribery, embezzlement, nepotism, etc.). The rules and regulations (such as rules on transparency, the obligation to declare personal property) to be followed in the government's administration need to be specified in detail.

- In the reform for restructuring the public administration, corrective measures for improvement need to be taken in the public personnel system. The recommendations on this subject can be summarized as follows:
 - The principle of 'employee for a position,' rather than 'position for an employee' should be adopted in public administration.
 - A merit-based, rather than a seniority-based, system should be emphasized in public administration. The education, training, experience and skills of the personnel have to be taken into consideration.
 - Working in the public sector should not be perceived as a life-long employment guarantee. When public employees feel that their employment is guaranteed, their productivity and motivation levels decrease.
 - A new employment policy has to be adopted. The examination system for public employment has to be changed so as to not enable nepotism and cronyism.
- A new wage policy has to be adopted in public administration. The wage system needs to take into consideration the nature of both the employee and the position. The real problem is not the insufficiency of the wages but the imbalance in public wages.
- The practice of providing government housing for public employees favors certain employees and causes waste and unnecessary expenses due to the improper use of public property; this practice should be eliminated. Only a very limited number of employees (armed forces, security forces, etc.) need to be given government housing due to the nature of their positions.
- The commuter buses allocated to public employees should be eliminated. The commuter buses, too, create a system of favoritism among public employees.
- The standards and renewal time periods of all office materials, transportation vehicles, communication tools, etc. need to be determined beforehand. Unnecessarily high expense for the purpose of decorating public offices should be eliminated.

- Facilities such as presses and printing houses, camps, entertainment and vacation centers, cafeterias, etc. which public institutions own should either be privatized or liquidate as soon as possible.
- The reform for restructuring the public administration must be implemented in a serious and determined manner so that public trust in public institutions can be re-established. In order to establish a good public administration system in Turkey, the public should renew its trust in the Turkish political system, the Turkish Grand National Assembly, courts and public employees. The negative prejudice of the public against public sector employees, such as their being 'uninformed,' 'hindering,' 'lazy,' 'corrupt,' must absolutely be changed.

IV. CONCLUDING REMARKS

The economic activities of the Turkish public sector and Turkish public management face with serious problems. In order to overcome these problems, two main reform plans within the framework of the *Reform for Restructuring the Government* need to be created. these are the *Reform for Restructuring the Economic Activities of Government* and the *Reform for Restructuring the Public Administration*.

The main objective of *Reform for Restructuring the Economic Activities of Government* is to determine the most appropriate duties and functions of the government and to determine the principles of the government's economic power and authority.

The main objective of the *Reform for Restructuring the Public Administration* is to rearrange the government's administrative organization and structure. The central administration, local governments and other public institutions must absolutely be restructured.

The restructuring reforms should be implemented by an Economic and Social Council established with the concept of social agreement in mind. The Economic and Social Council should included representatives of institutions from all social groups.

The restructuring of the economic activities of the government and public administration is a project of reconstructing the government. Executing this project requires a serious, sincere and determined effort.

As it is the case in most societies, the status quo has a suspicious approach to change and reform. Conservatism is widespread in public bureaucracies. The main reason behind this is the political power and bureaucracy's reluctance to abandon the political power and authorities they have. Those who promise to make changes in public administration when they are in opposition fail to resist the tyranny of the status quo when they are in power and are crushed under the despotism of the status quo.

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