

CHANGES IN LOCAL SERVICE PROVISION IN THE NEOLIBERAL ERA:  
CASES OF MUNICIPAL COMPANIES FROM ESKİŞEHİR AND KONYA  
METROPOLITAN MUNICIPALITIES (2000-2014)

Thesis submitted to the  
Atatürk Institute for Modern Turkish History  
in partial fulfillment of the requirements for the degree of

Master of Arts

by

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2015

An abstract of the thesis of Elif Beyza Hacıosmanoğlu for the degree of Master of Arts from the Atatürk Institute for Modern Turkish History to be taken (September 2015)

Title: “Changes in Local Service Provision in the Neoliberal Era: Cases of Municipal Companies from Eskişehir and Konya Metropolitan Municipalities (2000-2014)”

This thesis examines increasing interactions between metropolitan municipalities and the market as well as the role of the central state in this context in the post-1980 era. Since the 1980s, municipalities have interacted more with the private sector in the process of the provision of local services and more tended to incorporate municipal economic enterprises. Especially in the post-2000 period, the number of these companies has increased, including within the bodies of prominent metropolitan municipalities in Anatolian cities. These companies have enhanced metropolitan municipalities’ areas of activity in city economy and provided them with more freedom and power in the economic realm in an environment where the local level has turned into a more significant scale, while the central authority is trying (and achieving) to have more impacts on the society and the economy.

This study also explores similarities and differences between two metropolitan municipalities which have been in the hands of different political traditions and parties at least in the last two and a half decades. Therefore, for this work, it is important to look at the differences between a metropolitan municipality administered by the ruling party and another municipality controlled by the main opposition party. It is observed that although being directed by different political parties, the main motives for establishing municipal firms are substantially similar in the two cities. Together with the practices of buying goods and services from municipal or other regular companies, municipalities try to shift towards the private sector where they have more independence from the central authority, make investments and supply common local projects more easily, quickly, flexibly and cheaply in an atmosphere of increasing competition among cities. However, despite of the similarities between the two municipalities with regard to tendencies towards setting up economic enterprises and to other arguments, it should be added that municipalities governed by opposition parties, unsurprisingly, have greater number of reasons for avoiding the center’s impacts.

This thesis, firstly, refers to some theoretical perspectives so as to explicate the noteworthiness of and changes in the city level in the neoliberal period in addition to the role of the central government and transformations in the working of local governments. Secondly, a short historical background about local administration and public service provision methods, together with the current regulations concerning municipal economic enterprises are stated. Thirdly, the two metropolitan municipalities, Eskişehir and Konya examples -and their utilization ways of municipal enterprises are elaborated. In the last section, some similarities and differences between the two cases are discussed as well as the accountability issue which continues to be a serious problem in both cases.

Atatürk İlkeleri ve İnkılap Tarihi Enstitüsü'nde Yüksek Lisans derecesi için Elif Beyza Hacıosmanoğlu tarafından Eylül 2015'te teslim edilen tezin kısa özeti

Başlık: "Neoliberal Dönemde Yerel Hizmet Sunumundaki Değişimler: Eskişehir ve Konya Büyükşehir Belediyelerindeki Belediye Şirketleri Örnekleri (2000-2014)"

Bu tez, 1980 sonrası dönemde, büyükşehir belediyeleri ile piyasa arasındaki artan etkileşimler ile birlikte bu bağlamda merkezi devletin rolünü incelemektedir. 1980'lerden bu yana, yerel hizmetlerin sunulması sürecinde, belediyeler özel sektör ile daha çok etkileşime girmiş ve şirket kurma konusundaki eğilimleri artmıştır. Özellikle 2000 sonrası dönemde, Anadolu kentlerindeki önde gelen büyükşehir belediyeleri de dahil olmak üzere, bu şirketlerin sayılarında artış yaşanmıştır. Bu şirketler büyükşehir belediyelerinin faaliyet alanlarını genişletmiş, ayrıca onlara yerelin daha önemli bir ölçeğe dönüştüğü ve merkezi otoritenin toplum ve ekonomi üzerindeki etkisini artırmaya çalıştığı (ve başardığı) bir ortamda iktisadi alanda daha fazla serbestlik ve güç sağlamıştır.

Ayrıca bu tez, şirketleşme konusunda, en azından son 25 yıldır, farklı iki siyasi gelenek ve partinin yönetiminde olan iki büyükşehir belediyesi arasındaki farklılıklar ve benzerlikleri de incelemeyi amaçlamaktadır. Bu nedenle, bu çalışma açısından, iktidar partisi tarafından yönetilen bir büyükşehir belediyesi ile ana muhalefet partisi tarafından yönetilen bir diğeri arasındaki farklılıklara bakmak önem taşımaktadır. Farklı siyasi partiler tarafından yönetilmelerine rağmen, belediye şirketleri kurma konusundaki ana güdülerin çok benzer olduğu gözlemlenmiştir. Kentler arasındaki yarışın arttığı bir ortamda, belediyeler, belediye veya diğer özel şirketlerden mal ve hizmet satın alma uygulamaları ile birlikte, merkezi otoriteden daha fazla bağımsızlıklarının olduğu ve yerel projeleri daha kolay, hızlı, esnek ve ucuza temin edebildikleri özel sektöre kaymaya çabalamaktadırlar. Fakat, iki büyükşehir belediyesi arasındaki şirket kurma eğilimleri ve diğer tartışmalar konusundaki benzerliklere rağmen, eklenmesi gerekmektedir ki, tahmin edilebildiği gibi, muhalif partiler tarafından yönetilen belediyeler, merkezin etkilerinden kaçınmak için daha fazla nedene sahiptirler.

Bu tez, öncelikle, neoliberal dönemde, merkezi hükümetin rolü ve yerel yönetimlerdeki dönüşüm ile birlikte kent ölçeğinin önemini ve buradaki değişimleri açıklayabilmek için bazı teorik yaklaşımlara atıfta bulunmaktadır. İkinci olarak, yerel yönetimler ile ilgili kısa bir tarihçeden, belediyelerin yerel hizmet sunum yöntemlerinden ve belediye şirketleri hakkındaki yürürlükte olan düzenlemelerden bahsetmektedir. Üçüncü olarak, Eskişehir ve Konya illerindeki büyükşehir belediyelerinin ve onların iktisadi teşebbüslerini kullanma şekillerini detaylandırmaktadır. Son bölümde ise, iki örnek arasındaki benzerlik ve farklılıklar ile birlikte her iki durumda da önemli bir mesele olmaya devam eden hesap verebilirlik problemi tartışılmaktadır.

## ACKNOWLEDGEMENTS

First of all, I am deeply thankful to my advisor, Prof. Şevket Pamuk, for his invaluable guidance, patience and kindness during the entire study. I would like to thank to the other members of my jury, Assist. Prof. Ziya Umut Türem and Assist. Prof. Zeynep Kadirbeyoğlu, for their valuable time, comments and suggestions on my thesis. Additionally, I would like to express my thanks to all other academics and staff at the institute; it was a great opportunity for me to study at this institution.

I owe many thanks to Tracy Lord Şen for providing me with new insights and broadening my viewpoints as well as to Kathryn Kranzler for her kindness in editing my thesis. I also would like to thank the interviewees in both local governments and people who helped me contact with them.

Last, I am deeply indebted to my family and my friends for supporting me in every way, especially during the hard times. Without their encouragement and help, this work could not have been completed.

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## CHAPTER ONE

### INTRODUCTION

This thesis is about the role of metropolitan municipalities in cities' economic development as well as their linkages with the market and the central state in the post-1980 era. Until the 1970s, an inward-oriented, interventionist and protectionist development model that focused on the national scale was the widespread model in many parts of the world. Since this period, supra-state and sub-state levels have turned into more significant scales concerning the issue of developmentalism. In this environment, the role played by municipalities in metropolitan cities has become more significant as well as their relationships with the central state, other local actors, and the market regarding the performing of local economic development in the city. In addition, because tendencies such as public-private partnerships and mixed delivery of local service fulfillment methods have become widespread in Turkey, municipalities have engaged more with the private economic realm in the provision of local goods and services.

In Turkey, in the post-1980 era, with the policies of export-oriented industrialization, some cities in Anatolia, except for the established industrial centers, became prominent too in terms of industrial production mainly depended on small and medium scale flexible production with low wages. Denizli, Konya, Kayseri, Gaziantep, Kahramanmaraş and Malatya are among these places together with the cities that are close to the former period's established industrial places such as Tekirdağ, Kırklareli, Sakarya, Balıkesir, Eskişehir, Manisa and İçel.<sup>1</sup> In this paper,

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<sup>1</sup> Şevket Pamuk, *Türkiye'nin İki Yüzyıllık İktisadi Tarihi* (İstanbul: Türkiye İş Bankası Yayınları, 2014), 307.

the local governments in two of these cities, namely Eskişehir and Konya, and the method of incorporating companies through which these administrations provide local goods and services, especially since the 1980s, will be examined. I chose these two cities since they are both in the category of the places that have come to the fore economically in the last three decades. However, throughout the same period of time, they have been administered by different political traditions and parties; while the former has been controlled by center-left or social democrat parties, the latter has been in the hands of center-right conservative parties. Therefore, in addition to similarities, this work also touches upon some differences between the two municipalities, largely the ones caused by being a metropolitan municipality which belongs to an opposition party to the ruling party at the center.

This paper seeks to determine how the public administration approach and the understanding of the local level have changed in the last three decades; what the role of the central state in the post-1980 era is; what the causes of and rationales behind the increase in the number of municipal companies are; what the metropolitan municipalities' responses are to the pressures on them to realize and improve local economic development of their cities as well as to encounter local economic, political, social problems, demands and expectations coming from both the citizens and investors; and whether there are differences -or disadvantages- between being controlled by an opposition party or the party at the center. In answering these questions, I utilized both the financial data that I was able to obtain from these two municipalities about their companies and carried out interviews with officials from municipalities and municipal companies. Although my work has limitations, I try to examine the prevailing current understanding of local administration (or

management), local governments' interactions with the free market and the role of the central authority in this picture.

Chapter Two gives place to some theoretical discussions about the city and the current dominant local administration approach. The chapter points out the fact that local governments in cities have gained more competitive and entrepreneurial characteristics in the post-1980 period. Moreover, in the same period of time, there has been a shift from reproduction of labor policies to reproduction of capital policies in order to strengthen productive forces of cities; therefore, strategies that favor investments, development of infrastructure, and transportation have become prominent. As a result, the process of globalization and neoliberal economic policies have caused further income distribution inequalities (inequalities especially in the urban economy) as well as reductions in the share of labor in the city economy.<sup>2</sup>

In addition to these points, the need for quick, efficient and effective decisions and flexible responses regarding public necessities with the purposes of attracting investments and increasing cities' competitive capacities, the aim of incorporating municipal companies (which work with lower costs and have freedom of recruitment) has increased. Unlike the approach which sees cities as each others' complementary units (until the late 1970s), because of competition tendencies, local governments need to make use of various factors such as their geographical locations, natural resources, and to offer infrastructure facilities as well as cheap workforce in this competitive environment.

In addition, in the post-1980 period, since cities have transformed into more autonomous units that focus more on production and economic growth than on consumption, the goal of rapid development of cities has become one of the priorities

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<sup>2</sup> Ibid., 315.

of local governments and these authorities consider setting up enterprises as a way to contribute this process. Engaging in several fields of public policy ranging from basic infrastructural provision to cultural policy as well as constructing shopping malls, sports stadiums, enterprise zones, science parks, and conference halls can make cities socially and politically more attractive. If the factors of the policies of economic liberalization and export orientation after the 1980s, as well as the dominant political strategies of economic liberalism and political-social conservatism are included, the privatization practices of setting up economic enterprises and of the competitive contracting of municipal services have become widespread implementations.

Although the legal framework of establishing municipal enterprises goes back to the 1930s, the majority of municipal companies have been founded since 2000; therefore, the causes for this increase have become an important question. In my opinion, the first reason for this development is that despite the continuing problem of inadequacies in municipal supplies, metropolitan municipalities' authorities and resources have improved. This has contributed to local governments' powers and tendencies to incorporating enterprises in an environment where metropolitan municipalities' domains have expanded and intensified (from tourism to technology to culture and arts services), especially since 2000. This trend of rise of the significance of local scale is also underlined by the state rescaling methodology.

Related to the same rescaling approach, secondly, in the post-1980 era, the central state's influence over the society and economy has escalated; this circumstance has been accompanied by economic policies which put forward privatization economic policies; these policies have spread to the local level as well. Thus, as a reaction to the first point, local authorities began to make more use of

privatization practices, because either controlled by the ruling political party or by opposition parties, municipalities wanted to expand their areas of activity with regard to their city's economic life.

Thirdly, one of the significant reasons for the increase in companies' numbers is local governments' goal of realizing local economic development in efficient, flexible and rapid ways, as will be discussed in the theoretical chapter. This movement was triggered by the rising competitive atmosphere between cities (including the Anatolian cities that achieved economic development after the 1980s) so as to accomplish greater economic growth and production levels, as well as to attract more investment, capital and people. Even though municipalities have had more strength in the last three decades, local demands and problems have become critical too, therefore it has become extra difficult to find solutions to local problems. This is another aspect that has led local authorities to search for alternative service provision methods. Lastly, though I argue that both of the two municipalities set up enterprises with similar motives. It would be plausible to assert that in the case of Eskişehir, the aim of avoiding the central authority has been a leading incentive; while in Konya, competition conditions and responding to demands have been more important.

Chapter Two also refers to the rescaling approach, which explains that although the local level has become more significant, the central level has maintained its role as the main actor in formulating, implementing, coordinating and supervising policies regarding the urban realm. At this point, not only the municipalities run by the ruling party at the center but especially the municipalities held by the opposition parties have sought to avoid the center's influence and supervision as well as long

bureaucratic procedures and regard establishing economic enterprises as a way to do so and become more independent actors in the economic field.

Lastly, Chapter Two draws attention to the points put forth by the New Public Management approach since these items can also be considered as reasons for and pressures to establishing municipal economic enterprises; similar factors are also valid for the two example cities examined in this work. The list involves the prevalence of public-private partnerships and the mixed delivery of services, explicit standards and criteria for measuring performance in addition to strategic planning. Professional and private sector management methods in the public realm which requires top management officials' active control over organizations, more emphasis on output controls rather than input controls and processes, disaggregation of units and decentralization of the public sector (to make faster, more flexible and efficient decisions for manageable entities) are among other characteristics of this approach.

Also, more competition in the public sector (to provide goods and services with lower costs and better standards) as well as more careful, efficient and effective use of resources (which is also linked to the central authority's pressure on municipal budgets, this pressure might cause local governments to pursue increasing revenues and reducing costs policies and direct municipalities to seek alternative ways of local service provision methods) are pointed out by the approach. Lastly, downsizing of municipal institutions, the fact that citizens' more awareness of the performance of public services, the aims of fulfilling accountability for performance and performance auditing (which are difficult to realize with the current monitoring mechanisms in addition to performance management and more use of information technology have become among the new tendencies of public administration.

Chapter Three provides an overview of local administrations in Turkey by also referring to the fact that the continuity of the central government's influence on local authorities and the problems of lengthy bureaucratic processes as well as ineffective fiscal sources and staff allocated to municipalities. These are among the reasons for the incorporation of municipal enterprises. As another important subject, the tendency of party or parties at the central level chose to tighten their control over the municipalities controlled by rival political parties, the attitude caused discriminative approaches to some local authorities and also further disagreements between the center and the local levels.

Since the 1980s, with the adoption of economic liberalization and export orientation policies, privatization practices and alternative service delivery methods have spread to the municipal realm. Additionally, even though different scales other than the nation state have become important, in today's context, the central authority has intervened in the society and economy even more. It is also mentioned since 2002, both parties in the two cities discussed in this paper (the Republican People's Party in Eskişehir and the Justice and Development Party in Konya) have utilized mixed service provision methods, to varying degrees. Furthermore, this chapter presents a short history of municipal companies, and regulations about municipal companies as well as their reasons for establishment and discusses issues such as their auditing mechanisms, personnel, or tender policies.

Chapter Four and Chapter Five state the two cases, Eskişehir Metropolitan Municipality and Konya Metropolitan Municipality, within the context of their economic enterprises. Although there are differences between them, it is underlined that the rationales behind the increasing number of municipal enterprises of both municipalities are very similar. These rationales involve avoiding the central

authority's control and limitations as well as long bureaucratic procedures, having more free movement area so as to act as more influential actors in the economic realm. Another common point is the deficiencies in terms of income resources and municipal staff while they encounter more demands from the citizens concerning common local needs. The last point is that these firms are used with the purpose of creating employment or transferring local works to people who are close to their municipalities through the procurement method as well as with the purpose of generating revenues for the municipality.

On the other hand, a noteworthy difference between the two cases is that the difficulties met by municipalities in the hands of opposition parties, for example, with regard to the matters of being audited by as well as getting permissions and obtaining credits from the central government; it can be argued that municipalities controlled by opposition parties have more reasons to escape towards the private realm either by setting up companies or other alternative public service delivery methods. In the last section of Chapter Five, the main similarities and differences between the two examples are discussed in detail.

An important issue concerning municipal companies is their auditing and accountability. Although these companies are supposed to be monitored by several institutions, largely, these controlling mechanisms are new, temporary, insufficient, or unsettled. This is a very critical point for firms which use public money and resources. Not only in these two examples but also in other metropolitan municipalities, even metropolitan council members from opposition parties in those cities are not well informed about their municipalities' enterprises. These corporations are predominantly managed by mayors and senior metropolitan municipality bureaucrats.

Lastly, Chapter Six presents a summary of this thesis and some concluding remarks. Basically, it mentions about the increasing importance of the local level, in addition to the foremost role of the central authority, the transformation in the understanding of local administration which focuses more on transferring and purchasing goods as well as services from private companies, either municipal or other private firms. Today, municipalities have become more interested in escaping towards the private economic realm to realize further economic development in their cities, while doing so, now, even though there are insufficiencies and fluctuations, they have more resources and authorities compared to the pre-1980 era. Besides, due to encountering additional restrictions, municipalities that are controlled by opposition parties have more motives to breaking away from the central authority's supervisions, the points discussed in the last two chapters in more details.

## CHAPTER TWO

### THEORY: URBAN AREAS AND ECONOMIC DEVELOPMENT IN THE NEOLIBERAL ERA

This chapter consists of three sections, in the first part, I touch on the discussions on the transition from Fordism to post-Fordism in order to have better knowledge of developments concerning the city since the 1980s. In the second and the third sections, I make use of two literatures. At the outset, in order to comprehend the role of local governments in this post-1980 period in order to determine the place of the local level in economic decision making processes concerning the city as well as the local level's relationship with the central authority, I look at the literature of state rescaling. Thirdly, for a better understanding of privatization of public services, I examine the literature of the New Public Management (NPM).

Even though these two literatures have been created mostly by observing western European countries, despite of its own characteristics, Turkey has experienced similar processes as well.

#### The Central and the Local Levels in the Fordist and Post-Fordist Eras

First of all, it is useful to look at the changes in the roles of the central and the local governments under the circumstances of the transition period from the Fordist to the post-Fordist phase. The role of modern states in the production, regulation and transformation of urban space is discussed by Henri Lefebvre, who also points out three regulatory characteristics of the modern state in shaping urban space in the

1970s.<sup>3</sup> Firstly, states try to activate space as a productive force through planning and regulatory policies. Secondly, they operate as the “institutional mediator of uneven geographical development” under capitalism. Lastly, they follow policies to “hierarchize social relations upon different geographical scales, at once to maintain social cohesion and to impose a functional differentiation of space.”

According to Brenner (who embraced Lefebvre’s idea in the present day that the urban question assumes the form of “the scale question”), although there are different approaches to the subject of state spatial restructuring, it can be argued that in today’s context, these three points of state intervention are disarticulated, which means that, neoliberal strategies require “a more directly productivist incarnation of the state mode of production than existed under the Fordist-Keynesian regime of neocapitalism.”<sup>4</sup> As is implied in this sentence, in contrast to the neoliberal discourse, the central state continues to get involved in economic and social areas within its borders, as it did in the Fordist-Keynesian period.

Despite both pro-globalization and anti-globalization arguments, since the mid-1990s, as a general sense of the sources consulted for this study assert that central states (most of them are generally defined as post-Keynesian states) have been qualitatively transformed instead of dismantled. Brenner says that in the 1960s, there was a tendency to establish standardized redistributive spatial policies that aimed at lessening intra-national territorial economic disparities in accordance with the Keynesian strategies; however, these policies were mostly abandoned because of the challenges of economic globalization, urban industrial decline and rising

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<sup>3</sup> Neil Brenner, “The Urban Question as a Scale Question: Reflections on Henri Lefebvre, Urban Theory and The Politics of Scale,” *International Journal of Urban and Regional Research* 24, no.2 (June 2000): 370.

<sup>4</sup> Ibid., 362, 371.

expenditures of welfare states.<sup>5</sup> As a result, as Harvey states “[along with] a transition to entrepreneurial urban governance, national, regional and local governments mobilized new, growth oriented approaches to urban and regional policy in an effort to promote economic development from below.”<sup>6</sup> Since the 1980s, western European states have started to pursue post-Keynesian spatial guidelines of the “escalation of interspatial urban competition” (in order to augment their cities’ productive capacities and investments in them so that the cities can compete with cities elsewhere in the world); they also have been working to increase “number of variations among cities which have their own place-specific economic strategies” concerning their developmental, institutional, infrastructural improvements.<sup>7</sup>

Local governments and their economic enterprises are among important actors in this environment in terms of highlighting the cities’ importance and increasing their competitive capacities; and due to the gradually increasing interaction between the public and the private sectors, local governments have made more use of privatization methods. In the context of Turkey, municipalities have also been affected by this entrepreneurial and competitive atmosphere as well as the trend of economic development from below, which are some of the foremost reasons for incorporating municipal companies.

The claims of city regions becoming the main site of economic development as well as the rescaling of the central state authority are accompanied by another assertion which underlines the fact that the nation state maintains its key role of

[F]ormulating, implementing, coordinating and supervising urban policy initiatives, even as the primacy of the national scale of political-economic life is decentered (...) We are witnessing, rather, that a wide-ranging recalibration of scalar hierarchies and interscalar relations throughout the state apparatus as

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<sup>5</sup> Neil Brenner, *New State Spaces: Urban Governance and the Rescaling of Statehood* (New York: Oxford University Press, 2004), 2.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid., 3.

a whole, at once supranational, national, regional, and urban scales (...) [And as Peck argues] they are undergoing a process of qualitative transformation through rescaling.<sup>8</sup>

In addition, with the rise of the significance of the local actors, Brenner discusses how the importance of “spatially reconfigured national state institutions as major animateurs and mediators of political-economic restructuring at all geographical scales” has continued. He emphasizes two main points about rescaling. The first is the city level, which has become the key place in which rescaling of the central state authority has taken place. The second one is, although the national scale of political-economic life has decentralized, the central state has remained the main actor in formulating, implementing, coordinating and supervising policies regarding the urban realm.<sup>9</sup> In the context of Turkey, for municipalities in the hands of both the ruling and the main opposition party, the central state’s supervising and controlling roles are among the major reasons for establishing municipal companies as well.

Since most central states’ regulatory capacity has been questioned recently, these states have initiated new mechanisms, such as regional planning, developmental agencies, local government reforms or regional government apparatuses, in order to increase this capacity again. In a similar way, political parties, entrepreneurs and civil society movements want to make use of these mechanisms and areas to put their demands into practice as well.

On the subject of the uneven geographical development within their boundaries, nation states might utilize territorial redistribution policies so as to accelerate the development of the industry across their territories and to diminish intra-national territorial disparities. Yet, they may also follow economic strategies which contribute to the concentration of growth capacities of urban regions. Brenner

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<sup>8</sup> Ibid., 3-4.

<sup>9</sup> Ibid., 1-26.

articulates that redistributive and cohesion-oriented regulatory policies of western states during the 1930s came to an end in the 1970s along with the destabilization of the Fordist accumulation regime.<sup>10</sup> On the other hand, after the 1980s, city-centric and entrepreneurial regulatory strategies replaced redistributive ones. To put it differently, in the pre-1980 stage, economic policies were targeted to redress uneven regional development; whereas, after that period, the national territorial equalization idea remained out of the agenda. Therefore, according to Brenner, the goals of national, regional and local state spatial policies have altered from redressing uneven territorial developments to intensifying inter-regional differences via implementation of place-specific, competitiveness-oriented strategies.<sup>11</sup>

In the case of Turkey, although there might be several noteworthy differences between Turkey and the western European states, nevertheless, it can be argued that to a certain extent, a similar sequence took place. During the Import Substitution Industrialization (ISI) period between 1960 and 1980, the central state followed standardized, protectionist, inward-oriented industrialization policies to alleviate regional inequalities. Since the 1980s, with the opening up of the Turkish economy and economic liberalization attempts, especially cities that had developed economically during the previous period have turned into more competitive regions in both national and international areas and the issue of competitiveness has become more visible on cities' agendas. As important actors at the local level, municipalities try to utilize the way of establishing municipal enterprises in order to meet the needs of making quick, efficient and effective decisions with the purposes of attracting investments, industry and increasing their cities' competitive capacities.

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<sup>10</sup> Ibid., 14-15.

<sup>11</sup> Ibid., 16.

Regarding the analysis of cities' economic development, it is also necessary to determine the distinctions between the Keynesian welfare state, which lasted until the end of the 1970s, and the post-Keynesian state. Due to the transition from the former to the latter, firstly, the perception of locality evolved from a unit defined within the borders of the nation state to a more autonomous understanding of space. Secondly, the local level is started to be considered as a place which focuses on production and economic growth instead of a place of consumption as in many other regions of the world. Making investments and setting up infrastructures (policies of reproduction of capital) have become more important; consequently, local governments have begun to employ their economic enterprises and other private firms more. Thirdly, the increasing interest in the concept of governance (which, concisely, denotes any form of coordination between different independent actors) and the local level that is accompanied by the significant globalization process have begun to be more pronounced.<sup>12</sup> According to the rescaling literature, due to these changes and the transition stage, the local level has turned into an important scale in terms of local economic decision-making processes, an approach which does not indicate that the central scale has lost its authority.

During the Fordist-Keynesian period, most states' spending on public services and infrastructure with the aim of incorporating regions and localities into a collective socio-economic space increased; however, after the 1970s, along with the crisis of the Fordist economic production model, the enhanced impacts of globalization and the shift towards neoliberalism, this period came to an end and resulted in a new formation of state-market relations and the division of powers

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<sup>12</sup> H. Tarık Şengül, "Yerel Yönetim Kuramları: Yerel Yönetimden Yönetişime," *Çağdaş Yerel Yönetimler* 8, no.3 (Temmuz 1999): 12-13.

between the central state, sub-national and supranational governments.<sup>13</sup> This also indicates that nation states are adapting themselves to the new economic environment in order to expand their roles and influences.

Furthermore, as the focus of central states shifted from the provisioning of social welfare to putting emphasis on economic efficiency, concerns of decentralization (which might be bottom-up or top-down driven and involves four types of government power; regulation, financing, administration and delivery) and devolution have begun to be more pronounced.<sup>14</sup>

### Neoliberalism and State Rescaling

Concerning the question of the central state's power in the post-Keynesian period, it has been stated that the nation state is not "withering away" but rearticulated and reterritorialized rather than deterritorialized. In other words, some of its typical functions have been transferred to sub-state and supra-state scales (the issue of state rescaling). Especially in the context of western European states, with regard to local states, especially municipalities, it is argued that they occupy an important place in terms of the linkages between the central state, economy and civil society.<sup>15</sup> About the process of rearticulation of central states, Brenner states that:

The resultant, rescaled configuration of state territorial organization is provisionally labelled a 'glocal' state. As nodes of accumulation, global cities

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<sup>13</sup> Linda Lobao, Ron Martin and Andrés Rodríguez-Pose, "Editorial: Rescaling the State: New Modes of Institutional-Territorial Organization," *Cambridge Journal of Regions, Economy and Society* 2, no.1 (2009): 4, accessed April 20, 2015, <http://cjres.oxfordjournals.org/content/2/1/3.full.pdf+html>

<sup>14</sup> Ibid., 4-5; Jorge Martínez-Vázquez and Andrey Timofeev, "A Fiscal Perspective of State Rescaling," *Cambridge Journal of Regions, Economy and Society* 2, no.1 (2009): 85, accessed April 20, 2015, <http://cjres.oxfordjournals.org/content/2/1/85.full.pdf+html>

<sup>15</sup> Roger Keil, "Globalization Makes States: Perspectives on Local Governance in the Age of the World City," in *State/Space: A Reader*, eds. Neil Brenner, Bob Jessop, Martin Jones and Gordon Macleod (Malden, MA: Blackwell Publishing, 2003), 278-79.

are sites of post-Fordist forms of global industrialization; as coordinates of state territorial power, global cities are local-regional levels within a larger, reterritorialized matrix of increasingly ‘glocalized’ state institutions. State re-scaling is a major accumulation strategy through which these transformed ‘glocal’ territorial states attempt to promote the global competitive advantage of their major urban regions. Global city formation and state-rescaling are therefore dialectically intertwined moments of a single dynamic of global capitalist restructuring.<sup>16</sup>

Moreover, Brenner uses Braudel’s phrase “jigsaw puzzle” to describe the world economy and the multi-layered structure of its geographical organization. According to the author, this expression can also be used so as to describe today’s economic structure in which both cities, inter-urban networks and central states interact with each other.<sup>17</sup> Furthermore, despite the current changes in the authority of the central state, such as declining regulatory control over transnational flows of capital and commodities (and to some extent labor force), the central state continues to play its essential role as a “central institutional matrix of political power, a significant scale of territorial organization and a crucial territorial infrastructure for capital accumulation.”<sup>18</sup>

The process of rescaling of the state also brings about significant changes in the relationship between states, capital and territory:

During the Fordist-Keynesian period, most older industrial states deployed indirect forms of territorial intervention oriented toward the reproduction of labor power (e. g. through redistributive social welfare policies), industrial relocation (e. g. through subsidies and tax concessions) and the promotion of collective consumption (e. g. through housing, education, transportation and urban planning policies). However, contemporary supply-side modes of state intervention have entailed a more direct, unmediated involvement of the state in the promotion of the ‘productive force of territorial organization’ (Swyngedouw, 1992a). Today the state’s role is no longer merely to reproduce territorially based production complexes, but continually to restore, enhance, intensify and restructure their capacities as productive forces. Under these circumstances, as Cerny (1995: 620) notes, ‘the state itself becomes an agent

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<sup>16</sup> Neil Brenner, “Global Cities, Glocal States: Global City Formation and State Territorial Restructuring in Contemporary Europe,” in *Review of International Political Economy* 5, no.1 (1998): 1.

<sup>17</sup> Ibid., 7-8.

<sup>18</sup> Ibid., 9.

for the commodification of the collective, situated in a wider, market-dominated playing field'. From public-private partnerships, labor retraining programs, science parks, conference centers, waterfront redevelopment schemes, technology transfer projects, military spending, information sharing, venture capital provision and market research to technopoles programs and enterprise zones, these state-organized economic development policies can be construed as concerted strategies for the intensification of the productive capacities of the cities and regions in which they are based through the construction of 'territorially rooted immobile assets (Amin and Thrift, 1995:10). It is above-all through their role in the mobilization of urban-regional territorial organization for the purposes of accelerated global capital circulation that local and regional states, in particular, are acquiring increasing structural significance within each territorial state's internal administrative-organizational hierarchy.<sup>19</sup>

Similar trends and examples in the quotation above can be seen in the Turkish context as well.

Concerning the local level, in one of his articles on urban governance, Harvey brings up a conference held at Orleans in 1985 which culminated in a consensus that urban governments were required to be more innovative and entrepreneurial so that their populations could have better live although participants could not decide the best way to realize this target.<sup>20</sup> According to him, urban governments in the capitalist countries had gradually shifted from a managerial position to a position that highlighted economic development in the 1960s and to a position which emphasizes an entrepreneurial stance in the 1970s and 1980s. Also, he concludes that this transition process has not been completed yet. At the same time, the issues of deindustrialization, unemployment, fiscal austerity, the rising impact of neoconservatism, and the attractiveness of market mechanisms as well as privatization examples have led to the rise of urban entrepreneurialism (especially, in terms of "the transition in the dynamics of capitalism from a Fordist-Keynesian regime of capital accumulation to a regime of flexible accumulation") and challenged

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<sup>19</sup> Ibid., 15.

<sup>20</sup> David Harvey, *Spaces of Capital: Towards a Critical Geography* (New York: Routledge, 2001), 346-48.

the precarious and questionable power of nation-states' control of international money flows.<sup>21</sup> The ascending significance of the local level to deal with these issues is counted as among the most important reasons for this change which makes the city level the appropriate unit of analysis for evaluating the issue of creation of national wealth.<sup>22</sup>

However, the increase in the prominence of the urban level does not denote a huge power loss from the perspective of the central state. Today, for the maintenance of the economic system, states have to intervene in economic, political and social lives of its citizens more.<sup>23</sup> According to Harvey, in order to protect liberty, free market, the rule of law and private property rights, privatization, deregulation, competition, the free mobility of capital, governance by experts and elites are among the priorities of the neoliberal state, most states seek to be involved in the economic realm.<sup>24</sup> Besides, for him, "[U]rbanization should, rather, be regarded as a spatially grounded social process in which a wide range of different actors with quite different [and variable] objectives and agendas interact through a particular configuration of interlocking spatial practices."<sup>25</sup> Therefore, it is important to emphasize that the term urban "governance" is more inclusive than the term urban "government," additionally:

Civic boosterism has, of course, often been the prerogative of the local chambers of commerce, some cabal of local financiers, industrialists and merchants, or some "roundtable" of business leaders and real estate and property developers. The latter frequently coalesce to form the guiding power in "growth machine" politics (Molotch, 1976). Educational and religious institutions, different arms of government (varying from the military to research and administrative establishments), local labor organizations (the building and construction trades in particular), as well as political parties,

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<sup>21</sup> Ibid., 348.

<sup>22</sup> Ibid.

<sup>23</sup> David Harvey, *Spaces of Hope* (Berkeley: University of California Press, 2000), 64-65.

<sup>24</sup> David Harvey, *A Brief History of Capitalism* (Oxford; New York: Oxford University Press, 2005), 64-66.

<sup>25</sup> Harvey, *Spaces of Capital*, 349.

social movements, and the local state apparatuses (which are multiple and often quite heterogeneous), can also play the game of local boosterism though often with quite different goals. Coalition and alliance formation is so delicate and difficult task that the way is open here for a person of vision, tenacity and skill (such as a charismatic mayor, a clever city administrator, or a wealthy business leader) to put a particular stamp upon the nature and direction of urban entrepreneurialism, perhaps to shape it, even, to particular political ends.<sup>26</sup>

As a result, due to the transition stage from Fordism to post-Fordism, local governments in many western countries have gained entrepreneurial characteristics to varying degrees. According to Harvey,

[T]he new entrepreneurialism typically rests, then, on a public-private partnership focusing on investment and economic development with the speculative construction of place rather than amelioration of conditions within a particular territory as its immediate (though by no means exclusive) political and economic goal.<sup>27</sup>

Also, the issues of speculative projects of high consumption (such as, shopping malls and sports stadiums) are examples of the overaccumulation and overinvestment problem of capitalism; however, these kinds of investments are important to make cities socially and politically attractive as well. In the context of Turkey, even though seen largely in metropolitan cities, similar processes, in which local governments have become important actors, have been witnessed in some medium-sized cities as well.

Harvey puts an emphasis on the idea that urban entrepreneurialism does not assume that the local state, or broadly speaking urban governance, is automatically captive to merely capitalist class interests. This statement makes his arguments, at least superficially, incompatible with some Marxist local state theorists (for example, Molotch and Logan).<sup>28</sup> Yet, if inter-urban competition is taken into consideration, it shows a way in which ostensibly autonomous urban entrepreneurialism might act in harmony with the albeit paradoxical necessities of capital accumulation while

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<sup>26</sup> Ibid., 351.

<sup>27</sup> Ibid., 354, 363.

<sup>28</sup> Ibid., 365.

contributing to the reproduction of capitalist social relations at more intense levels. In addition, by referring to Jessop, Harvey maintains that since every coalition looks for its own distinct version of “accumulation strategies and hegemonic projects,” it is significant for coalitions to find out new types of social and political regulations for new forms of capital accumulation.<sup>29</sup> Harvey also asserts that since the 1970s, because urban governance has been more active in terms of the necessities of capital accumulation, this has caused a reconstruction of central to local government linkages and reduction in local state activities.<sup>30</sup> Yet, despite all negative features, urban entrepreneurialism has a potential to bring “a progressive urban corporatism,” too. All these points can be employed for a better comprehension of the changing characteristics of and coalitions at the urban level in capitalist countries and also enable us to identify similarities and differences between those countries and developing countries like Turkey.

Concerning the discussions on the power of the nation state, issues such as the increasing number of supranational actors and the revival of regional and local governance mechanisms have been discussed by many authors and it has been claimed that supranational state apparatuses have turned into more influential actors in many areas than they were in the past.<sup>31</sup> Likewise, it can be asserted that the role for regional and local governance instruments has been expanded. Jessop states that in the Fordist period, local governments acted as branches of the welfare state by overseeing the provision of local infrastructure for the continuation of mass production, collective consumption, local welfare state policies, and (especially in times of crisis) job opportunities. On the other hand, in the post-Fordist era, the local

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<sup>29</sup> Ibid., 366.

<sup>30</sup> Ibid., 367-68.

<sup>31</sup> Bob Jessop, “Post-Fordism and the State,” in *Post-Fordism: A Reader*, ed. Ash Amin (Oxford, UK: Blackwell Publishers, 1997), 269-73.

level has become more influential in terms of economic activities. This tendency also focuses on economic regeneration and increasing the competitiveness of the local level in the world economy.<sup>32</sup> He writes,

This involves more than a simple ‘technical fix’ and requires local states to engage in other fields of public policy, ranging from basic infrastructural provision to cultural policy (...) In this sense, we can find a growing interest among local states in regional labor market policies, education and training, technology transfer, local venture capital, innovation centers, central parks and so forth... This shift in functions ‘downwards’ is none the less linked in turn with the reorganization of the local state as new forms of local partnership emerge to guide and promote the development of local resources. In this sense, we can talk of a shift from local government to local governance. Thus local unions, local chambers of commerce, local venture capital, local education bodies, local research centers and local states may enter into arrangements to regenerate local economy. This trend is also reinforced by the central state’s inability to pursue sufficiently differentiated and sensitive programmes to tackle the specific problems of particular localities. It therefore devolves such tasks to local states and provides the latter with general support and resources. More optimistic accounts of this trend envisage it leading to a confederation of job creating, risk sharing local states rooted in strong regional economies... But there are also more pessimistic scenarios which anticipate growing polarization within localities... as well as increased regional inequalities.<sup>33</sup>

For Jessop, the shift towards the local level yields expanding state intervention policies. In order to realize a “political decentralization on a territorial basis,” it requires not only adequate allocation of responsibilities between distinct sub-state levels, but also coordination of these levels.<sup>34</sup> In the example of Turkey, these central state intervention policies make local governments utilize companies subject to private law in offering local goods and services so that they can operate more freely, more quickly meet the needs of the local people (in the face of increasing demands and expectations), and more easily avoid the center’s surveillance. In addition, the coordination issue mentioned above becomes more important particularly when non-state actors such as business associations and private bodies get involved in economic initiatives. Therefore setting up institutional arrangements and assigning

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<sup>32</sup> Ibid., 272.

<sup>33</sup> Ibid.

<sup>34</sup> Ibid., 273.

different roles and competences to actors at different levels is needed so as to put the main strategy into action.<sup>35</sup> As he notes, without ensuring coordination “top-down policies can lead to implementation failure and bottom-up policies to wasteful and ineffective ‘municipal mercantilism.’”

As an emerging (or, more accurately, reemerging) scale, cities have undergone some critical changes in the post-Fordist phase, which Jessop summarized as the growth of the scale of principal cities within urban hierarchies, which makes them even larger metropolises; and the increase in the connection of these mega cities with other cities abroad, which creates tension between these cities and their central states since they focus more on their economic interests instead of on their central states’ financial concerns.<sup>36</sup> In addition, regarding the content of policies that aim to enhance cities’ competitiveness in national and international realms, Harding systematizes some points:

[T]he state of the local economy; the fortunes of locally-based businesses; the potential for attracting new companies and/or promoting growth within indigenous firms; the promotion of job creation and training measures in response to growing urban unemployment; the modernization of the infrastructures and assets of urban regions (communications, cultural institutions, higher educational strengths and capacities) to attract investment and visitors and support existing economic activities; and the need to limit further suburbanization, retain population (particularly middle-to-upper income families) and workplaces and create compact, livable cities.<sup>37</sup>

Jessop adds that there are different types of competitiveness which entrepreneurial cities pursue.<sup>38</sup> In some cases, strategies only seek to obtain comparative advantages by focusing on internal investment from mobile capital at the expense of other places (via tax breaks, subsidies, civic boosterist image building). In other cases, however, cities try to be more innovative in economic, political, and social areas so as to

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<sup>35</sup> Ibid.

<sup>36</sup> Bob Jessop, *The Future of the Capitalist State* (Cambridge, UK: Polity Press, 2003), 186.

<sup>37</sup> Ibid.

<sup>38</sup> Ibid., 186-87.

improve their productivities in order to attract mobile and local capital. Furthermore, as the city is being re-imagined or re-imaged as an entrepreneurial entity, it should be mentioned that this re-imagining process is also associated with the redesign of governance apparatuses, particularly by means of public-private partnership and networks.<sup>39</sup> However, there might be many suggestions which endeavor to create entrepreneurial cities or regions that lack governance mechanisms which could provide their effective implementation; however, these proposals might have to take place only in consultants' reports, brochures, conferences, non-binding agreements, and data bases.<sup>40</sup>

It should be added that various countries and cities have gone through different paths of post-Fordist experiences and have pursued distinct policies. Brenner articulates many general points with respect to the cities of North America and Western Europe that took place because of the neoliberalization process, without denying the diversity of neoliberal policies followed in different parts of the world and acknowledging the fact that there is no linear transition from the "welfare city" to the "neoliberal city."<sup>41</sup> Brenner defines state rescaling as:

A strategy of neoliberal deregulation to dismantle nationally configured redistributive operations by undermining the social welfare functions of municipal institutions (...) [And] a strategy of reregulation to construct new institutional capacities for promoting capital investment within major urban poles, often through locally or regionally organized workfare policies, non-elected quangos and other entrepreneurial initiatives such as public-private partnerships.<sup>42</sup>

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<sup>39</sup> Bob Jessop, "The Entrepreneurial City: Re-imagining Localities, Redesigning Economic Governance, or Restructuring Capital?" in *Realising Cities: New Spatial Divisions and Social Transformation*, eds. N. Jewson and S. MacGregor (London: Routledge, 1997), 28-41.

<sup>40</sup> Ibid.

<sup>41</sup> Neil Brenner and Nik Theodore, "Cities and the Geographies of "Actually Existing Neoliberalism," in *Antipode* 34, no.3 (July 2002): 375, accessed April 20, 2015, <http://onlinelibrary.wiley.com/doi/10.1111/1467-8330.00246/epdf>

<sup>42</sup> Neil Brenner, "Globalisation as Reterritorialization: The Re-scaling of Urban Governance in the European Union," *Urban Studies* 36, no.3 (1999): 440, accessed April 20, 2015, <http://as.nyu.edu/docs/IO/222/1999.Brenner.Urb.St.pdf>

Additionally, whereas neoliberal thinking is in favor of free and self-regulating markets as discourse, in practice, the ideology has made use of regulatory forms of state intervention to impose market rule. With regard to this point, Brenner, Peck, and Theodore use the concept of “actually existing neoliberalism.”<sup>43</sup> This term is utilized to signify this contradictory character of neoliberal policies and to reveal their real effects. The authors also use the term “creative destruction” to portray geographically uneven institutional and spatial changes under neoliberal restructuring projects and to put emphasis on the city level in terms of neoliberal forms of policy making in the post-Fordist era.<sup>44</sup> The table below, which is taken from the same work, shows characteristic “moments” of the post-1980 period concerning the local level. It also displays many changes concerning the local level in terms of the local’s economic development, particularly alterations in the role of municipalities, which are important regarding the context of this work.

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<sup>43</sup> Neil Brenner, Jamie Peck and Nik Theodore, “Neoliberal Urbanism: Cities and The Rule of Markets,” in *The New Blackwell Companion to the City*, eds. Gary Bridge and Sophie Watson (Malden, MA: Wiley-Blackwell, 2011), 16-18.

<sup>44</sup> Ibid., 22-23.

Table 1. Destructive and Creative Moments of Neoliberal Localization

Mechanisms of neoliberal localization	Moment of 'destruction'	Moment of 'creation'
<i>Recalibration of Intergovernmental relations</i>	<ul style="list-style-type: none"> <li>Dismantling of earlier systems of central government support for municipal activities</li> </ul>	<ul style="list-style-type: none"> <li>Devolution of new tasks, burdens and responsibilities to municipalities</li> <li>Creation of new incentive structures to reward local entrepreneurialism and to catalyze 'endogenous growth'</li> </ul>
<i>Retrenchment of public finance</i>	<ul style="list-style-type: none"> <li>Imposition of fiscal austerity measures upon municipal governments</li> </ul>	<ul style="list-style-type: none"> <li>Creation of new revenue collection districts and increased reliance on local revenues, user fees, and other instruments of private finance</li> </ul>
<i>Restructuring the welfare state</i>	<ul style="list-style-type: none"> <li>Local relays of national welfare service provision are retrenched; assault on managerial-welfarist local state apparatuses</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of community-based sectors and private approaches to social service provision</li> <li>Imposition of mandatory work requirements on welfare recipients; new (local) forms of workfare experimentation</li> </ul>
<i>Reconfiguring the institutional infrastructure of the local state</i>	<ul style="list-style-type: none"> <li>Dismantling of bureaucratized, hierarchical forms of local public administration</li> <li>Assault on traditional relays of local democratic accountability</li> </ul>	<ul style="list-style-type: none"> <li>'Rolling forward' of new networked forms of local governance based upon public-private partnerships, 'quangos' and the 'new public management'</li> <li>Incorporation of elite business interests in local policy and development</li> </ul>
<i>Privatization of the local public sector and collective infrastructures</i>	<ul style="list-style-type: none"> <li>Elimination of public monopolies for the provision of standardized municipal services (utilities, sanitation, mass transit, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Privatization and competitive contracting of municipal services</li> <li>Creation of new markets and interurban networks for service delivery and infrastructure maintenance</li> </ul>
<i>Restructuring urban housing markets</i>	<ul style="list-style-type: none"> <li>Razing public housing and other forms of low-rent accommodation</li> <li>Elimination of rent controls and project-based construction subsidies</li> </ul>	<ul style="list-style-type: none"> <li>Creation of new opportunities for speculative investment in central-city real estate markets</li> <li>Transitional and 'emergency' provision for the homeless</li> <li>Introduction of market rents and tenant-based vouchers in low-rent niches of urban housing markets</li> </ul>
<i>Reworking labor market regulation</i>	<ul style="list-style-type: none"> <li>Dismantling of traditional, publicly funded education, skills training and apprenticeship programs for youth, displaced workers and the unemployed</li> </ul>	<ul style="list-style-type: none"> <li>Creation of a new regulatory environment in which temporary staffing agencies, unregulated 'labor corners' and other forms of contingent work can proliferate</li> <li>Implementation of work-readiness programs aimed at the conscription of workers into low-wage jobs</li> <li>Expansion of informal economies</li> </ul>
<i>Restructuring strategies of territorial development</i>	<ul style="list-style-type: none"> <li>Dismantling of autocratic national models of capitalist growth</li> <li>Destruction of traditional compensatory regional policies</li> <li>Increasing exposure of local and regional economies to global competitive forces</li> <li>Fragmentation of national space-economies into discrete urban and regional industrial systems</li> </ul>	<ul style="list-style-type: none"> <li>Creation of free trade zones, enterprise zones and other 'deregulated' spaces within major urban regions</li> <li>Creation of new development areas, technopoles and other 'new industrial spaces' at subnational scales</li> <li>Mobilization of new 'glocal' strategies intended to rechannel economic capacities and infrastructure investments into 'globally connected' local/regional agglomerations</li> </ul>
<i>Transformations of the built environment and urban form</i>	<ul style="list-style-type: none"> <li>Elimination and/or intensified surveillance of urban public spaces</li> <li>Destruction of traditional working class neighborhoods in order to make way for speculative redevelopment</li> <li>Retreat from community-oriented planning initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Creation of new privatized spaces of elite/corporate consumption</li> <li>Construction of large-scale mega-projects intended to attract corporate investment and reconfigure local land-use patterns</li> <li>Creation of gated communities, urban enclaves and other 'purified' spaces of social reproduction</li> <li>'Rolling forward' of the gentrification frontier and the intensification of sociospatial polarization</li> <li>Adoption of the principle of 'highest and best use' as the basis for major land use planning decisions</li> </ul>
<i>Inter-local policy transfer</i>	<ul style="list-style-type: none"> <li>Erosion of contextually sensitive approaches to local policymaking</li> </ul>	<ul style="list-style-type: none"> <li>The diffusion of generic, prototypical approaches to 'modernizing' reform among policymakers in search of</li> </ul>
	<ul style="list-style-type: none"> <li>Marginalization of 'home-grown' solutions to localized market failures and governance failures</li> </ul>	<ul style="list-style-type: none"> <li>'quick fixes' for local social problems (e.g., welfare-to-work programs, place-marketing strategies, zero-tolerance crime policies, etc.)</li> <li>Imposition of decontextualized 'best practice' models derived from other institutional contexts upon local policy environments</li> </ul>
<i>Reregulation of urban civil society</i>	<ul style="list-style-type: none"> <li>Destruction of the 'liberal city' in which all inhabitants are entitled to basic civil liberties, social services and political rights</li> </ul>	<ul style="list-style-type: none"> <li>Mobilization of zero-tolerance crime policies and 'broken windows' policing</li> <li>Introduction of new discriminatory forms of surveillance and social control</li> <li>Introduction of new policies to combat social 'exclusion' by reinserting individuals into the labor market</li> </ul>
<i>Re-representing the city</i>	<ul style="list-style-type: none"> <li>Performative discourses of urban disorder, 'dangerous classes' and economic decline</li> </ul>	<ul style="list-style-type: none"> <li>'Entrepreneurial' discourses and representations focused on urban revitalization, reinvestment and rejuvenation</li> </ul>

Source: Brenner, Peck and Theodore, *The New Blackwell Companion to the City*.

As shown, in the context of Turkey, municipalities have undertaken new tasks and responsibilities and have to provide goods and services with limited resources; the dependence on local revenues has enhanced. The tendencies of urban revitalization and reinvestment and privatization of the local public sector as well as the principles proposed by new public management approach have become widespread and can be observed among the factors of the proliferation of municipal companies.

Furthermore, at the beginning of the 1990s, the concept of glocalization, which is defined basically as the increasing linkages of interaction between global and local actors, has come out as well. The concept had only been used by a limited number of writers (especially by Erik Swyngedouw); but, today the concept has become widespread.<sup>45</sup> However, despite global and local actors' escalating influence, as Jessop says in *The Future of the Capitalist State*, the national scale has not been marginalized or hollowed out, yet it is being redefined in relation to local, regional and supranational scales.

As can be inferred from the state rescaling literature that has been mentioned so far, when it first came out, this literature was mostly based on data collected from developed countries. However, today, it is applied to other, including developing, countries as well, such as Eastern European states, the USA, Canada, Mexico, Australia, post-apartheid South Africa, Turkey, Iran, South Korea, Malaysia, India, Ghana, and post-reform China.<sup>46</sup> At this point, there might be many varieties between these mentioned countries in terms of the degree of state rescaling; in other words, state rescaling processes differ according to historical, economic, social and institutional conditions of each state.

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<sup>45</sup> Neil Brenner, "Open Questions on State Rescaling," *Cambridge Journal of Regions, Economy and Society* 2, no.1 (2009): 125, accessed April 20, 2015, <http://cjres.oxfordjournals.org/content/2/1/123.full.pdf+html>

<sup>46</sup> Ibid., 130.

As Cox says, in the 1950s and 1960s, the important factor in terms of the process of state rescaling was the issue of redistribution; yet, today the emphasis of the new state rescaling literature is on the matter of local and regional development.<sup>47</sup> Now the aim is to increase developmental capacities of places within the state's jurisdiction. Furthermore, according to Bayırbağ, the issue of politics of redistribution is at the center of the state rescaling process as well as uneven development is at the hub of the redistribution process; thus the state rescaling process offers a useful analytical tool to understand historical economic and political dynamics of change and continuity.<sup>48</sup> He divides these dynamics in Turkey into four phases and argues that as a result of these four periods, the state institutionalization process has shifted from a highly centralized ruling system to more decentralized and complex governing structures.<sup>49</sup>

Regarding this transition, the first period lasted from 1960 to 1980 (which is described as a counter-hegemonic time) in which local governments and the central government were controlled by different parties and the practice of redistribution was highlighted. The second phase continued from 1980 to the early 1990s (a hegemonic duration) in which local governments and the central government were run by the same party and the process of capital accumulation was emphasized. The third period persisted from the early 1990s to 2002 (a counter-hegemonic phrase) in which local governments and the central government were directed by different parties and again the practice of redistribution is accentuated. And the last stage continues from 2002 (a hegemonic term) to the present in which again local governments and the central

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<sup>47</sup> Kevin R. Cox, "'Re-scaling the State' in Question," *Cambridge Journal of Regions, Economy and Society* 2, no.1 (2009): 109; 111, accessed April 20, 2015, <http://cjres.oxfordjournals.org/content/2/1/107.full.pdf+html>

<sup>48</sup> Mustafa Kemal Bayırbağ, "Continuity and Change in Public Policy: Redistribution, Exclusion and State Rescaling in Turkey," *International Journal of Urban and Regional Research* 37, no.4 (July 2013): 1141-42, accessed April 20, 2015, <http://onlinelibrary.wiley.com/doi/10.1111/1468-2427.12000/epdf>

<sup>49</sup> Ibid., 1131-32.

government are run by the same party and the process of capital accumulation comes out (moreover, redistribution is subordinated).

In the first era, municipalities were regarded as major political actors and the entrepreneurial characteristics of mayors contributed to municipalities' policy-making capacity, the phenomenon that was accompanied by the demands of decentralization and weakening the superiority of the central government. In the second phase, municipalities' strength was formalized and metropolitan municipalities were established. According to Bayırbağ, decentralization processes culminated in more centralization and municipalities were used in order to suppress potential opposition groups. In the third period, the capacity of metropolitan municipalities was enhanced and the aim of the local level turned into the target of challenging the central government. In the final stage, including today, municipalities are utilized as a social policy instrument. More importantly, both centralization and decentralization strategies can be witnessed depending on different policy-fields. More control over mayors and agencies (for example, through provincial local government, regional development agencies, new central policy agencies) for conducting redistribution can be observed.

Bayırbağ indicates that the dynamics of the state rescaling literature can be found in the Turkish context in different forms, since the beginning of the 1960s. He writes that the state rescaling process experienced in Turkey frequently includes the redistribution of power across different branches of administration. It is also related to the strategies pursued to settle political and economic crises that the central state has to deal with in order to sustain national unity as the main target. This objective, until now, has not been achieved because for him, "it bears within itself the seeds of

future systemic crises that can only be solved through a new round of state rescaling.”<sup>50</sup>

Along with the emphasis put on the significance of the local level, it is important to consider power relations and coalitions at this level as well. Although, there are essential distinctions among different localities in terms of local coalitions, it might be helpful to look at Molotch and Logan’s classification of actors and their claims about the importance of local level and local coalitions.<sup>51</sup> Molotch asks two questions, “who governs/rules?” and “for what?” According to him, the aim of economic growth can bring a wide range of elite groups together even though they may split on other concerns. This work might be useful especially in order to understand what groups can be influential in making economic decisions regarding the city. Their classification of different groups can be employed as well in order to see whether the same groups are (or to what extent) influential in local decision making steps. They maintain that:

[T]he incessant lobbying, manipulating and cajoling can deliver the critical resources from which great cities are made (...) [Also] places with more active and creative elites may have an edge over other areas [like higher growth rates] (...) [Besides] we stress that activism of entrepreneurs is, and always been, a critical force in shaping the urban system, including the rise and fall of given places.<sup>52</sup>

For Molotch and Logan, local elites have an important role in electing local politicians;

[W]hether in generating infrastructural resources, keeping peace at the same front, or using the city mayor as an ‘ambassador’ to industry, local government is primarily concerned with increasing growth. Again, it is not the only function of local government, but it is the key one.<sup>53</sup>

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<sup>50</sup> Ibid., 1123.

<sup>51</sup> Harvey L. Molotch and John R. Logan, *Urban Fortunes: The Political Economy of Place* (Berkeley, CA: University of California Press, 2007), 50-51.

<sup>52</sup> Ibid., 52.

<sup>53</sup> Ibid., 63.

Although there might be cleavages among economic actors regarding the city's growth, even in this case, due to the domination of the growth machine, the idea of growth remains the ultimate goal.<sup>54</sup>

According to the writers, the organization of the city's growth coalition consists of three main actors, politicians, local media, and utilities (leaders of "independent" public or quasi-public agencies).<sup>55</sup> In addition, there are some other auxiliary players such as universities, museums, theatres, expositions, professional sports, organized labor, self-employed professionals, and small retailers as well as corporate capitalists.

I want to elaborate more on the main actors. First, about politicians, most of whom are in need of private campaign financing, particularly the large-scale real estate entrepreneurs support them financially. Elected officials can differ in some ways, such as how they make use of their authority to maximize growth or how to influence high-level politicians concerning their growth distribution decisions.<sup>56</sup> Additionally, they mention the significance of the central state both in making decisions related to development and providing direct government outlays.

Secondly, for Molotch and Logan, with respect to the city's economic growth, the local media is another central actor whose main role is to reinforce the predisposition for general growth. Thirdly, "independent" or quasi-public agencies' managers can play the role of "growth statesmen" instead of promoting a certain type of economic growth.

With respect to the auxiliary players, the authors argue that especially since the 1980s, the relationship between universities and local development has become more

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<sup>54</sup> Ibid., 64-65.

<sup>55</sup> Ibid., 67-98.

<sup>56</sup> Rentiers want to cooperate with local politicians in order to gain access to national level bureaucrats to acquire government outlay. The national level administrators need to take the local administrators into consideration since they need them for their own power base at the local level.

strengthened. The increasing number of expositions in different realms from industry to art is also reinforced by the chambers of the city. Corporate capitalists who aim to make profits are among other auxiliary participants of the city's economic growth, nevertheless, the authors assert that rentiers are more crucial actors than capitalists since if the rentiers are the leading actors at the local level, they do not have to play a direct role, not because they do not have sufficient power to influence, but their interests are already represented on the local level's agenda. As a final point about this article, after examining several cases, they underline some negative impacts of growth and about growth trade-offs, the writers end up with the possibility that the use values of the majority are sacrificed for the exchange gains of the few.

Even though growth coalitions can be found in almost every city, the important things are the difference in the composition of these coalitions and their level of lobbying. Moreover, lobbying activities with local administrators or other local actors might be implemented in the name of different kinds of investments or different sectors.

### The New Public Management Approach to Public Administration

Although there were criticisms towards the approach, the common characteristics of the traditional public administration term, which lasted from the 1920s to the early 1970s, are summarized shortly as planning (goal setting applied by executives), organizing (organizational structure and processes), staffing, directing (supervising assigned processes), coordinating (integrating different components of a work), reporting, and budgeting (as the abbreviation, POSTCORB).<sup>57</sup>

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<sup>57</sup> Owen E. Hughes, *Public Management Administration: An Introduction* (Gordonsville, VA, USA: Palgrave Macmillan, 2003), 30-31.

In order to have a better understanding of municipalities and their involvement in the economic realm in the neoliberal period, the New Public Management (NPM) approach will be examined. Contrary to the dominance of phrases such as national states, national economies and national societies during the Fordist-Keynesian period, as has been mentioned, in the last decades, localities and places have become important scales too (“a revival of the local”).<sup>58</sup> This development has led to the search for new policies so as to increase entrepreneurial characteristics of cities or regions in addition to the competition between them and to labor market flexibility; however, the significance of supra-local factors which are very difficult to control because of some factors such as globalization and financialization of the capital.

Since there is no sustainable regulatory mechanism at the supra-local level, the local level is regarded as the main ground which can be regulated by political-economic actors in accordance with the New Localism approach, which puts emphasis on the role of local actors in promoting an entrepreneurial environment and delivery of local services; and in this global atmosphere, one of the principal solutions for local economic development is “cost-cutting through tightened management.”<sup>59</sup> As a result, in the case of local governments, privatization methods, public-private partnerships and administrative or fiscal devolution as well as decentralization practices have become common implementations while they are also facing with budget cuts.<sup>60</sup> Concerning the issue of devolution, although local authorities (as the actors of “economic rejuvenation from below”) have gained new

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<sup>58</sup> Neil Brenner and Nik Theodore, “Preface: From the ‘New Localism’ to the Spaces of Neoliberalism,” *Antipode* 34, no.3 (July 2002): 341, accessed April 20, 2015, <http://onlinelibrary.wiley.com/doi/10.1111/1467-8330.00245/epdf>

<sup>59</sup> Ibid., 341-42; Zeynep Kadirbeyoğlu and Bilgesu Sümer, “The Neoliberal Transformation of Local Government in Turkey and the Contracting Out of Municipal Services: Implications for Public Accountability,” *Mediterranean Politics* 17, no.3 (2012): 341, accessed April 20, 2015, <http://www.tandfonline.com/doi/pdf/10.1080/13629395.2012.725301>

<sup>60</sup> Ibid., 341-42.

capacities, to what extent they are able to act independently and to what extent their activities are shaped by the central government are important questions.<sup>61</sup>

Despite some failures, the neoliberal theory has managed to continue, for example, policies concerning local governments have continued to be affected by the neoliberal approach. This can be observed in the NPM approach, which emerged during the late 1970s in the UK and the US, to public administration. According to this approach, various researchers argue that elected and appointed actors prefer to pursue cost cutting policies; in addition they underline the fact that the issue of accountability has to be addressed.<sup>62</sup> Both of these two points are critical subjects in terms of municipalities and municipal economic enterprises; One of the aims of establishing municipal companies is reducing municipal costs; however, these firms make the process of auditing public financial resources more difficult. Furthermore, the NPM model argues that:

[T]he efficiency of local services is based (...) on the capacity of the municipalities to achieve scale economies, budget cuts and transaction cost decreases. This line of thinking (...) characterizes local governments as firm-like (Tiebout, 1956: 416). The main tenet of this paradigm is that municipalities are conceptualized as firms and citizen-voters as clients. Thus, the primary emphasis is placed on the managerial process and competitiveness (Cooke, 2007: 112). The level of competitiveness determines whether a managerial municipality is able to function efficiently or not.<sup>63</sup>

Increasing efficiency in municipal services is one of the main goals of municipalities in today's conditions; but, despite the increasing interaction between the public and private sectors, defining municipalities as firms and citizens as clients might be inaccurate.

The approach rarely mentions that it is necessary to cut the wages of staff in order to save; the rights to unionize and access to social security are seen among the

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<sup>61</sup> Ibid.

<sup>62</sup> Ibid.

<sup>63</sup> Ibid., 343.

obstacles to municipal efficiency.<sup>64</sup> Moreover, about the accountability of delivery of public services, because accountability measures require personnel and time, these measures bring about increase in costs while they are supposed to decrease them. The NPM pays attention to the prevalence of public-private partnerships and mixed delivery of services (which can be observed in US municipalities) in many regions as well. Thus it is also criticized as being too narrow by referring to its citizen-as-consumer approach.<sup>65</sup>

Hood<sup>66</sup> defines certain elements of the NPM as “hands on” professional management in the public sector which requires top management officials’ active control over organizations; explicit standards and criteria for measuring performance (in addition to strategic planning). More emphasis is put on the use of output controls rather than input controls. A shift to the disaggregation of units and decentralization in the public sector, so as to make faster, more flexible, and efficient decisions and to generate manageable entities, is made. Greater emphasis on competition in the public sector, in the sense that it can provide lower costs and better standards is made. Private sector methods of management practice involve “a move away from military-style ‘public service ethic’ and flexibility in hiring and rewards. Lastly more careful, efficient and effective use of resources is aimed (“do more with less”).

For the same source, the first two matters stated above are justified by suggesting that accountability necessitates both clear cut determination of responsibilities and policy targets. He also adds that these principles are embraced to different extents by different countries. Moreover, Hays and Kearney summarize some common characteristics of the NPM approach as downsizing (the size and

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<sup>64</sup> Ibid., 343-44.

<sup>65</sup> Ibid., 344-45.

<sup>66</sup> Christopher Hood, “A Public Management for All Seasons?” *Public Administration* 69, no.1 (March 1991): 4-5.

scope of central state), managerialism (using private sector protocols in public sector), decentralization, debureaucratization (restructuring government in order to focus more on results rather than processes), and privatization (utilizing firms in delivering governmental goods and services).<sup>67</sup> Also, according to this approach, citizens' awareness of the performance of public services is another important component which may put pressure on public servants. This can lead public servants to act more carefully about their jobs. Similar characteristics and implementations mentioned in the last two paragraphs can also be observed in the context of municipalities and municipal corporations in Turkey, both in central and local governments.

In another source, the characteristics of the NPM approach, both undisputed and debatable, are compiled from several writers and summarized by Gruening in a table.<sup>68</sup>

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<sup>67</sup> S. W. Hays and R. C. Kearney, "Riding the Crest of a Wave: The National Performance Review and Public Management Reform," *International Journal of Public Administration* 20 (1997): 11-40.

<sup>68</sup> Gernod Gruening, "Origin and Theoretical Basis of New Public Management," *International Public Management Journal* 4 (2001): 2; 18.

Table 2.Characteristics of the New Public Management

Undisputed characteristics (identified by most observers)	Debatable attributes (identified by some, but not all, observers)
Budget cuts	Legal, budget, and spending constraints
Vouchers	Rationalization of jurisdictions
Accountability for performance	Policy analysis and evaluation
Performance auditing	Improved regulation
Privatization	Rationalization or streamlining of administrative structures
Customers (one-stop shops, case management)	Democratization and citizen participation
Decentralization	
Strategic planning and management	
Separation of provision and production	
Competition	
Performance measurement	
Changed management style	
Contracting out	
Freedom to manage (flexibility)	
Improved accounting	
Personnel management (incentives)	
User charges	
Separation of politics and administration	
Improved financial management	
More use of information technology	

Source: Gruening, *International Public Management Journal*.

Besides, so as to see the differences between the recent main approaches to public administration and to compare them, the table above can be useful.<sup>69</sup>

<sup>69</sup> Robert B. Denhardt and Janet V. Denhardt, "The New Public Service: Serving, Rather Than Steering," *Public Administration Review* 60, no.6 (November-December 2000): 554, accessed April 20, 2015, <http://onlinelibrary.wiley.com/doi/10.1111/0033-3352.00117/pdf>

Table 3. Comparing Perspectives: Old Public Administration, New Public Management, and New Public Service

	Old Public Administration	New Public Management	New Public Service
<b>Primary theoretical and epistemological foundations</b>	Political theory, social and political commentary augmented by naive social science	Economic theory, more sophisticated dialogue based on positivist social science	Democratic theory, varied approaches to knowledge including positive, interpretive, critical, and postmodern
<b>Prevailing rationality and associated models of human behavior</b>	Synoptic rationality, "administrative man"	Technical and economic rationality, "economic man," or the self-interested decision maker	Strategic rationality, multiple tests of rationality (political, economic, organizational)
<b>Conception of the public interest</b>	Politically defined and expressed in law	Represents the aggregation of individual interests	Result of a dialogue about shared values
<b>To whom are public servants responsive?</b>	Clients and constituents	Customers	Citizens
<b>Role of government</b>	Rowing (designing and implementing policies focusing on a single, politically defined objective)	Steering (acting as a catalyst to unleash market forces)	Serving (negotiating and brokering interests among citizens and community groups, creating shared values)
<b>Mechanisms for achieving policy objectives</b>	Administering programs through existing government agencies	Creating mechanisms and incentive structures to achieve policy objectives through private and nonprofit agencies	Building coalitions of public, nonprofit, and private agencies to meet mutually agreed upon needs
<b>Approach to accountability</b>	Hierarchical—administrators are responsible to democratically elected political leaders	Market-driven—the accumulation of self-interests will result in outcomes desired by broad groups of citizens (or customers)	Multifaceted—public servants must attend to law, community values, political norms, professional standards, and citizen interests
<b>Administrative discretion</b>	Limited discretion allowed administrative officials	Wide latitude to meet entrepreneurial goals	Discretion needed but constrained and accountable
<b>Assumed organizational structure</b>	Bureaucratic organizations marked by top-down authority within agencies and control or regulation of clients	Decentralized public organizations with primary control remaining within the agency	Collaborative structures with leadership shared internally and externally
<b>Assumed motivational basis of public servants and administrators</b>	Pay and benefits, civil-service protections	Entrepreneurial spirit, ideological desire to reduce size of government	Public service, desire to contribute to society.

Source: Denhardt and Denhardt, *Public Administration Review*.

As a sign of a modern democratic system, the issue of accountability is an important factor for the NPM as well. People criticize the traditional governing methods for being unaccountable, not transparent enough, too bureaucratic, big, inefficient, and ineffective as well as tending to corruption. It is argued that with this approach, a shift of accountability from input, processes, and the political realm to outcomes and the managerial realm has occurred. Unlike the traditional public administration understanding, which has a more centralized, strictly hierarchical and rule-based Weberian structure, in the new approach, which is more decentralized, flexible and less hierarchical structure, politicians and civil servants have become responsible to the people (or customers).<sup>70</sup>

<sup>70</sup> Mahboubeh Fatemi and Mohammed Reza Behmanesh, "New Public Management Approach and Accountability," *International Journal of Management, Economics and Social Sciences* 1, no.2 (2012): 42-49, accessed April 20, 2015, <http://www.ijmess.com/volumes/volume-I-2012/issue-II-12-2012/full-3.pdf>

In developed countries, fiscal crises (oil crises and the expenses of welfare services) have triggered reform attempts in conformity with the NPM, which has two main principles; marketization or privatization, from which most savings come, and corporate management. On the other hand, in developing and transitional countries, the NPM reforms had been sparked off by external pressures, namely structural adjustments programmes.<sup>71</sup> Additionally, marketization targets to make public services both more efficient and accountable to consumers. It also plans to transfer the provision of public services to autonomous or semi-autonomous agencies; corporate management refers to result oriented management, performance measuring, value for money and closeness to the customer. Besides, there are both success and failure examples of application of NPM. In some developing and transnational countries, these reforms have been counterproductive due to elder public discipline culture.

Public management reforms are came out with six points, the goal of achieving greater productivity, greater public reliance on markets, an emphasis on delivering services, more decentralization from central to local levels, escalated capacity to devise and supervise public policy, and methods for increasing accountability for results.<sup>72</sup> With respect to developing countries, according to the World Bank, the success of public management reforms is based on good governance (having good governments with the capacity, transparency and trained people); a working justice system, which involves law to protect property rights, the contract system, and also human rights; a working financial system, which is supervised in addition to financial institutions; and a working social system which is able to protect the old,

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<sup>71</sup> Mark Bevir, *Key Concepts in Governance* (Los Angeles, California; London: Sage Publications, 2009), 10-12.

<sup>72</sup> Donald F. Kettl, *The Global Public Management Revolution* (Washington, D.C.: Brookings Institution Press, 2000), 1-3.

children, and the disabled, and help unemployed people.<sup>73</sup> In the same place, developing countries are advised that they should reform the private sector first so as to reform public sector by giving the example of New Zealand, which set up a private sector with the capacity of pursuing the public sector reforms and developed a new governance system that is more formal and transparent.

As another important issue about the role of international actors, the approach of NPM has been advocated by these actors, for example, the World Bank, the International Monetary Fund, and the World Trade Organization, specifically in the case of developing countries. Furthermore, there are other organizations which reinforce the NPM model through publications and conferences such as, Public Management Programme (PUMA) for the OECD countries, Support for Improvement in Governance and Management (SIGMA) for Central and Eastern European countries, and the Commonwealth Secretariat for several developing countries.<sup>74</sup> These developments have contributed to the spread of reforms concerning the public sector in line with the NPM in different parts of the world. These institutions have played roles in adopting principles of the NPM by developing countries. In addition, in these countries, it is argued that there has been a convergence between parties from different political ideologies in terms of the implementation of NPM principles.<sup>75</sup>

On the other hand, there are writers who think that the NPM policies (which are said to involve “deregulation of line management, conversion of civil service departments into free-standing agencies or enterprises, performance-based accountability, particularly through contracts and competitive mechanisms such as

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<sup>73</sup> Ibid., 59-60.

<sup>74</sup> M. Shamsul Haque, “New Public Management: Origins, Dimensions, and Critical Implications,” The United Nations EOLSS, accessed April 20, 2015, <http://www.eolss.net/sample-chapters/c14/e1-34-04-01.pdf>

<sup>75</sup> Ibid.

contracting-out and internal markets (...) [in addition to] privatization and downsizing,") might be inappropriate for developing countries to follow because of the problems of such as corruption and the lack of sufficient administrative capacity.<sup>76</sup> However, it should be remembered that different countries might show even opposite results. In other words, there are examples of both success and failure.

There are arguments that even though the reactions to the NPM approach have changed discussions about public administration, the applicability of the approach has remained limited and accomplished little success in developing countries in terms of improving operational efficiency and the responsiveness of bureaucratic agents to the NPM's principals.<sup>77</sup> According to this attitude, although the approach has had influences on these countries' administrations, most government functions, as Max Weber might have anticipated, have continued to be fulfilled by vertically integrated bureaucracies.

About this criticism of the NPM's success in developing countries, there are three reasons put forward for this argument.<sup>78</sup> First, the expectations from governments are different in developing countries. To put it differently, citizens of OECD countries are more willing to supervise public services' quality and to demand improvements in the public sector's provision of services. The idea that with this new NPM approach, the "civil service culture" may dissolve gradually therefore some features of the traditional public management approach have continued to exist. Finally, the claim of running costs constituting a larger portion of budget expenditures in developing countries than those in OECD countries is another reason

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<sup>76</sup> Charles Polidano, "The New Public Management in Developing Countries," The United Nations Public Administration Network, accessed April 20, 2015, <http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN014322.pdf>

<sup>77</sup> Nick Manning, "The Legacy of the New Public Management in Developing Countries," *International Review of Administrative Sciences* 67, no.2 (June 2001): 297-312, accessed April 20, 2015, <http://ras.sagepub.com/content/67/2/297.full.pdf+html>

<sup>78</sup> Ibid.

listed. Besides, according to this critique, “incapable but motivated” governments (like South Africa, India) can facilitate the applicability of the NPM approach by establishing mechanisms for giving information about the government budget to the public; as well as “capable but unmotivated” governments might reevaluate their monopolistic economic interests.<sup>79</sup>

To continue with the criticisms of the idea of the applicability of the NPM approach in developing countries.<sup>80</sup> First, despite of the NPM’s expressions of ensuring transparency and prevention of corruption in the public sector, it is claimed that it might create higher rates of corruption because the NPM envisages more freedom for public managers, especially when it is combined with lower levels of supervision. It is also argued that a sharp transformation from bureaucracy to market model may contribute to greater levels of corruption, too.

For the same source, second, in spite of the suggestion of decentralization by the NPM model, a possible resistance to this decentralization idea can be seen due to the long centralization history in the public sector. Third, because of deficiencies in the idea of the rule of law and the lack of the application of laws, there can be obstacles to the development of NPM, such as in the case of contracting out of services. In addition, although every country has its own specific features, it is discussed in the same place that issues regarding a country’s infrastructure and lack of experience in operating markets might cause problems in terms of the functioning of NPM. Also, it is claimed that public expectations from and pressures on the central and local governments in developing world are low when compared to more developed countries. Finally, the falsity of the one-size-fits-all notion is stated in the

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<sup>79</sup> Ibid.

<sup>80</sup> Abdelfatah Ibrahim, “Is New Public Management Irrelevant to Developing Countries,” October 2012, E-International Relations Students, accessed April 20, 2015, <http://www.e-ir.info/2012/10/19/is-new-public-management-irrelevant-to-developing-countries/>

sense that the NPM approach may result in reducing of the performance of the public sector. By taking these points into consideration, the author argues that, despite of the differences among countries in implementing the NMP principles (he gives as an example, Singapore is a success story whereas Bangladesh is a failure case), it is difficult for developing countries to put the NPM methods into practice.

As another analysis, some authors argue that the NPM is not a completely new theory for explaining public administration:

NPM is the latest and most significant manifestation of what Weber called the process of 'rationalization,' the quest for greater calculability and precision in the management of human affairs (...) NPM has a strong tendency to generate unintended consequences that approximate reverse effects, an outcome that would not have surprised Weber, who was actually aware of the paradoxical nature of rational action. A principal challenge in the post-NPM era will be to keep alive effective and mutually informative links between what Weber called instrumental rationality and substantive rationality, especially as they are the dominant modes of reasoning in the domains of science and politics, respectively.<sup>81</sup>

It is important to point out that as long as contemporary public administration emphasizes the importance of efficiency, the subjects of accountability, participation, and empowerment are also indicated in the same approach.<sup>82</sup> A conflict arises between the goals of making government efficient and keeping it accountable; the NPM aims to reconcile this conflict but its success is controversial.<sup>83</sup>

There also has been pressure to change the NPM approach.<sup>84</sup> For example, the pressure of finance, which says that government is too big and too expensive, including in developing countries, therefore the need to cut in expenditures emerged. Another is the pressure of quality of services, by which citizens increasingly defining

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<sup>81</sup> Robert Gregory, "New Public Management and the Ghost of Max Weber: Exorcised or Still Hounding," in *Transcending New Public Management: The Transformation of Public Sector Reforms*, eds. Tom Christensen and Per Laegreid, (Aldershot, England: Ashgate, 2007), 222.

<sup>82</sup> Martin Minogue, "Changing the State: Concepts and Practice in the Reform of Public Sector," in *Beyond the New Public Management: Changing the Ideas and Practices in Governance*, eds. Martin Minogue et al. (Cheltenham, UK: Edward Elgar, 1998), 17-20.

<sup>83</sup> Ibid.

<sup>84</sup> Ibid.

themselves as active customers of government services, in addition to the increased usage of the words of empowerment, stakeholders or value for money. There is also the pressure of ideology. The NPM is seen as an opportunity for solving conflicting pressures to both improve and reduce the state; on the contrary, as a criticism, policy makers might utilize these reforms in order to consolidate their power at the center. A neoliberal critique holds that the approach allows self-interested politicians to abuse public resources. According to the same source, the NPM model has been more focused on the cost-cutting concerns of northern states rather than on the capacity-building concerns of southern states; therefore, the model should be applied in different countries in different ways.

Concerning the applicability of the NPM to developing countries,<sup>85</sup> on the one hand, advocates of the NPM are criticized by the claim that the problem of developing countries is not an excess of bureaucracy, but an insufficiency of it. These countries still need to establish effective central control mechanisms in order to prevent abuses of office and to develop their management structures. In addition, providing public officials with greater authority might lead to more corruption. Weak control mechanisms over public works may also contribute to this process. On the other hand, this perspective is found misleading by those who argue that the main problem of developing countries is not an absence of bureaucratic rules and regulations, but the continuation of office abuses and incompleteness of management structures despite of the existence of these regulations. They are affected by the disadvantages of central controls while benefiting from few of their advantages. That is why arguments of the underdevelopment of bureaucracy and demands for deregulation of management coexist.

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<sup>85</sup> Ibid., 285-86.

Also, in Turkey, the central and local governments are not proponents of the accountability and transparency issues on which the NPM model claims to put emphasis. It surely has problems regarding these points. Developments like the NPM approach affect the ways local public services are delivered. As the interaction between the public and private sectors has been enhanced, this might prompt municipalities or other public institutions to follow policies of purchasing services, or making their own economic enterprises fulfill them, rather than making them by themselves. In addition, as this interaction increases, municipalities have been more involved in economic activities which have been in the private realm. Due to this, conventional auditing and control mechanisms of public institutions and other organizations related to them have weakened. This also makes the issue of accountability more important since, for example as in the case of municipal companies, public resources are used in these organizations' activities.

### CHAPTER THREE

#### THE RISE OF MUNICIPAL COMPANIES IN TURKEY

This chapter aims to build a bridge between the theoretical chapter and the two example cities discussed in this work. First, the local administration tradition in Turkey since the 1920s is summarized, followed by a short history of municipal companies and an introduction of alternative forms of local service provision. Following that, laws and regulations about municipal companies are elaborated. Lastly, the reasons for the establishment of and other related arguments about municipal economic enterprises are examined.

The chapter discusses how the control and supervision of the central state, the lack of freedom of decision making in the economic field, insufficient fiscal sources and staff allocated to municipalities and lengthy bureaucratic processes are among the main problems of local administrations and also reasons for establishing municipal corporations. In general, with the policies of economic liberalization and export orientation since the 1980s, as well as the dominant political strategies of economic liberalism and political-social conservatism in the country, municipalities have embraced privatization practices to a greater degree as well. Together with the impact of the neoliberal approach, the policies of the reproduction of the workforce have lost their significance; instead, policies of the reproduction of capital, such as investment, infrastructure and transportation, have become prominent. This shift has increased the need for quick decision making as well as implementation at the local level, including those carried out through municipal firms. In addition, one of the outcomes of the process of globalization is the process of building new places on

different scales by the capital accumulation process, as the state rescaling process puts forward. As a part of this development, the trend of the rise of localities has also contributed to the importance of the local administrations and their roles in the economic arena. Also, the situation of the central government and local governments belonging to different political parties might give rise to further disputes and debates since the party or parties at the center could tightened their control over the municipalities that in the hands of rival parties. This can also be seen as an additional motive to escape to the private economic realm. These are the foremost discussions of and motivations on which put emphasis for setting up municipal enterprises.

### The Tradition of Local Administration in the Republican Era

The concept of local administration refers to an autonomous fiscal-administrative structure which began to emerge in the twelfth century Europe. It uses its own financial sources in line with the choices made by their decision making bodies. The struggle of local administration against the central government for autonomy led local administrations to acquire a legal personality. In other words, in the modern sense, local administration came to exist both together with the central authority and against it.<sup>86</sup> The situation in the Ottoman Empire was different in the Ottoman Empire.

Since the beginning of the empire, the issues of the weakness of local merchants and the slowness of economic growth; the reasons for difficulties in decision making on economic issues and the lack of capital organizations were among the obstacles to the progress of local government during the nineteenth

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<sup>86</sup> İlber Ortaylı, *İmparatorluğun En Uzun Yüzyılı* (İstanbul: Timaş Yayınları, 2008), 177-79.

century. As a result, local administrations fell behind regarding the matter of gaining their economic and legal autonomies.<sup>87</sup> In brief, at the end of the nineteenth century, municipalities remained insufficient institutions in terms of the provision of local services mainly by reason of lengthy bureaucratic processes and ineffective fiscal sources allocated to municipalities. The last Ottoman rulers wanted municipalities for regular maintenance of local services, but, throughout the Second Constitutional era (*İkinci Meşrutiyet*, 1908), municipalities were dominated by the central authority more than they had been during the previous period and remained organizations that depended on the center. This structure was valid in subsequent periods, too.<sup>88</sup> Today, local governments' problems of insufficient financial resources (and staff) as well as long-lasting bureaucratic processes continue and these are also among the main reasons for setting up municipal economic enterprises in Turkey after the 1980s, and especially after 2000.

Heper writes that the Turkish Republic did not have a strong legacy of local government when it was founded in 1923.<sup>89</sup> The principle of delegation rather than devolution on which the local government practice was based led to an elaborate administrative tutelage over local governments. Local administrative entities were considered to be subordinate administrative units which could not be trusted and were unable to raise their own revenues.<sup>90</sup> For example, Municipal Law No.1580 of 1930 made local governments the local arm of the center in the modernization efforts of the central state. With the introduction of the Law No.1580, all municipalities were treated as equals, except İstanbul and Ankara; in İstanbul and Ankara,

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<sup>87</sup> Ibid., 188-89.

<sup>88</sup> Ibid., 192.

<sup>89</sup> Metin Heper, "Local Government in Turkey: An Overview with Special Reference to the Municipalities, 1923-1980," in *Dilemmas of Decentralization: Municipal Government in Turkey*, ed. Metin Heper (Bonn: Friedrich Ebert Stiftung, 1986), 14-15.

<sup>90</sup> Ibid., 16-18.

municipalities and governorships were merged, which consolidated the central government's control over them. For other municipalities, direct franchise was introduced; however, the central government had influence over them, too.<sup>91</sup>

Before this law, in 1924, as Ankara became the capital city, Ankara Municipality (*Şehremaneti*) was created and regarded as an example to other cities. Yet, the Ankara example cannot be considered to have been successful. Some of privileges of the municipality were abolished completely although legislative works continued in the municipal area. For example, with Law No.2301, the Bank of Municipalities in 1933, which was transformed into İlbank A.Ş. later, was founded for the provision of credits to municipalities.<sup>92</sup> It was difficult for municipalities to provide the services that they were supposed to deliver due to the centralized and unitary structure of the central state. Although the Bank of Municipalities was founded with the aim of providing financial resources especially for municipal infrastructure projects, the bank was also used to enhance the central state's control over local governments.<sup>93</sup>

After the Great Depression in 1929, the liberal economic attitude that had been adopted in the İzmir Economic Congress of 1923 was largely abandoned. Instead, the principle of statism was embraced; services such as electricity, water, and gas were now furnished by municipalities rather than privileged private companies.<sup>94</sup> Together with the initiation of Municipal Law No.1580, municipalities started to act as

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<sup>91</sup> İlber Ortaylı and İlhan Tekeli, *Türkiye'de Belediyeciliğin Evrimi* (Ankara: Türk İdareciler Derneği, 1978), 53.

<sup>92</sup> Fuat Yörükoğlu, "Türk Belediyeciliğinin Gelişim Süreci," *Mevzuat Dergisi* 135 (Mart 2009), accessed April 20, 2015, <http://www.mevzuatdergisi.com/2009/03a/02.htm>

<sup>93</sup> Ruşen Keleş, "Decentralization: Experience and Prerequisites," in *Local Administration: Democracy and Efficiency?* eds. K. Göymen and W. Veit (Bonn: Friedrich Ebert Foundation Publication, 1982), 119-20.

<sup>94</sup> Yörükoğlu, "Türk Belediyeciliğinin Gelişim Süreci."

branches of the central government.<sup>95</sup> Additionally, the principles of statism, modernism, and the concept of party-state integrity influenced their activities.

Throughout the 1950s, issues such as urbanization, the acceleration of migration from urban to rural areas, the increase in urban population and emergence of slum towns contributed to the escalation in the need for public services. In this period, İstanbul's and Ankara's privileged statuses were brought to an end. Until 1957, the governorship had been the responsible unit for the provision of province and municipal services, yet after that date, municipality and special provincial administration were separated from each other.

After the military coup in 1960, the 1961 Constitution stipulated judicial review regarding municipal bodies, a decentralized local administration structure and adequate income sources in proportion to municipal tasks.<sup>96</sup> In 1963, with the declaration of a new Adjustment, no.307, some rules, such as the mayor being elected by the municipal assembly (mayors were now directly elected by popular vote) and ratified by the governor or the president of the republic upon the Ministry of Interior's request, the Court of Accounts auditing the financial operations of municipalities, were abolished.<sup>97</sup> As a result of this election change, mayors, who were becoming more powerful, demanded more autonomous and democratic municipalities in addition to more authority and resources from the central government. These requests continued until the 1990s without the call for increases in power from their lists, probably because of post-coup politics.<sup>98</sup>

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<sup>95</sup> Ibid.

<sup>96</sup> Ibid.

<sup>97</sup> Şeref Gözübüyük, *Türkiye'de Mahalli İdareler* (Ankara: TODAİE, 1967), 53; Tekeli and Ortaylı, *Türkiye'de Belediyeciliğin Evrimi*, 192.

<sup>98</sup> Kadirbeyoğlu and Sümer, "The Neoliberal Transformation of Local Government in Turkey and the Contracting Out of Municipal Services," 345.

In 1966, with Law No.710, the municipalities' authority to control development issues was transferred to the Ministry of Development and Housing (*İmar ve İskan Bakanlığı*).<sup>99</sup> Moreover, together with the initiation of the 1961 Constitution, a model based on planned development was embraced which put more emphasis on the central government regarding planning issues.<sup>100</sup> Additionally, some municipal services were delivered by a number of institutions constituted at the central level in the areas of road construction, electricity, and water systems; also, municipalities started to set up unions in the face of complicating and increasing problems.<sup>101</sup> In 1965, in İstanbul, Ankara and İzmir, master zoning plan bureaus were set up under the control of the central government; the work of water plant construction was undertaken by the General Directorate of State Hydraulic Works (*Devlet Su İşleri*). Furthermore, electric works was assumed by another central state institution, *Türkiye Elektrik Kurumu*, which was active between 1970 and 1994.<sup>102</sup>

To sum up, between 1930 and 1950, the public sector was more influential in providing local services under the impact of the centralist and statist understanding of the time. From 1950 to 1960, on the other hand, combined with liberal tendencies of the time, the private sector's contribution in the provision of local services became important. Between 1960 and 1980, municipalities gained importance in the provision of local services.

After the military intervention of 1971, in 1973, the left-of-center Republican People's Party (RPP) won the local elections in many cities, including İstanbul, Ankara and İzmir. A different understanding of local government which addressed lower classes of the society emerged. But, the municipalities' problem of lack of

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<sup>99</sup> Kemal Görmez, *Yerel Demokrasi ve Türkiye* (Ankara: Vadi Yayınları, 1997), 133.

<sup>100</sup> Tekeli and Ortaylı, *Türkiye'de Belediyeciliğin Evrimi*, 184.

<sup>101</sup> Ibid., 218, 224.

<sup>102</sup> Ibid., 215.

resources continued and this also created conflicts between local governments and the central government, which, for the most part, was in the hands of center-right coalitions from the mid-1970s.

Heper states that during the 1960s and the 1970s, the central government adopted the view that it was beneficial for local governments to contribute to national developmental efforts, as stated in the First and Second Five-Year Development Plans in 1963 and 1967 (again as a tool of the center). Likewise, local governments embraced the attitudes of greater decentralization and local autonomy, which they defined as the democratic municipality movement, as an answer to their fiscal problems.<sup>103</sup> Heper emphasizes that center-right coalition governments tightened their control over the municipalities, which were mainly in the hands of rival political parties. As examples, the Ministry of Finance's veto of the applications of İstanbul, Ankara, and İzmir municipalities for fiscal support; the rejection or delay of these similar municipalities' social, economic, and planning projects; or the Ministry of Interior's attempt to dismiss the mayor of Ankara without relying on legal grounds.<sup>104</sup> Therefore, when the parties which had the authority at the local level and the party in the central government belonged to different, or even rival, political opinions, parties (at the central level) might adopt controversial or unfair attitudes.

Local governments which were in the hands of opposition parties responded to these approaches with the democratic municipality movement. Their motto was "the full-participation of all social classes on decision-making."<sup>105</sup> In 1978, this model became official with the coming of the coalition government dominated by the RPP.<sup>106</sup> In the same place, Heper writes that the model demanded "democratic and

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<sup>103</sup> Heper, *Dilemmas of Decentralization*, 24-25.

<sup>104</sup> *Ibid.*, 26.

<sup>105</sup> *Ibid.*, 26-27.

<sup>106</sup> *Ibid.*, 27.

autonomous municipalities, a healthy financial base with local taxation powers, economically productive local administrative units, and participation by the people in all matters.” In 1978, the Ministry of Local Government (*Yerel Yönetimler Bakanlığı*) was established with the aims of the promotion of local democracy, elimination of fiscal confusion at the center, playing roles against unhealthy urbanization, engaging in economic activities, developing technical know-how and not being dependent on İlbank.<sup>107</sup> However, approximately 18 months later, the ministry was dissolved by the Justice Party which had come to power.

Municipalities attempted to be more influential in the economic realm, too. For example, in 1978, a nationwide organization called TANSA was constituted by the Central Anatolia Municipalities Union in order to create a municipal sector. This organization targeted to remove the middlemen in the marketing of goods; however, the effort failed because of some economic problems, such as the oil crisis in 1979 and inflation in the country.<sup>108</sup>

There were other enterprises established with the central government’s support, for instance, the İzmir New Accommodation Project, İstanbul Municipality’s concrete and gravel plants, Antalya Municipality’s gravel plants, the Tuzluca Tile Factory, Adapazarı Municipality’s enterprise of dairy products supply and distribution, the Kartal Bread Factory, the salt production plants of Şereflikoçhisar Municipality, and a cable factory (Gimtaş) by İzmit and Kandıra Municipalities.<sup>109</sup> As a result, the approach to local administration in the 1970s put emphasis on the principles of an autonomous local government, a productive municipal administration (which led municipalities to provide housing), and cooperation with

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<sup>107</sup> Ibid.

<sup>108</sup> Heper, Dilemmas of Decentralization, 24-25; Ruşen Keleş, *Yerinden Yönetim ve Siyaset* (İstanbul: Cem Yayınevi, 2012), 469.

<sup>109</sup> Keleş, *Yerinden Yönetim ve Siyaset*, 469-70.

other municipalities. However, these democratization and autonomy efforts did not produce the desired results.<sup>110</sup> Briefly, between 1973 and 1977, the generation of resources and manufacturing were among the most important developments concerning the delivery of local services, as in the examples of municipalities initiating housing projects and opening cement or bread factories and developments in the field of transportation; however, the practice of privatization of local services will spread after the 1980s.<sup>111</sup>

In other words, although the relevant regulations have allowed municipalities to establish economic enterprises since the 1930s, until recently, the number of these companies has remained limited. There are some explanations for this statement. According to Keleş, one of them is the lack of sufficient financial resources of municipalities. Considering the historical evolution of municipalism, the task of producing services has been its dominant feature. Finally, unlike the trend accepted until the 1970s, which defended the idea of the municipalization of local economies, from the end of the 1980s, the notion of the presence of municipalities in economic areas has not been supported even by some social democrats. Therefore in the post-1980 period, municipalities' tendency to found companies has been enhanced.<sup>112</sup> These are some of the important reasons for the increasing tendency to establish municipal enterprises. More reasons are explained below.

Additionally, in this period, both supervising of the market and attempting economic enterprises are regarded among the duties of municipalities; however, some scholars argue that the auditing mission can be fulfilled more easily and the

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<sup>110</sup> Yörükoğlu, "Türk Belediyeciliğinin Gelişim Süreci."

<sup>111</sup> Yiğit Gülöksüz and İlhan Tekeli, "1973-1980 Dönemi ve 1980 Sonrası Dönem Belediyeciliği," Türk Belediyeciliğinde 60.Yıl Uluslararası Sempozyum-Bildiri ve Tartışmalar" (Ankara Büyükşehir Belediyesi and IULA-EMME Yayını, Ankara, 23-24 Kasım 1990).

<sup>112</sup> Keleş, *Yerinden Yönetim ve Siyaset*, 465-66.

latter one is more difficult to realize due to the facts that municipal revenue sources are limited and municipalities continue to depend on central authorities financially.<sup>113</sup>

About the period from 1930 to 1980, Tekeli and Ortaylı state that although expectations were generally high from municipalities, they were not equipped with enough sources and central governments preferred to keep income sources under their control. Moreover, when compared to the 1930s, in the 1970s, even if cities had more and bigger problems, municipalities were much weaker in terms of the functions and authorities they had; therefore, the 1970s was a decade in which municipalities were in crisis.<sup>114</sup>

After the military coup of 1980 and the introduction of the 1982 Constitution, a strong central government was established. By giving the Ministry of Interior the right to depose local administration bodies, local governments were repressed. After 1983, the central government declared that its main principles to pursue were liberalization, privatization, and democratization.<sup>115</sup> However, local government bodies continued to have problems because of the lack of communication with the central government and local governments (especially when the two were from different political views); the distribution of taxes collected by central administration; and lack of sufficient revenues for the provision of local services.<sup>116</sup>

In the post-1980 period, the process of local administration in Turkey stepped into a new phase. First, efforts were made to increase the revenues of municipalities and special province administrations with some regulations (such as, *Belediye Gelirleri Kanunu* No.2464 and *Belediye ve İl Özel İdarelerine Genel Bütçe Vergi*

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<sup>113</sup> Ibid., 467.

<sup>114</sup> Tekeli and Ortaylı, *Türkiye’de Belediyeciliğin Evrimi*, 297.

<sup>115</sup> Yakup Aydın, “Türkiye’de Yerel Yönetimlerin Gelişim Süreci,” *Sayder* 4 (Nisan-Haziran 2011): 17, accessed April 20, 2015, <http://www.sayder.org.tr/e-dergi-turkiyede-yerelyonetimlerin-gelisim-sureci-12-2.pdf>

<sup>116</sup> Ibid.

*Gelirlerinden Pay Verilmesi Hakkında Kanun* No.2380). Moreover, in 1981, the İstanbul Administration of Water and Sewage (*İstanbul Su ve Kanalizasyon İdaresi*) was established and taken up in other metropolitan municipalities too.<sup>117</sup> Yet, most importantly, in 1984, the metropolitan municipality was introduced with Law No.3030, in accordance with Article 127 of the 1982 Constitution, which declared that special administration models could be introduced for large urban areas.<sup>118</sup> In this period, the obligation that zoning plans were endorsed by the Ministry of Development and Housing was eliminated. Some municipal services were privatized and also increasing number of municipal enterprises were set up.<sup>119</sup>

As observed in different parts of the world, together with the adoption of a new economic program, and the 24 January Decisions, which were based on the policies of economic liberalization and export orientation, privatization practices continued and became commonplace at the local level during the term of the Motherland Party.<sup>120</sup> In this phase, municipalities embraced privatization practices and alternative service delivery methods, which were different from the understanding of productive administrative units of the 1970s, in order to use their sources efficiently.

About the local coalition structure, in the post-1980 period, the strength of local governments with more resources and authority made them more important economic actors at the local level. Factors such as the privatization of local services, regulation changes regarding the transfer of municipal investments to the private sector via tenders and dissolution of public property on urban and suburban lands also contributed to this development.<sup>121</sup> According to the governance approach, in

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<sup>117</sup> Yörükoğlu, “Türk Belediyeciliğinin Gelişim Süreci.”

<sup>118</sup> As of 2015, the number of metropolitan municipalities in Turkey is thirty.

<sup>119</sup> Bilal Eryılmaz, *Kamu Yönetimi* (Ankara: Okutman Yayıncılık, 2009), 343.

<sup>120</sup> Keleş, *Yerel Yönetim ve Siyaset*, 403.

<sup>121</sup> Nihat Falay, “Yönetişim ve Bölgeselleşme Kısacasında Yerel Yönetimler,” *İstanbul Üniversitesi İktisat Dergisi* 500 (Kasım-Aralık 2008): 4.

the process of local redistribution or resharing, local and national industrial capital owners, self-employed persons, civil society organizations, contractors and tradesmen were among the actors of urban coalition. However, at this point, the local public faced difficulties getting their share of the rent produced in their region; therefore, the sharing of the rent between labor and capital became a central question for urban issues.<sup>122</sup> Until the end of the 1970s, the policies of the reproduction of labor, on the other hand, in the following decades, the policies of the reproduction of capital came to the fore under the impact of the neoliberal economic approach. Consequently, the policies and services of reproduction of the workforce lost their importance at the local level. Instead, maintaining the function of local order was transformed into a function of cleaning works, well-being, investment (together with national and external capital) and transportation. Functions required for the reproduction of the workforce such as health care, education, housing, nourishment and social security, lost their significance.<sup>123</sup>

The reason for more government transfers to municipalities after the 1980s period, according to Şimşek, the central government's aim to have municipalities deliver the services that they were responsible for, but keep them from intervening in daily political issues.<sup>124</sup> Additionally:

These attempts to depoliticize the municipalities and their services are parallel to the neoliberal municipal understanding that regards local institutions as firms and citizens as consumers (...) The subcontracting and privatizing municipality has been the reality of Turkey's local government since the 1990s. Particularly since the local government reform of 2005, it has made more sense for municipalities to buy rather than make (...).<sup>125</sup>

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<sup>122</sup> Ibid.

<sup>123</sup> Ibid.

<sup>124</sup> Kadirbeyoğlu and Sümer, "The Neoliberal Transformation of Local Government in Turkey and the Contracting Out of Municipal Services," 345.

<sup>125</sup> Ibid.

Moreover, budget constraints related to staff employment in some cases directed municipalities,

[T]o outsource their services to personnel without direct employment by the municipality and to relocate its own personnel from makers (providers) to overseers of services. By fixing the personnel budget to the general budget, the municipalities are also encouraged to reduce costs, increase revenues and employ personnel on contracts instead of giving them state employee status. This encouragement amounts to outright meddling by the central government in the labor market (...).<sup>126</sup>

Concerning municipal economic enterprises, in the post-1980 period, there were some changes.<sup>127</sup> First, the ideas of downsizing the public sector and increasing privatization implementations, which had started in the United States and Britain, spread to other countries, for instance, through ways of bilateral agreements and international finance organizations. These approaches have impacts on local authorities as well.

The second reason for these changes was policy alterations towards a liberal economy which were solidified with the Motherland Party's rule. The party won the 1984 elections, including the metropolitan cities. This development accelerated the processes of the privatization of local services or their delivery of them via partnerships and companies as well as growth in the number of procurements.

Third, a reduction occurred regarding the disagreements between different political groups on urban management and municipalities; liberal methods, such as privatizations and build-operate-transfer models, were implemented by both the Motherland Party and the Social Democratic Populist Party. For example, one of the former mayors of Ankara and the Chairman of the Social Democratic Party, Murat Karayalçın, comments that the privatization methods did not contradict the social democratic world view. Furthermore, Karayalçın is known for his projects and being

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<sup>126</sup> Ibid.

<sup>127</sup> Keleş, *Yerel Yönetim ve Siyaset*, 470-81.

the person who started the tradition of fulfilling municipal services by establishing many companies.<sup>128</sup> Another mayor from a similar political viewpoint says that it was beneficial to have a shrinking and efficient central government, which allowed the main infrastructure facilities in addition specialties to be given to capital owners.<sup>129</sup>

Moreover, some social democrat municipalities saw no harm in sharing the rent created in shanty towns and other areas by bargaining with landowners.<sup>130</sup> In addition to these three points regarding the privatization of local public services, the transfer of municipalities' price monitoring tasks to trade organizations (*esnaf/meslek örgütleri*) concerning basic commodities and the issue of internal and external indebtedness of municipalities by issuing loans as well as their attempts of establishing banks should be pointed out as changes in the 1990s.<sup>131</sup> In 1994, with the 5 April Decisions, new privatization goals were set and were affected by this new environment as well.

Throughout the 1990s, local administrations continued to demand increases in their fiscal resources, but the notion of autonomous municipalities lost its significance because central governments prioritized making investments in urban areas and focused more on urban problems. Also, due to the Kurdish issue, political parties in the center usually thought that local autonomy might threaten the national unity of the country.<sup>132</sup>

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<sup>128</sup> Ali Ekber Doğan, "Yerel Yönetimler, Neoliberalizm ve Muhafazakarlık," *Bianet*, Mart 26, 2009, accessed April 20, 2015, <http://www.bianet.org/bianet/siyaset/113405-yerel-yonetimler-neoliberalizm-ve-muhafazakarlik>

<sup>129</sup> Keleş, *Yerel Yönetim ve Siyaset*, 471.

<sup>130</sup> Ibid., 472. While some mayors were dismissed from their parties for getting involved in corruption (Büyükçekmece), other administrators with similar ideas carried on at their posts and took responsibilities concerning local administration policies.

<sup>131</sup> Ibid., 472-82.

<sup>132</sup> Kemal Görmez, *Yerel Demokrasi ve Türkiye* (Ankara: Vadi Yayınları, 1997).

After Municipal Law No. 5272 was annulled by the Constitutional Court, Municipal Law No. 5393 was introduced in 2005 in order to meet the increasing expectations of municipalities. In the 1982 Constitution, it is stated that local governments are under the supervision and control of central government. In addition to municipalities, special provincial administrations, which had been closed down in the metropolitan regions with the introduction of the Law No. 6360, were set up to meet the needs of people living in the geographical area inside the city boundaries.<sup>133</sup> On the subject of the tasks of local governments, it is stated both in Municipal Law No. 5393 and in Metropolitan Municipal Law No. 5216 that municipalities can make other individuals and organizations implement local services in several areas. This smoothed the way for privatization of local services.

As a result of the regulations enacted in the 2000s, the number of municipalities in Turkey has increased especially since the 1950s and even further since the 1980s. In 2000, the number of municipalities was 3215. With the enactment of the Law no. 6360, however, in 2013 and 2014, the number has decreased first to 2950 and then to 1396.<sup>134</sup>

Erder and İncioğlu, focusing on İstanbul, define the period between 1984 and 2004 as one of the rise of local politics.<sup>135</sup> In the first period of its power, the Justice and Development Party (JDP), as well as in accordance with the European Union process, contributed to the strengthening of local politics; however, this was followed by another phase in which the same ruling party strived to settle in the center and

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<sup>133</sup> “On Üç İlde Büyükşehir Belediyesive Yirmi Altı İlçe Kurulması ile Bazı Kanun ve Kanun Hükmünde Kararnamelerde Değişiklik Yapılmasına Dair Kanun”, Official Gazette, 6 December 2012, Law No: 6360, accessed April 20, 2015, <http://www.resmigazete.gov.tr/eskiler/2012/12/20121206-1.htm>

<sup>134</sup> İçişleri Bakanlığı Mahalli İdareler Genel Müdürlüğü, “2013 Yılı Mahalli İdareler Genel Faaliyet Raporu,” (Ankara, Haziran 2014), accessed April 20, 2015, [http://www.migm.gov.tr/Dokumanlar/2013\\_MAHALLI\\_IDARELER\\_GENEL\\_FAALIYET\\_RAPOR\\_U.pdf](http://www.migm.gov.tr/Dokumanlar/2013_MAHALLI_IDARELER_GENEL_FAALIYET_RAPOR_U.pdf)

<sup>135</sup> Sema Erder and Nihal İncioğlu, *Türkiye’de Yerel Politikanın Yükselişi* (İstanbul: Bilgi Üniversitesi Yayınları, 2013), ix-x.

maintain its position there. With the impact of the negotiation process with the European Union, establishing city councils for a more participatory local government, issues of accountability, transparency and good governance became important issues. They describe the Justice and Development Party period so far as having a different and paradoxical, populist and pragmatic characteristic which makes defining the period more difficult.

They argue that with the emergence of the metropolitan municipal structure in 1984, the understanding of “strong mayor-weak assembly” was constituted. This model prioritized effectiveness in providing services rather than maintenance of democratic local governments.<sup>136</sup> According to them, enhanced centralization attempts observed in the second period of the JDP government are different from classic centralist efforts in the sense that in the latter stage, it was aimed to transform the relationships between the central government and the market. The metropolitan municipal model provided administrative efficiency and the capacity of making quick decisions. In the 2000s, on the other hand, regulations has sought to realize an economic growth focusing on construction, real estate and finance sectors and on distributing urban surplus.<sup>137</sup> Whereas in the period of 2004-2005, localization efforts became more important, as it can be seen in the new municipal and special provincial administration laws, after this period, the issue of efficiency in delivery of local services and centralization tendencies became more significant subjects.

Concerning urban planning, in 1972, Law No. 1605 declared that zoning plans, which were to be prepared by municipal assemblies, had to be approved by the Ministry of Development and Housing. Additionally, the ministry was able to make its own zoning plans regarding local areas without asking the permission of the

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<sup>136</sup> Sema Erder and Nihal İncioğlu, “Yerel Siyasette 2004’ten Beri Ne Oldu?” *Birikim* 296 (2013).

<sup>137</sup> Ibid.

municipalities.<sup>138</sup> In 1985, the authority of urban planning, an important tool in the distribution of urban rent, was given to municipalities. In the post-2000 period, some of these authorities were privatized and some of them were restricted.<sup>139</sup> In brief, for the authors, this was a period in which local, national and supranational actors were affecting and being affected by developments at the local level. More complex relationships between these actors and finance-real estate-insurance trio can be observed.

As last points about current laws, it should be noted that although Law No.5216 and Law No.5393 declared more authorities and resources for municipalities, the strong mayor-weak assembly model continued and the transfer of sources from the center was gathered in the hands of metropolitan municipalities, even in the hands of mayors.

The ten percent threshold in local elections was another obstacle to a pluralist environment. With Law No. 6360, the number of overall municipalities decreased (fifty three percent of them) and special provincial administrations were abolished in metropolitan cities which led to a single assembly in these cities in which approximately 75 percent of the total population of Turkey lived.<sup>140</sup> Thus, at the beginning of the 2000s, there were fluctuations in the issues of transfer of power and resources to local authorities and the recent trend was towards more centralization.

In order to make a note on the subject of patronage systems, after the Second World War, they became widespread mainly as a result of the acceleration of urbanization and the transition to a competitive political regime responsive to

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<sup>138</sup> Melih Ersoy, “Tarihsel Perspektif İçinde Türkiye’de Merkezi Yönetim-Yerel Yönetim İlişkileri,” *Odtü Mfd* 9, no.1 (1989): 48, accessed April 20, 2015, [http://jfa.arch.metu.edu.tr/archive/0258-5316/1989/cilt09/sayi\\_1/45-66.pdf](http://jfa.arch.metu.edu.tr/archive/0258-5316/1989/cilt09/sayi_1/45-66.pdf)

<sup>139</sup> Erder and İncioğlu, “Yerel Siyasette 2004’ten Beri Ne Oldu?” About this, the case of Istanbul Metropolitan Planning and the transference of the mentioned authorities firstly to the Housing Development Administration of Turkey (TOKİ) and then to the Ministry of Environment and Urban Planning are given.

<sup>140</sup> Ibid.

demands of the people.<sup>141</sup> With the processes of increasing migration and urbanization, it became significant to provide urban poor populations with municipal services; in this environment, clientelistic relationships and party patronage became prominent ways of expanding parties' popular support.<sup>142</sup> Moreover, in the last three decades, the importance of the central state and local governments in the process of distribution of public resources has continued (even increased). As the state rescaling approach discusses, since the authority and resources of local governments have increased during the last 30 years, particularly metropolitan municipalities and mayors have greater power in their hands in terms of using public sources for patronage; as a result, local and national elections have gained importance because metropolitan municipalities might broaden their popular support by controlling metropolitan cities.<sup>143</sup>

During the Justice and Development Party rule, although the opportunities of creating jobs for the electorate lessened, the party and the local administrations under the control of it tried to develop strategies particularly to reach needy segments of the society, especially through aids at the micro level.<sup>144</sup> Since the beginning of the 2000s, new strategies were implemented in terms of patronage distribution such as the introducing of new social policies for the urban poor (specifically in the fields of health, education and housing), establishing vertical and horizontal social networks as well as firm links particularly with large construction companies.<sup>145</sup> In this period, the tendency of metropolitan municipalities setting up economic enterprises emerges as a preferable choice for these administrations to gain popular support in meeting

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<sup>141</sup> Pamuk, *Türkiye'nin 200 Yıllık İktisadi Tarihi*, 252-53.

<sup>142</sup> Sabri Sayarı, "Interdisciplinary Approaches to Political Clientelism and Patronage in Turkey," *Turkish Studies* 15, no:4 (2014): 660, accessed September 20, 2015, <http://dx.doi.org/10.1080/14683849.2014.985809>

<sup>143</sup> Ibid., 662.

<sup>144</sup> Pamuk, *Türkiye'nin 200 Yıllık İktisadi Tarihi*, 311-13.

<sup>145</sup> Sayarı, "Interdisciplinary Approaches to Political Clientelism and Patronage in Turkey," 664-65.

common local public demands, implementing local projects through these firms, distributing public resources and also providing employment over these firms (while facing with restrictions about their personnel policies).

About the issue of employment in municipalities, until the early 1980s, municipalities were used as a means of providing employment. However, in the post-1980 era, mainly due to the restrictions on municipal budgets, it became difficult to recruit staff within municipal structures, so did the practice of patronage distribution through job creation. The resource distribution process started to be more carried out by establishing municipal enterprises or outsourcing municipal works. The number of personnel working in municipal enterprises significantly increased during the recent years. According to the data of Turkish Statistical Institute (Türk), the Ministry of Finance, and the Ministry of Interior, the number of personnel employed in 328 metropolitan and provincial municipalities was 13 thousand 195 in 2008; the figure increased to 23 thousand 740 in 2012.<sup>146</sup>

In summary, local administration is a heterogeneous structure which consists of metropolitan municipalities (including district municipalities and township municipalities), city councils, municipalities, municipalities in rural areas, village associations (*muhtar and ihtiyar heyeti*), neighborhoods and muhtarships, special provincial administrations and regional development agencies. Additionally, the process of globalization has generated two spatial movements, the relocation of the capital in the search for new safe locations and the process of building of new places on different scales by the capital accumulation process itself and actors who want to

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<sup>146</sup> “Belediyeler BİT’lendikçe İstihdam Arttı,” *Ekofinans*, March 25, 2013, accessed September 20, 2015, <http://ekofinans.com/belediyeler-bitlendikce-istihdam-artti-h23058.html>

influence this process, such as national states, local governments, supranational organizations and local social authorities.<sup>147</sup>

As a result, in order to control these two movements, the capitalist state organized in the form of a nation state reevaluates its political and administrative structure. Sometimes it is forced to do so under the pressure from local and supranational scales. This structuring process is called “state rescaling.” This literature supports the rise of localities, social and economic units on different scales ranging from towns to regions, as decision and policy makers and implementers of policies.<sup>148</sup>

This approach, however, does not suggest the weakening of the central state. On the contrary, what is being observed is the central state’s permeation of the society and the economy even more. What changes is the way the central state intervenes in these realms as well as the increase in number, ways, and authority of local governments are reflections of this change.<sup>149</sup>

Bayırbağ argues that the project of strengthening and dissemination of local governments in the post-1980 period was a result of the need for new organizations that did not conflict with the new reforms and ensured the spatial dissemination of these reforms. Moreover, a municipal system based on the presence of a strong mayor can also contribute to dissemination of neoliberal reforms such as the transfer of public resources to projects that can both enhance the popularity of that municipality in the area and be a problem considering, for example, the growth and

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<sup>147</sup> Mustafa Kemal Bayırbağ, “Yerel Yönetimlere Bütünsel Bir Bakış: Türkiye’de Devletin ve Siyasa-yapım Sürecinin Mekansal Dönüşümü Üzerine Bazı Ön Düşünceler,” *İstanbul Üniversitesi İktisat Dergisi* 500 (Kasım-Aralık 2008): 12-13.

<sup>148</sup> Ibid.

<sup>149</sup> Ibid.

expansion of metropolitan municipalities which are under the direct control of mayors or issues of accountability, transparency, and auditability.<sup>150</sup>

Because cities are places in which capital is accumulated, distributed, and reproduced, they are constituent elements of capitalist social and economic relations. As the administrative institutions of cities, municipalities have become actors regarding capital accumulation and distribution of urban rent in addition to their traditional functions.<sup>151</sup> Furthermore, the importance of municipalities has begun further with the transfer of the authority to make zoning plans, the introduction of several zoning amnesty regulations between 1983 and 1987, giving shares of the central budget to municipalities, the metropolitan municipality structure, and the increase in the ratio of urban population.

Since the local elections of 1984, except for the period of 1989-1994, the municipal tradition has mainly been shaped by economic liberalism and political-social conservatism. Doğan argues that despite of differences among them, municipalities of the leading four parties, not only the JDP, but also the RPP, the Nationalist Movement Party (NMP) and the Democratic Society Party (today's the Peoples' Democratic Party, PDP), utilize neoliberal approach in planning, producing and providing local services.<sup>152</sup> Doğan describes the JDP's municipal understanding as "neoliberal municipality mixed with Islam," the RPP's municipalities as "modern" neoliberals, the NMP's municipalities as "neoliberal nationalists," and the DSP's municipalities as social liberal.

In the same place, he writes that the RPP's municipalities also prioritize the economic facet of municipality rather than the social one, meeting the demands of

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<sup>150</sup> Ibid., 14.

<sup>151</sup> Menaf Turan, "Türkiye'de Yerel Yönetimler, Sermaye Birikimi ve Kentsel Rantlar," *İstanbul Üniversitesi İktisat Dergisi* 500 (Kasım-Aralık 2008): 62.

<sup>152</sup> Doğan, "Yerel Yönetimler, Neoliberalizm ve Muhafazakarlık."

the construction sector and local capital owners first in making their planning and investment decisions. Additionally, they mostly try to get external loans for their big projects and are especially interested in landscape architecture. He evaluates the JDP's municipal approach as an attitude which narrows services for collective consumption, prefers to purchase or rent goods and services from the market and prices its services according to the market, which blurs the publicity of local services.

In summary, it can be argued that in the globalization era, urban land rent, and its production and distribution (in addition to the trends of commodification and privatization of goods and services that are expected from municipalities and of downsizing the number of staff in municipalities and increasing use of subcontractors in order to obtain minimum cost and maximum performance) have expanded among municipalities of different political perspectives.<sup>153</sup>

### A Short History of Municipal Companies

Before the Law No.1580 was enacted in 1930, local services such as gas, water, electricity, telephone services and waterfront and transportation facilities were provided by privileged companies owned by either domestic or foreign capital. Among these companies were İzmir Electricity and Tramway Company (1855), İzmir Waters Joint Stock Company (1859), İzmir Town Gas Company (1859).<sup>154</sup> Eryılmaz points out that there were 14 privileged companies established during the Ottoman period that continued to operate in the first years of the Republican

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<sup>153</sup> Mustafa Sönmez, "Neoliberal Belediyeciliğe Karşı Halkın Belediyeciliği," *Bianet*, January 12, 2009, accessed April 20, 2015, <http://www.bianet.org/bianet/siyaset/111863-neoliberal-belediyecilige-karsi-halkin-belediyeciligi>

<sup>154</sup> Zerrin Toprak Karaman, *Belediyelerin Ekonomik İşletmeleri ve İşlevleri* (İzmir: İzmir Ticaret Odası Yayını, 1993), 25.

period.<sup>155</sup> The same trend persisted throughout the 1920s with similar companies, mostly owned by foreign capital, in the fields of electricity, town gas and telephone in İstanbul, Ankara, Adana, and İzmir.

After the 1930s, along with the impact of the Great Depression of 1929 and the statist approach introduced in Turkey at that time, these companies were first nationalized and then transformed into administrative units within the bodies of municipalities.<sup>156</sup> By providing them partial autonomy, these administrative structures were converted into new organizations as in the examples of İETT (İstanbul Electric Tramway and Tunnel Establishments) and ESHOT (Electricity, Water, Coal Gas, Bus, Trolleybus) in the field of transportation.<sup>157</sup> Furthermore, privileged companies carrying out water, electricity, city gas, and transportation services in İstanbul, Ankara, İzmir, Adana, and Bursa were first bought via mutual agreements according to Municipal Law No.1580 beginning in 1932, and then transformed them into associations of municipalities (lastly, given them a legal entity subject to private law).<sup>158</sup>

There were some reasons for the municipalization of these services, such as enhancing the nation's capacity of administratorship in the field of municipality, getting rid of franchise agreements that benefited private privileged corporations and had been inherited from the Ottoman era, making a contribution to capital accumulation processes in cities, arranging the balance of payments, obtaining the

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<sup>155</sup> Bilal Eryılmaz, "İktisadi ve İdari Yönden Yerel Yönetimlerin Tarihi Gelişimi," (Yerel Yönetimler ve Eğitim Sempozyumu, İstanbul: İstanbul Büyükşehir Belediyesi Yayını, 1995), 117.

<sup>156</sup> Mustafa Meşe, "Belediye Şirketleri Üzerine Bir Değerlendirme," *Sayder* 4 (Nisan-Haziran 2011): 203, accessed April 20, 2015, <http://www.sayder.org.tr/e-dergi-belediye-sirketleri-uzerine-bir-degerlendirme-12-23.pdf>

<sup>157</sup> Ahmet Berk, "Yerel Hizmet Sunumu ve Belediye İktisadi Teşebbüsleri," *Sayıştay Dergisi* 49 (Nisan-Haziran 2003), accessed April 20, 2015, <http://www.sayistay.gov.tr/yayin/dergi/icerik/der49m2.pdf>

<sup>158</sup> Eryılmaz, "İktisadi ve İdari Yönden Yerel Yönetimlerin Tarihi Gelişimi," 118.

public's cooperation in meeting the local needs of cities, creating new revenue sources for municipal budgets, and following a modern municipal policy.<sup>159</sup>

In 1930, Law No.1580 stated that municipalities, after fulfilling their duties, could initiate economic activities for the common local needs of the people living within their borders. Municipalities started to deal with housing and urban development issues. These activities continued in the following decades as well. Additionally, in the same period, municipalities organized shops for the sale of foodstuffs directly, such as Migros, established in 1954 and opened by Fahrettin Kerim Gökay, the governor as well as the mayor of İstanbul at that time.

One definition of privatization<sup>160</sup> is the transference of public services, of property or administration of units which provide local goods and services to the private sector. Privatization efforts started at the beginning of the 1980s as well as followed by other regulations throughout the 1980s and the 1990s, such as Law No.2983 (1984), Law No.3291 (1986), and Law No.4046 (1994). According to a report by İzmir Municipality written in 1986, difficulties in provision and use of resources, lack of qualified staff due to the failure to provide adequate wages, the need for developing technology, and the lack of freedom of decision making in the economic field made municipalities seek new organization models and privatization methods were considered as a solution. In this context, in İzmir, companies were established such as Tansaş to provide staple goods, İzbelcom (in partnership with a foreign company) to clean the Gulf, and Arizko for tourism investments.

Likewise, since 1984, in İstanbul and İzmir, municipalities used the procurement method for cleaning works, collection and disposition of garbage and

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<sup>159</sup> Tekeli, *Türkiye'de Belediyeciliğin Evrimi*, 69.

<sup>160</sup> Keleş, *Yerel Yönetim ve Siyaset*, 472-76.

the management of their economic and touristic enterprises.<sup>161</sup> In Gaziantep, the method was used for public works such as about water systems, the management of quarries, and some construction projects. In Manisa, the method was utilized as well concerning the works of stream improvement, construction of parking buildings, sewerage works, and arrangements concerning market place, parks and gardens. Similar practices were seen, for example, in Adana, about the works of cleaning streets, the central bus station and cemeteries and collection of garbage; also, in Trabzon, about cleaning of seaside, market places, bus stations, the bread factory, reading water meters, car renting, catering, ambulance services and operation of ticket offices. İzmir Konak Municipality's assembly considered that the privatization of waste collection and the downsizing of municipal staff as making the requirements of the age. It can be argued that the municipality understanding of social democrat parties in the 1970s shifted towards an approach that favored privatization. This tendency was also triggered by unionist claims and demands for higher wages for people working in the mentioned fields, which can be seen as a contradiction in case of parties which claim to be social democratic.

The authority to establish municipal companies was repeated in Law No.5393 and Law No. 5216 which remain in force today. As a result, the number of municipal companies subject to Turkish Commercial Law No. 6102 with separate legal personalities has increased since the 1980s, but especially since the 2000s, as will be discussed below. As an example, İstanbul Metropolitan Municipality utilizes its 26 enterprises in carrying out local public services. According to a recent report on the municipality's income and expense, the total expenditure of these companies was 5 billion TL in 2010, and the number increased to 9.4 billion TL in 2013 (while the

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<sup>161</sup> Ibid.

total amount was 8.5 billion TL for the metropolitan municipality itself in the same year).<sup>162</sup> On the other hand, the total sum of the profit made by these companies was 517 million TL in 2013. Also, the report underlines an axis shift in the metropolitan municipality's expenses; in recent years, the increases in the corporations' expenses exceeded the spendings of the municipality itself and its affiliates.

### Alternative Forms of Service Provision in the Neoliberal Era

Together with the new neoliberal economic approach to local authorities since the 1980s, concepts such as governance, subsidiarity, effectiveness, efficiency, participation, localization in addition to globalization, public-private partnerships, transparency, accountability, total quality management, privatization, performance management and strategic planning have come to the fore both in terms of central and local authorities in Turkey, as in other parts of the world.<sup>163</sup> Law No.5393 and Law No.5216 include articles about how municipalities meet local services and utilize an increasing number of methods in doing so. For example, local governments can benefit from actors outside the public sector in getting common local services done, setting businesses and establishments, renting establishments, transferring the duties of providing services and purchasing these services.

The forms of local service fulfillment by organizations other than municipalities themselves, including municipal companies, incorporate the contracting-out method, the franchise method, the build-operate method, the build-

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<sup>162</sup> Nurhan Yentürk, Y. Kadri Karabacak, and Çağrı Çarıkçı, *STK'lar İçin İstanbul Büyükşehir Belediyesi Harcamalarını İzleme Kılavuzu* (İstanbul: İstanbul Bilgi Üniversitesi Yayınları, 2015), 25-29; 40.

<sup>163</sup> Mustafa Ökmen and Bekir Parlak, *Kuramdan Uygulamaya Yerel Yönetimler: İlkeler, Yaklaşımlar ve Mevzuat* (Bursa: Alfa Aktüel Yayınları, 2010), 454-55.

operate-transfer method, the contract for services method, the management contract method, the leasing method, the renting method, construction on a flat-for-land basis, the voluntary participation and self-help methods, the coupon method, the joint venture method, the pricing method, the legal-institutional liberalization method, the real estate investment trust method, the limited real rights method, the method of establishing unions, the authorization method, the method of bond issue, and the municipal enterprise method (and the method of sale of public- municipal-enterprises).<sup>164</sup> In the municipal enterprises method, according to relevant regulations, municipalities can establish businesses in fields related to their workspaces; as a result, municipalities' role in the economic realm has enhanced. The debate on municipal companies is elaborated and discussed below.

### Laws and Regulations about Municipal Companies

In the 1982 Constitution, Article 127 refers to the subject of local administrations as “public corporate entities established to meet the common local needs of the inhabitants of provinces, municipal districts and villages, whose decision making organs are elected by the electorate as described in law, and whose principles of structure are also determined by law.”<sup>165</sup> The article continues that the central administration has the power of administrative trusteeship over local authorities especially so as to ensure the functioning of local services in accordance with the

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<sup>164</sup> Recep Bozlağan, *Türkiye’de Yerel Yönetimler*, eds. Recep Bozlağan and Yüksel Demirkaya (Ankara: Nobel Yayın Dağıtım, 2008), 22.

<sup>165</sup> “Türkiye Cumhuriyeti Anayasası,” Official Gazette, 18 October 1982, Law No: 2709, accessed April 20, 2015, <http://www.mevzuat.gov.tr/Metin.Aspx?MevzuatKod=1.5.2709&sourceXmlSearch=&MevzuatIliski=0>

principle of the integral unity of the whole administration; therefore, eventually, the central government is also responsible for the delivery local services.

### The Legislation Regarding the Establishment of Municipal Companies

Municipality Law No.1580, which was operative between 1930 and 2005, was the law in force when first municipal companies were established. As written in Article 1, municipalities were responsible for providing the common local needs of people under their jurisdiction. As stated in Article 19, after performing the tasks assigned to them, municipalities were enabled to establish all kinds of initiatives and enterprises. Furthermore, municipalities were exclusively entitled to operate buses, minibuses, and bus stations, tunnels, trolleys and funicular railways. Municipalities were also able to run enterprises or provide local services via the companies in which they were shareholders or rent out or transfer the concession after receiving permission from the Ministry of Interior. Lastly, municipalities were given the right to build municipal housing, to rent or sell these buildings and enter into joint building partnerships that had already been founded or were going to be founded. Therefore, even though the law was not clear about establishing municipal firms, after performing their mandatory tasks, municipalities could set up enterprises based on this law.

Moreover, in 1984, a regulation<sup>166</sup> gave metropolitan municipalities and district municipalities the right to initiate all kinds of enterprises to meet the common local needs of people as well. Concerning the current foundation of municipal companies,

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<sup>166</sup> “Büyükşehir Belediyelerinin Yönetimi Hakkında Kanun Hükmünde Kararnamenin Değiştirilerek Kabulü Hakkında Kanun,” Official Gazette, 27 June 1984, Law No: 3030, accessed April 20, 2015, [http://www.tbmm.gov.tr/tutanaklar/KANUNLAR\\_KARARLAR/kanuntbmmc067/kanuntbmmc067/kanuntbmmc06703030.pdf](http://www.tbmm.gov.tr/tutanaklar/KANUNLAR_KARARLAR/kanuntbmmc067/kanuntbmmc067/kanuntbmmc06703030.pdf)

four laws should be mentioned: Municipality Law No.5393, Metropolitan Municipalities Law No.5216, Turkish Commercial Law No.6102, and Privatization Practices Law No.4046.

To start with Municipality Law, which was enacted in 2005, municipality is defined as “a public entity having administrative and financial autonomy which is established to meet common local needs of inhabitants of a town and whose decision-making body is elected by voters.”<sup>167</sup>

Article 14 of the law orders that municipalities shall provide or have provided services in the following areas:

Urban infrastructure facilities such as land development planning and control, water supply, sewer and transport; geographic and urban information systems; environment and environmental health, sanitation and solid waste; municipal police, fire fighting, emergency aid, rescue and ambulance services; urban traffic, burial services and cemeteries; tree planning, parks and green areas; housing; culture and art; tourism and promotion; youth and sports; social services and social aid; weddings; vocational and skills training; economic and commercial development, shelters for women and children.

Besides, they may build or have built state schools at all levels, carry out or make carry out the maintenance and restoration of such school buildings and deliver them with all the equipment and supplies they need. In addition, municipalities can open and operate health care facilities of all sorts; ensure the conservation of cultural and natural assets, of the city’s historical fabric and of areas and functions which have historical significance to the town, also, where conservation is impossible, reconstruct them in their original form. When necessary, municipalities shall give materials to students and sportsman/sportswoman. In addition, they may award them who have demonstrated excellence or received ranking in national or international competitions with the resolution of the municipal council. Municipalities may operate food banking too. This article shows that the scope of working areas of

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<sup>167</sup> “Belediye Kanunu,” Official Gazette, 3 July 2005, Law No: 5393, accessed April 20, 2015, <http://www.mevzuat.gov.tr/MevzuatMetin/1.5.5393.pdf>

municipalities is quite large; they can fulfill these services by themselves or they can have someone else provide them.

According to Article 18, municipal councils are entitled to establish or withdraw from enterprises which are subject to Turkish Commercial Code No.6102. They are allowed to increase their capital or decide to privatize them. Article 59 orders that revenues obtained through enterprises are among municipalities' income sources; spending regarding the companies in which municipalities are copartners are also considered among municipalities' expenditures. Article 68 states that borrowing conditions for municipal companies: The domestic and foreign debt stock (including interest) of companies in which municipalities keep more than 50 percent of the equity capital, cannot exceed the total amount of their latest final budget revenues increased by the revaluation rate. Furthermore, the resolution of the municipal council is required for these municipal companies so as to contract domestic loans which cannot exceed a total of 10 percent of the amount of their latest final budget revenues increased by the revaluation rate. Also, in addition to the resolution, municipal companies need an approval of the Ministry of Interior in order to obtain their domestic loans which surpass 10 percent of their latest final budget revenues, which is another indicator of the central state's power over local authorities. More importantly, Article 70 indicates that municipalities can set up companies in areas related to the duties and services that are allocated to them.

The notice, which entered into force in 2008 by the Ministry of Interior about local administrations' companies, indicates that in the establishment phase of municipal companies or in the case of obtaining free-of-charge companies,

municipalities have to acquire the permission of the Council of Ministers.<sup>168</sup> After the founding stage, since these enterprises are private corporate entities subject to Turkish Commercial Law, no such permissions are needed. Also, municipalities are able to obtain or become a shareholder of already established companies by means of donations. Concerning the financial issues of municipal companies, İlbank was set up to meet fiscal needs of these companies in which municipalities, special provincial administrations, and unions of local governments hold more than 50 percent of the equity capital.<sup>169</sup>

The Metropolitan Municipality Law, entered into force in 2004.<sup>170</sup> Article 23 says that metropolitan municipality revenues include “shares acquired in the net proceeds of the metropolitan municipality’s enterprises, according to the percentage to be determined by the metropolitan council.” Correspondingly, Article 24 states that expenditures regarding equity shares and membership dues related to their companies are included in the category of metropolitan municipality’s expenses. The most significant article with respect to this thesis’ topic is Article 26, which describes setting up companies:

In the areas relating to the duties and services assigned to it, the metropolitan municipality may set up capital companies according to the procedures provided for in the relevant legislation. The secretary general and management staff of the municipality and its affiliated entities may hold office on the executive and supervisory bodies of such companies. The metropolitan municipality may operate kiosks, public transport, social facilities, buffets, car parks and tea gardens of which it is the owner, or may contract out the operation of such facilities without being subject to the provisions of the Law No.2886 on State Procurement for a period and at a cost to be determined by the metropolitan council, to companies in which the municipality or its affiliated entities hold more than 50 percent of the equity capital or to

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<sup>168</sup> “İçişleri Bakanlığı Mahalli İdareler Genel Müdürlüğü, Mahalli İdare Şirketleri Hakkında 2008/31 Sayılı Genelge,” 21 April 2008, accessed April 20, 2015, <http://www.migm.gov.tr/2008YiliGenelge.aspx>

<sup>169</sup> “İller Bankası Anonim Şirketi Ana Sözleşmesi,” 26 January 2011, accessed April 20, 2015, <https://www.ilbank.gov.tr/index.php?Sayfa=iceriksayfa&icId=285>

<sup>170</sup> “Büyükşehir Belediyesi Kanunu,” Official Gazette, 10 July 2004, Law No:5216, accessed April 20, 2015, <http://www.mevzuat.gov.tr/MevzuatMetin/1.5.5216.pdf>

enterprises in which those companies hold more than 50 percent of the equity capital. However, the procedure of contracting out of these facilities to third parties is subject to the Law No. 2886 on State Procurement Law.

This article is the main basis for municipalities to found economic enterprises; they can operate establishments in the mentioned areas, without being subject to the Law no.2886 and they can give offices to their secretary general and management staff in these companies.

The new commercial law, named Turkish Commercial Law, which came into force in 2011, also prescribes some regulations with respect to municipal companies.<sup>171</sup> According to Article 16, institutions and foundations that are subject to private law and established by the state, special provincial administrations, municipalities, village administrations, and other public legal entities are acknowledged as merchants; but, the article adds that founders themselves cannot be considered as merchants. So, as it is shown in this article, municipal companies, but not municipalities, are regarded as merchants. In Article 334, the right to have representatives in boards of directors of joint-stock companies, whose sphere of activity is in public service sector, can be given to municipalities and other public legal entities even if they are not shareholders of these companies. Additionally, the representatives may be removed from the office only by these public entities. Article 359 notes that representatives of municipalities and other public entities may be more than one person, provided that all members of the board of directors cannot be representatives of the same public entity.

Last, in Law on Privatization Practices, which was enacted in 1994, Article 26 declares some regulations concerning privatization practices in local administration

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<sup>171</sup> “Türk Ticaret Kanunu,” Official Gazette, 13 January 2011, Law No: 6102, accessed April 20, 2015, <http://www.mevzuat.gov.tr/MevzuatMetin/1.5.6102.pdf>

organs.<sup>172</sup> Municipalities and special provincial administrations have the right to direct the privatization procedure; besides, after cutting off prior expenses mentioned in the Code, they acquire the net revenue coming from privatization. Furthermore, the same article announces again that municipalities, other local administrations, and their unions need to obtain the permission of the Council of Ministers in the founding phase of commercial enterprises operating with commercial purposes or in the case of becoming a shareholder of an established company or of a company that will be established.

Regarding this point, the establishment procedure of municipal companies is mentioned briefly. Until 1994, in other words, until the enactment of the Law on Privatization Practices, municipalities were able to set up companies with the permission of their municipal assemblies; however, as the privatization law included municipal companies too, after 1994, municipalities needed to obtain the permission of the Council of Ministers. The central government's control over municipalities and their enterprises has been tightened.

Municipalities have to apply to the Council of Ministers with the documents stated in the notice of the Interior Ministry.<sup>173</sup> These documents are evaluated first by the Ministry of Interior, and then submitted to the Council of Ministers along with the affirmative opinion of the ministry and through the Prime Ministry, the permission is asked from the Council of Ministers. After this stage, the mentioned company is founded in accordance with the decision of the municipal assembly. The

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<sup>172</sup> "Özelleştirme Uygulamaları Hakkında Kanun," Official Gazette, 24 November 1994, Law No: 4046, April 20, 2015, <http://www.mevzuat.gov.tr/MevzuatMetin/1.5.4046.pdf>

<sup>173</sup> Recep Bozlağan, "Belediye İktisadi Teşebbüslerinin Özelleştirilmesinde Temel Sorun," *Mevzuat Dergisi* 7 (73) (Ocak 2004), accessed April 20, 2015, <http://www.mevzuatdergisi.com/2004/01a/05.htm>. The documents involve; a report that explains the reasons for establishing or participating the company, feasibility studies about the company, the goals and the field of activity, the amount of the capital that is contributed to the company, income-outcome and cash value of the company, profit and loss statement and the affirmative opinion from head of the civil authority in the region (*mülki yönetim amiri*) who is the representative of the central state in the city.

by-laws of the company are sent to the Turkish Courts of Accounts via the Ministry of Interior. After making required arrangements in the by-laws in line with the Court's assessment, the municipal company can be established.<sup>174</sup> As shown, the establishment process is quite long and the issue of founding municipal economic enterprises necessitates the central government's and the Courts of Account's authorization which is the implementation compliant with the center's power of administrative trusteeship over local authorities.

In summary, municipalities may own companies by establishing a new company, putting capital into an established company, accepting a donated company and setting up a new company through one of their former companies; according to the Notice No.2008/31, municipalities have to acquire the permission of the Council of Ministers for these company acquisition methods.

#### Legislation Regarding the Procurement Regime of Municipal Companies

After Public Procurement Law No.4734, which is explained below, municipal companies were subject to a procurement legislation concerning purchasing all kinds of goods and services and construction works. According to the regulations, in order to become tenderers, municipal companies participate in tenders to which are put out by their municipalities on equal terms and in a competitive environment. Before Law No.4734, municipalities, based on State Procurement Law No.2886<sup>175</sup> and Municipality Law No.1580, set up companies, which were subject to the previous Turkish Commercial Law, so as to purchase goods and services. In order to create a more competitive environment, in 2000, the Ministry of Interior General Directorate

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<sup>174</sup> Ibid.

<sup>175</sup> "Devlet İhale Kanunu," Official Gazette, 8 August 1983, Law No: 2886, accessed April 20, 2015, <http://www.mevzuat.gov.tr/MevzuatMetin/1.5.2886.pdf>

of Local Authorities declared a notice.<sup>176</sup> This notice allowed supplying required goods and services among public institutions without putting these needs out to tender. But, since this announcement accepts municipal firms as private law entities, these companies are not included in the category of public institutions. Consequently, municipalities are forbidden to purchase goods and services from their companies without appealing for tenders first.

In relation to the current procurement issue, municipal companies have been subject to Public Procurement Law since 2002.<sup>177</sup> According to Article 2, the scope of the act involves public administrations included in the general budget, administrations with special budget, special provincial administrations and municipalities and their related revolving funds organizations, associations, state economic enterprises, social security establishments, funds, legal persons that were established in accordance with special laws and that were assigned with public duties and institutions with independent budgets; in addition to any institutions, organizations, associations and enterprises and corporations which more than half of their capitals, directly or indirectly, together or separately were owned by those stated above.

Article 5 emphasizes the significance of transparency, competition, equal treatment, reliability, confidentiality, public supervision and the efficient use of resources. About this article, there have been criticisms that municipal companies are violating these principles since they are in an organic relationship with their municipalities. The regulation also determines principal tender methods which are

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<sup>176</sup> İpek Özkal Sayan and Murat Kışlalı, “Belediyelerde Şirketleşmenin Yararı Var Mı? Hurafeler ve Gerçekler,” *Çağdaş Yerel Yönetimler* 17, no.1 (Ocak 2008): 66, accessed April 20, 2015, [http://www.todaie.edu.tr/resimler/ekler/63637ed89fd4634\\_ek.pdf?dergi=%C7a%F0da%FE%20Yerel%20Y%F6netimler%20Dergisi](http://www.todaie.edu.tr/resimler/ekler/63637ed89fd4634_ek.pdf?dergi=%C7a%F0da%FE%20Yerel%20Y%F6netimler%20Dergisi)

<sup>177</sup> “Kamu İhale Kanunu,” Official Gazette, 4 January 2002, Law No:4734, accessed April 20, 2015, <http://www.ihale.gov.tr/Mevzuat.aspx>

open and restricted procedures for the procurements held in accordance with this law (other methods can be used under certain situations).

Article 11 states that those who cannot participate in any procurement, directly or indirectly or as a sub-contractor, either on their own account or on behalf of others.<sup>178</sup> In 2003, an additional sentence says that:

Whatever their purposes of establishments are, the foundations, associations, unions, funds and other authorities included within the body of the contracting authority carrying out the procurement, or related with the contracting authority and the companies to which such authorities are partners, cannot participate in the procurement held by these contracting authorities.

As written in the last sentence, because municipal companies are not within the body of the contracting authority and the term “such authorities” in the second part of the sentence contains foundations, associations, unions and funds, municipal firms are allowed to participate in municipalities’ procurements. If they do not, it would be difficult for them to exist and it would be difficult for municipalities to provide employment and the possibility of transferring resources through these companies.<sup>179</sup>

Article 15 refers to the issue of subcontracting. According to the regulation, firms submitting tenders can benefit from subcontractors if necessary because of the characteristics of the subject matter of the work. The contracting authority may want to see the list of the subcontractors and the contract which the contractor plans to assign to subcontractors at the tender stage. However, the contractor is still responsible for the job even if he uses sub-contractors.

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<sup>178</sup> According to the article, they are “c) the contracting officers of the contracting authority carrying out the procurement proceedings and the persons assigned in boards having the same authority; d) those who assigned to prepare, execute, complete and approve all procurement proceedings relating to the subject matter of the procurement held by the contracting authority; e) the spouses, relatives up to third degree and marital relatives up to second degree, and foster children and adopters of those specified under paragraph c and d; the partners and companies of those specified under paragraph c, d, and e (except for joint-stock companies where they are not a member of the board of directors or do not hold more than 10 percent of the capital).”

<sup>179</sup> Meşe, “Belediye Şirketleri Üzerine Bir Değerlendirme,” 210.

Article 18 describes applicable procurement procedures as open procedure, restricted procedure and negotiated procedure. Also, in Article 22, the method of direct procedure is defined. In open procedure, all firms submitting tenders can submit their tender proposals. In restricted procedure, after the pre-qualification evaluation of the contracting authority, firms can submit their tenders. These procurements may be conducted in cases of, for example, where open procedure is not applicable since the nature of the work necessitates speciality or high technology and where estimated costs exceed the half of threshold value. The negotiated procedure is conducted in different cases such as natural disasters, epidemics or other emergency situations where it is required to conduct the tender procedure immediately or when it is essential to carry it out directly and without delay due to defense and security problems in the area. Similarly, there is another way of procurement, the direct procurement model, which can be applied in different circumstances without advertising and without receiving any securities. For instance, when it is established that the needs can be met from only one natural or legal person or when only one single natural or legal person has exclusive rights with regard to the need in question.

#### Legislation Concerning the Auditing Regime of Municipal Companies

Municipal companies are audited by mayors and municipalities, the Prime Ministry's inspectors, the Ministry of Finance, the Ministry of Customs and Trade, and the Turkish Court of Accounts.

According to Law on the Turkish Court of Accounts No.832, which ceased to be effective in 2010, the authority of auditing public institutions belonged to the

Turkish Court of Accounts.<sup>180</sup> However, this code did not bring a regulation with regard to the matter of auditing of municipal companies.

Concerning the present legislation, first, Law on Turkish Court of Accounts No.6085, which came into force in 2010, should be examined. Municipal companies have been criticized due to inadequate control mechanisms over them.<sup>181</sup> Even though they are subject to private law, these companies use municipal (public) resources, but they are not subject to external auditing. Together with this Code, external auditing mechanisms, through the Turkish Court of Accounts (*Sayıştay*), is aimed to be implemented. Until the enactment of this law, the Turkish Court of Accounts could control municipalities' capital increases, procurements, the money transferred through different ways (to a certain stage) to their companies; however, the court could not examine these companies' expenditures or their efficiency and performance.

Article 4 states that the Turkish Court of Accounts shall audit:

a) public administrations within the scope of the central government budget and social security institutions, local governments, joint-stock companies established by special laws and with more than 50 percent of its capital directly or indirectly owned by the public sector and other public administrations (with the exception of professional organizations having a public status); b) provided that the public share is no less than 50 percent, all types of administrations, organizations, institutions, associations, enterprises and companies affiliated to, or founded by the administrations listed in point (a), or those of which the above mentioned administrations are directly or indirectly partners.

In addition, Article 36 divides auditing practices into two; regularity audit and performance audit. The regularity audit involves determining whether such things as revenues, expenditures, and accounts are in compliance with the related laws. It gives its opinion about financial reports of public administrations and evaluates financial

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<sup>180</sup> "Sayıştay Kanunu," Official Gazette, 21 February 1967, Law No:832, accessed April 20, 2015, <http://www.sayistay.gov.tr/mevzuat/kanun.htm>

<sup>181</sup> "Sayıştay Kanunu," Official Gazette, 3 December 2010, Law No:6085, accessed 20 April 2015, <http://www.mevzuat.gov.tr/MevzuatMetin/1.5.6085.pdf>

management and internal control systems. The performance audit refers to measuring activity results related to the objectives and indicators of administrations. This law is meant to tighten the external audit mechanism, but, since it is new, it is not easy to talk about its effectiveness.

With respect to Turkish Commercial Law, in 2013, the Council of Ministers decreed that companies would be subjected to independent auditing, including municipal firms as well.<sup>182</sup> According to this arrangement, there are some criteria concerning municipal companies such as asset size (with 40 million Turkish Liras in the last two years), net sales produce (50 million Turkish Liras in the last two years) and employment (125 or more employees in the last two years). Municipal firms, which provide at least two of the criteria cited above and which municipalities have at least 50 percent of their equity capital have been subject to independent auditing for the first time. However, this regulation leaves small municipal companies out of independent auditing.

In order to realize a more democratic, transparent and attainable public administration, two enactments were introduced Law on the Right of Petition No.3071,<sup>183</sup> which was enacted in 1984; and Law on the Right to Information No.4982,<sup>184</sup> which was passed in 2003. Despite the valid arguments about their inefficiencies, these two regulations are meant to enhance the control mechanism

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<sup>182</sup> “Bağımsız Denetime Tabi Olacak Şirketlerin Belirlenmesine Dair Karar,” Official Gazette, 12 March 2013, Decree No: 28585, accessed April 20, 2015, <http://www.resmigazete.gov.tr/main.aspx?home=http://www.resmigazete.gov.tr/eskiler/2013/03/20130312-23.htm/20130312.htm&main=http://www.resmigazete.gov.tr/eskiler/2013/03/20130312-23.htm>; <http://www.resmigazete.gov.tr/eskiler/2015/02/20150220-20.htm>

<sup>183</sup> “Dilekçe Hakkının Kullanılmasına Dair Kanun,” Official Gazette, 1 November 1984, Law No: 3071, accessed April 20, 2015, <http://www.mevzuat.gov.tr/Metin.Aspx?MevzuatKod=1.5.3071&sourceXmlSearch=&MevzuatIliski=0>

<sup>184</sup> “Bilgi Edinme Hakkı Kanunu,” Official Gazette, 9 October 2003, Law No:4982, accessed April 20, 2015, <http://www.mevzuat.gov.tr/Metin.Aspx?MevzuatKod=1.5.4982&MevzuatIliski=0&sourceXmlSearch=>

over public authorities, including municipalities and other affiliated corporations, and to increase information acquisition opportunities of individuals and institutions from these establishments.

#### Some of the Assessments of the Supreme Court of Turkey and the Council of State

Very briefly, by evaluating some of their decrees, the two supreme courts, *Yargıtay* and *Danıştay*, consider municipal companies as private law entities based on the grounds that these firms operate according to the commercial law like other commercial corporations. Their employees are not subject to the regulation that arranges the working conditions of public servants and officials. And their equity capital structures or being owned by a public institution cannot change these companies' legal positions.<sup>185</sup>

#### Municipal Economic Enterprises in General

As mentioned in the previous chapter, according to Article 26 of Law No.5216, metropolitan municipalities are allowed to incorporate companies so as to fulfill the duties and services within their task fields. The law also permits those high-ranking bureaucrats of the municipality and the senior personnel working in affiliated administrations to take positions in the board of directors or auditing boards of these municipal firms.

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<sup>185</sup> “Yargıtay 9. Hukuk Dairesi 1989/2472 Sayılı Kararı” E: 1989/2323, K: 1989/2472, 11 March 1989; “Yargıtay 9. Hukuk Dairesi 1997/21516 Sayılı Kararı” E: 1997/17743, K: 1997/21516, 15 December 1997; Danıştay 2. Dairesi 2001/2122 Sayılı Kararı” E: 2001/1166, K:2001/2122, 27 September 2001; Danıştay 1. Dairesi 2002/48 Sayılı Kararı” E:2002/38, K: 2002/48, 5 April 2002.

As pointed out before, although municipalities have been allowed to set up economic enterprises for a long period of time, the number of these companies as well as the number of areas in which the companies operate have increased mainly since the 1980s, but especially since the early 2000s. According to an answer to a parliamentary question, in 2006, the Ministry of Interior declared that there were 176 municipal companies within the structure of municipalities.<sup>186</sup> The total personnel number in these firms was 50,789, including 7,077 new personnel employed since the local elections of 2004. As of 2013, there were 328 municipal enterprises within the bodies of both metropolitan and provincial municipalities.<sup>187</sup>

I also did a research on only metropolitan municipal companies and compiled a list of the names, establishment years and field of activities of them by accumulating data mainly from the websites of municipalities and their companies as well as from the Turkish Court of Accounts' reports. Consequently, the 30 metropolitan municipalities had 149 economic enterprises by April 2015 operating in infrastructure services and construction works, event organizations, contracting businesses, oil trading and natural gas distribution, trading and industry, public transportation, communication, culture and arts services, management of social facilities and car parks, establishing and managing organizations in health care and social services as well as restaurants, cafes and kiosks, bakery production, drinking water, technology, environmental protection, recycling and disposing of wastes, cleaning services, electricity services, sports clubs, housing, import and export businesses.

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<sup>186</sup> "Türkiye Büyük Millet Meclisi, Yazılı Soru Önergesi Tutanakları," October 18, 2006, accessed April 20, 2015,

<https://www.tbmm.gov.tr/tutanaklar/TUTANAK/TBMM/d22/c132/b009/tbmm221320090466.pdf>

<sup>187</sup> "Kamu Şirketlerinin Büyüklüğü Ortaya Çıkacak," *Hürriyet*, March 14, 2013, accessed April 20, 2015, <http://www.hurriyet.com.tr/ekonomi/22809949.asp>

## Municipal Economic Enterprises: Reasons for the Establishment, Spheres of Activity and Other Arguments

Even though municipalities have used the method of establishing municipal corporations or becoming members of already established companies for a long time, it has become a widespread implementation since 1984, when metropolitan municipality administration was introduced. Metropolitan municipalities, especially, have utilized an increasing number of their municipal enterprises in an effort to carry out of local services more effectively and efficiently. In brief, avoiding strict regulations of public law, the slow functioning of the public bureaucracy, the tutelage and control of the central government, and the personnel procedure which prevents municipalities from employing qualified staff, and ensuring the return of municipal sources to municipalities back rather than transfer to private entrepreneurs through procurement means are among other critical points for municipalities in terms of the founding of these enterprises.<sup>188</sup>

### Reasons for Establishment and Discussions on Tender, Auditing and Personnel Policies

First, among the reasons for the establishment is about income sources of municipalities. Since the 1980s, their income sources and authorities have been enhanced. Therefore, it has become easier for these institutions to engage in

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<sup>188</sup> Tunay Köksal, "Belediye Şirketlerinin Hukuki Rejimi ve Şirketleşme Uygulamaları," *Çağdaş Yerel Yönetimler* 2, no.6 (Kasım 1993): 57, accessed April 20, 2015, [http://www.todaie.edu.tr/resimler/ekler/53d67a3711b231a\\_ek.pdf?dergi=%C7a%F0da%FE%20Yerel%20Y%F6netimler%20Dergisi](http://www.todaie.edu.tr/resimler/ekler/53d67a3711b231a_ek.pdf?dergi=%C7a%F0da%FE%20Yerel%20Y%F6netimler%20Dergisi); İpek Özkal Sayal and Murat Kışlalı, "Belediyelerde Şirketleşmenin Yararı Var Mı? Hurafeler ve Gerçekler," *Çağdaş Yerel Yönetimler* 17, no.1 (Ocak 2008): 62-64, accessed April 20, 2015, [http://www.todaie.edu.tr/resimler/ekler/63637ed89fd4634\\_ek.pdf?dergi=%C7a%F0da%FE%20Yerel%20Y%F6netimler%20Dergisi](http://www.todaie.edu.tr/resimler/ekler/63637ed89fd4634_ek.pdf?dergi=%C7a%F0da%FE%20Yerel%20Y%F6netimler%20Dergisi)

establishing economic enterprises. However, there is also the fact that according to the Ministry of Interior, the share received from the general budget tax revenues consisted of 51.94 percent (23.4 billion TL) of all municipalities' total income (45.1 billion TL) in 2012, and the same ratio was 51.12 percent (27.5 billion TL/53.9 billion TL) in 2013.<sup>189</sup> The portion of the general budget tax revenues in total municipal revenues is quite noticeable in these figures. So, despite the improvements in municipal revenues since the 1980s, municipalities still have financial problems. Therefore, they may opt to create additional revenue sources, except for taxes and other sources, by undertaking company building activities.

In connection with this point, municipalities intend that their revenues, which may be transferred to private corporations, can be returned to themselves and thus municipalities' economic dependence on the central government is reduced. Also, the authority to provide sufficient income sources to municipalities in proportion to their tasks is in the hands of the central government, which gives important leverage to the central government over municipal revenues. In response to these developments, municipalities might endeavor to keep economic enterprises under their control. As stated in Municipal Law and Metropolitan Municipal Law, revenues obtained from all initiatives, investments and operations are among municipalities' income sources; therefore, municipalities want to return municipal sources back to their budgets.

However, this aim can be hard to achieve and generally is not realized in practice. Since, a number of companies have not been able to make profits (even though they did not set high profit rates in the beginning) due to several reasons and

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<sup>189</sup> "Bütçe Gelirlerinden Alınan Paylar ve Ödenekler," İçişleri Bakanlığı Mahalli İdareler Genel Müdürlüğü, 2014, accessed April 20, 2015, [http://www.migm.gov.tr/Istatistik/Mahalli\\_Idarelerin\\_Turlerine\\_Gore\\_Genel\\_ButceVergiGelirlerinde\\_n\\_Alınan\\_Paylari\\_ve\\_Toplam\\_Gelirler.pdf](http://www.migm.gov.tr/Istatistik/Mahalli_Idarelerin_Turlerine_Gore_Genel_ButceVergiGelirlerinde_n_Alınan_Paylari_ve_Toplam_Gelirler.pdf)

those which have done preferred to transfer these earnings to the companies' budgets by means of "increase of capital."<sup>190</sup> Furthermore, Law No.5393 (Article 60) declares that debt and interest payments are among municipalities' expenses.

Another fiscal issue regarding these companies is that the places from which funds can be borrowed are limited to municipalities, except for İlbank. The Prime Ministry Undersecretariat of Treasury is unwilling to post bails. As a result, the credits which necessitate these bails cannot be contracted, it is claimed, by putting forward the reasons of municipalities' incapability of repaying those loans and their irresponsible use of credits.<sup>191</sup> However, because municipal firms have more alternatives in terms of obtaining credits from private banks than municipalities themselves, setting up enterprises subject to private law seems more advantageous in credit issues.

Second, with the foundation of these corporations, municipalities also plan to get away from the central government's administrative tutelage some more; by setting up economic corporations, municipalities can have more freedom in the economic realm.

Third, ensuring efficiency and effectiveness in providing local services is another critical point since different administration levels, other than the nation state like cities, have become more essential scales. Also they have entered into competition with other cities about issues such as attracting investments. Thus, decisions concerning the issue of city development should be taken and implemented in a more rapid way and not only by the public authorities but also in cooperation with private companies and civil society as well.

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<sup>190</sup> Meşe, "Belediye Şirketleri Üzerine Bir Değerlendirme," 206.

<sup>191</sup> Ibid., 207.

This attitude overlaps with the New Public Management (NPM) understanding of local administration. According to this approach, the meeting of local common needs on time and in an effective and efficient way is important. As long as it is supervised and regulated by local authorities, the issue of who delivers local public services has become less significant. As a result, in this new attitude, the number of alternative methods stated above has increased.<sup>192</sup> This aim is also related to making good use of the private sector management techniques. At this point, along with other privatization models mentioned above, the method of establishing economic enterprises is used so as to accelerate this process.

Fourth, the significance of the personnel policy should be pointed out. Since it is difficult for municipalities to utilize well-qualified employees especially because of public policies about civil servants' salaries, owing to municipal firms, municipalities are able to utilize greater number of workers and give the amount of salary they want. Otherwise, since qualified staff mostly prefers to work for private companies that can offer them better job opportunities and earnings. This phenomenon might be an obstacle for municipalities too in terms of creating good bureaucratic cadres. Moreover, municipalities are able to employ top management officials who can participate in the boards of directors or the auditing commissions of their municipality's companies. These management officials may benefit from additional opportunities except for salaries such as per diem payment/attendance fee (*huzur hakkı*).<sup>193</sup> Whereby municipalities can assign their qualified bureaucrat staff to senior management positions and therefore provide their qualified personnel with high salaries through these personnel, they also consolidate municipalities,'

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<sup>192</sup> Bozlağan, *Türkiye'de Yerel Yönetimler*, 21-22.

<sup>193</sup> Bilal Eryılmaz, "Belediye Hizmetlerinin Yürütülmesinde Alternatif Kurumsal Yöntemler," *Türk İdare Dergisi* 382 (Mart 1989): 51.

especially mayors', influence over municipal companies. This approach moves these firms away from being professionally managed trading companies.<sup>194</sup>

Moreover, in recent years, as a result of the policies of decreasing the number of personnel in the public sector, the number of municipal staff, particularly the staff in the status of workers, has seriously decreased. However, the required number for the provision of local services fulfilled by municipalities has not decreased in real terms. Therefore, municipal firms and subcontractors have become prominent as options for municipalities regarding their personnel necessities.<sup>195</sup> In addition, either due to political reasons or their staff needs, municipal administrations might remain under pressure to provide employment opportunities in municipal firms, for example, to their friends or acquaintances (especially at election times). Because meeting these employment and assistance requests through municipalities is very hard, municipal companies became useful options. Also, as municipalities' annual staff costs are regulated by the central authority and these costs cannot exceed certain amounts that are determined in Article 49 of the Municipal Law, it is again difficult for municipalities to employ necessary personnel within municipal organizations.

The employment issue is related to the privatization of municipal services through the procurement method.<sup>196</sup> Lately, particularly, cleaning works, park and garden services, and infrastructure and construction works have been transferred to municipal companies or subcontractors via the tender method. This implication decreases the number of people who are listed as permanent personnel or state employees (*kadrolu çalışan*). Services that should be fulfilled by permanent staff are implemented by staff in the worker status (regular or company workers-*kadrolu/şirket işçisi*). The fact of determining public servants' payments according to

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<sup>194</sup> Meşe, "Belediye Şirketleri Üzerine Bir Değerlendirme," 207.

<sup>195</sup> Ibid., 207-08.

<sup>196</sup> Ibid., 208.

collective contracts puts municipalities in a difficult situation financially. Therefore municipalities may find privatization methods more rational. Furthermore, this method can be practical for municipalities because municipal firms' or subcontractors' workers receive lower wages, which is another advantage of utilizing private companies. But, it might be difficult to realize this target in practice because municipalities may consider the profitability of the companies they work with as well. Therefore, a resource transfer may be targeted to companies especially which are close to the municipality's administration.

Company or subcontractor workers are also mostly prevented from seeking their legal rights because of lack of the job security and possibility of being dismissed when necessary. Although articles about full and timely payment of wages are put in contracts, in practice, if there is a problem about these issues, due to the possibility of being dismissed, problems about seeking remedies are observed.<sup>197</sup> Consequently, the reduction of employment in the public sector does not diminish local service needs, municipalities benefit from municipal companies concerning the subject of personnel requirements. As stated in the same place, at this point, municipalities are criticized by claiming that they gradually have transformed from institutions that provide services to institutions that get private companies to fulfill those services. This circumstance both threatens the Constitution's article which underlines that local public services are executed by permanent public servants and makes the knowledge of the number of personnel who work at municipalities, municipal affiliates and municipal enterprises difficult.

The fifth reason is the procurement method, which is one of the most effective ways to transfer resources from municipalities to municipal companies as well,

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<sup>197</sup> Ibid., 209.

especially in the areas of cleaning works, park and garden works, and security services. According to Law No.4734, municipal companies are allowed to participate in municipalities' tenders freely. However, municipalities are sometimes criticized at this point too because they are both the ones initiating tenders and the owners of the companies which win these tenders; this approach is questioned in terms of principles of transparency, equal treatment, competition and efficient use of sources, principles that should be met according to the mentioned law.<sup>198</sup>

Regarding these issues, complaints are reported to the Public Procurement Authority and the institution has made annulment decisions as well; yet, its right of ex officio examination of controversial situations is abolished; therefore, if companies reach an agreement among themselves, the complaint mechanism does not function properly. For example, in cases of natural disasters, epidemic diseases, risks of loss of life and property, unforeseeable and sudden situations, if a tender is to be issued urgently, procurement can be done through the bargaining method (Articles 21 and 22 of Public Procurement Law). In this case, municipalities do not have to announce the tender, so companies invited to the tender are controlled by or connected with municipalities. Among these invited companies, except for the firm which is going to obtain the contract, others, either do not enter a proposal by giving a thank-you letter or submit their proposals with high prices or send missing documents.<sup>199</sup>

Moreover, it is difficult for companies to enter in bids which are made via the open tender procedure and demanded by municipal companies, for instance, due to prohibitive provisions placed in administrative or technical specifications. Among the reasons of not participating in municipal bids might be the reason of contractors'

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<sup>198</sup> Ibid., 210.

<sup>199</sup> Ibid., 210-11.

tendency of not distorting their relationships with municipalities or if they enter in bids, they may have problems in getting what they deserve or sanctifying their works to municipalities.

What's more, works that need to be put in tender separately (according to Article 5 of Law No.4734) are incorporated and approximate costs are also kept high therefore meeting economic, financial and other criteria can be a difficult job for companies especially in cases of cleaning works, park and garden services and asphaltting works; besides, if this work is to be fulfilled by a municipal firm, it might transfer the duty to subcontractors. According to Law No.4734 Article 15, firms can transmit certain parts of the work which cannot be accomplished because of technical problems to subcontractors. However, using subcontractors by municipalities in other parts of the work might cause the distribution of jobs to subcontractors who are close to municipalities and also transfer of money, the amount of the same reduction rate made by subcontractors to municipalities, from the budget of municipalities to municipal firms.<sup>200</sup>

An additional reason involves the auditing issue. Although municipal enterprises are audited, as they are subject to private law, that is, there is less control over them when compared to municipalities which are liable to the public arrangements. Because of the wideness of supervisory institutions' scope of duties and the shortage in the number of their staff, it is difficult to claim that municipal companies are being inspected regularly. In addition, since they are subject to private law, there is no administrative tutelage over them.<sup>201</sup> With the introduction of Law No.5018 (2003), local authorities are included among public administrations within the scope of general government and began to be audited by the Turkish Courts of

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<sup>200</sup> Ibid., 212.

<sup>201</sup> Ibid., 213.

Accounts. However, municipal companies remain outside of that control until the enactment of Law No.6085 (2010) in accordance with the principle that no units that use public sources (and fulfill public services) should stay out of the supervision of the Turkish Court of Accounts. Besides, these companies, regarding their tenders, are included in Public Procurement Law No.4734, as stated in Article 2. With these developments, efforts are made to implement the principles of transparency and accountability in public administration.

As another point, in both the Keynesian economic model, which lasted until the end of the 1970s, generally in developed countries and the import substitution industrialization model in industrializing countries in the same period, the nation state was the dominant level in terms of economic growth. But, with the coming of the 1980s, national developmentalism was pushed into the background and nation states tend to move aside from their entrepreneurial characteristic. As discussed above, new scales (such as subnational or supranational levels) became more influential, a trend which does not denote weakening of national states' authorities. As a result, in addition to other factors, local governments became more prominent actors in terms of provisioning of public services, attracting investments and development of regions; the factors also augment the possibility of use of alternative and neoliberal techniques in fulfilling of common local services and stimulating local economic life.<sup>202</sup>

Other establishment reasons can be summed up as, the rapid population growth and urbanization process contributed to the increase in demand for local services which put additional pressure on local governments to offer more services with limited sources and this led especially to metropolitan municipalities search for

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<sup>202</sup> Bozlağan, “Belediye İktisadi Teşebbüslerinin Özelleştirilmesinde Temel Sorun.”

alternative service delivery models. Another reason was drawing benefits from the status of corporate body and advantages of being subjected to private law by establishing such enterprises and avoiding restrictions of public law. Another factor was, municipalities argue, preventing disruptions or delays in fulfilling local services by purchasing municipal services through their companies.<sup>203</sup> Implementing the provision of services quickly was important because, it is argued that, delays occurred regarding this point may increase costs and bring additional burden on municipal budgets. Therefore, municipalities considered these private enterprises as a mechanism of making quick decisions and benefiting from their flexible organizational structures.<sup>204</sup> Another aim was to transfer the rent coming from commercially profitable realms to municipalities and therefore to ensure creation of new revenue sources. Lastly, especially due to the necessary permit requirements that had to be obtained from the central authorities, municipal administrations were inclined to enlarge their current enterprises through increasing capital (conglomerate tendency) and this inclination contributes to the emergence of big corporations.

#### Linkages between Firms and Their Municipalities, the Privatization Issue and Some Criticism

Concerning the subject of the relationship between municipalities and municipal companies, in addition to the natural linkages between the two explained above, several metropolitan municipalities have formed units of resource development and participations/enterprises departments since 2000. On the one hand, these units provide connections between municipalities and municipal enterprises. On the other

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<sup>203</sup> Gürbüz Özdemir, “Belediye İktisadi Teşebbüslerinin Özelleştirilmesi,” *Sayıştay Dergisi* 71 (Ekim-Aralık 2008): 44, accessed April 20, 2015, <http://dergi.sayistay.gov.tr/icerik/der71m3.pdf>

<sup>204</sup> Recep Bozlağan, “Belediye İktisadi Teşebbüslerinin Özelleştirilmesinde Temel Sorun.”

hand, they ensure coordination among the companies and determine service policies and strategies of the firms.

About the issue of privatization concerning municipalities, there are two different subjects, the privatization of municipal services and the privatization of municipal firms. The latter may be at stake because of the aims of provisioning of revenues to municipalities and saving companies from their debt burdens.<sup>205</sup>

Privatization Law No.4046 Article 26 states that decisions about privatization of municipalities' and special provincial administrations' shares in their enterprises are made and executed by these institutions' competent bodies, in this case, municipal assemblies.

Concerning municipal enterprises' fields of activity, both Municipal Law (Article 70) and Metropolitan Municipal Law (Article 26) state that municipalities are able to set up any enterprises in areas regarding their duties and authorities. Yet, today, these firms present in various field, such as cleaning works, park and garden works, landscaping, data processing, fuel products, tourism, engineering, councillorship, public housing, bakery products, supplying of natural spring water, transportation, infrastructure, and means of transportation. Also included are replacement parts, natural gas, solid waste, coal, concrete materials, cattle market, parking buildings, culture and artistry activities, sports events, event organizations, export, import, facility building and operating, contracting, railway systems, furniture manufacturing, information technology, know-how, publishing, consulting, human resources, public relations, electricity production and distribution, education, health care, exhibition organizations, restaurant and cafeteria management, communication, floriculture, traffic markings, sports clubs, food industry, industry

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<sup>205</sup> Ibid.

and trade. Considering the scope of these companies, their activities have spread over quite a large area. Besides, municipalities are able to provide these services by themselves or make other private or volunteer organizations or people fulfill them.

Also, there have been criticisms towards municipal firms (in addition to the points referred to about tender, auditing, personnel and other subjects) by stating that common local needs that concern municipalities should be met with institutions established within municipalities instead of setting up private companies; several points about these criticisms are mentioned.<sup>206</sup> Although these companies are private firms, because they are under the control of the municipalities which own them, it can be difficult for these companies act independently in decision making processes.

They are criticized for employing certain cadres which are politically close to municipalities themselves; thus, there is a possibility emerges that in these companies, persons who do not have the necessary competence might be recruited.

Problems of favoritism or nepotism and corruption might be witnessed regarding these firms; besides, as they are not or cannot be supervised properly, it is difficult to determine these malpractices which interest the public in general. Although, the new approach to public administration discursively underlines the importance of accountability and transparency, as the public service provision applications have shifted towards the realm of private sector, the mentioned principles are not followed by the municipalities examined in this work.

Last, parliamentary inquiry motions are submitted by the Turkish Grand National Assembly members asking that as a result of municipalities confer tenders to their companies, subcontractors are also employed through municipal firms

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<sup>206</sup> Ibid., 45.

without being included in tenders, the firms are criticized as being vehicles of unfair distribution of rent.<sup>207</sup>

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<sup>207</sup> Ibid., 214.

## CHAPTER FOUR

### MUNICIPAL COMPANIES IN ESKİŞEHİR

In Chapter Four and Chapter Five, municipal companies of the two metropolitan municipalities as well as arguments about these enterprises are examined. Despite of the differences between them, I argue that the main motives behind the increasing number of municipal companies in the two cities are quite similar. Both municipalities try to avoid excessive bureaucratic procedures along with the central state's supervision, control and limitations therefore consider establishing economic enterprises as means for gaining more independence and acting as more powerful actors in the economic realm. The second important common reason for establishing these firms is the lack of adequate income sources and municipal staff vis-a-vis the increasing demands and expectations of the citizens (which resulted in the expansion of the municipal area) from their municipalities in terms of the fulfillment of common local needs. Lastly, a less important motivation is owing to these companies, municipalities can, indirectly, employ more personnel (sometimes with populist purposes). Also municipalities might contribute to their budgets owing to their economic enterprises.

On the other hand, the foremost difference between the two municipalities is that almost every official from Eskişehir Metropolitan Municipality claims that because their municipality belongs to an opposition party, like other municipalities that are in the hands of opposition parties, they encounter the ruling party's discriminatory implementations. For example, it is required for municipalities to get permission from the center in the establishment stages of municipal companies or in

the phase of company share increasing. In addition, they might encounter bail problems when obtaining credits or be subjected to more auditing mechanisms of the central authority.

As a result, the motives for establishing economic enterprises are similar in these two cases. Due to the changing municipal practices, which have become widespread in the last three decades, the local governments' role in fulfilling local services has diminished along with the implementations of incorporating companies, initiating lots of tenders and utilizing subcontractors etc. Although many municipalities seek to avoid the central authority's influence, based on the opinions of the officials working in a municipality belongs to an opposition party, they have more reasons for keeping themselves away from the ruling party's impacts.

### Eskişehir Metropolitan Municipality

Eskişehir Municipality was transformed into Eskişehir Metropolitan Municipality in 1993 with the enactment of Executive Order No.504. As a result, the scope of its duties, authorities and resources were expanded. When the results of the local elections in the last 25 years are looked over (i.e. the last five local elections), it is seen that Eskişehir has been governed by center-left or social democrat parties, except for the 1994 election which was won by the True Path Party from the central-right. In 1999, 2004, and 2009, the local elections were won by the Democratic Left Party, and the election in 2014 by the RPP. This is a different political tradition regarding local issues from the attitude in Konya; however, in general, both of these two approaches are not very different from each other in terms of their perspectives about performing common local services.

As a difference between the two cases, compared to Konya, at least during the last 30 years, the municipality in Eskişehir had a more heterogeneous structure. For example, the member distribution in the metropolitan municipal council in Eskişehir after the 2014 local election shows that 29 of all 46 council members were from the JDP, while 16 councillors form the RPP, and one member from the NMP. On the other hand, in Konya, after the 2014 elections, the JDP was the dominant party in the metropolitan municipal council with 110 members, whereas the NMP, the RPP and the Peace and Democracy Party (PDP) were represented with 15, two, and three members in order. In brief, according to metropolitan municipality and municipal council election results of the recent years, the degree of local opposition has been visibly higher during the recent years in Eskişehir, compared to the structure in Konya. In addition, despite local opposition, it is important to mention that the metropolitan municipality in Eskişehir has been administered by the same person, Yılmaz Büyükerşen, since 1999. Therefore, in this case, there has been a politically stable and sustainable municipal management.

Together with the NPM approach to public administration, as discussed in the theory chapter, the matter of preparing strategic plans has become important for public institutions. Therefore, a brief examination of Eskişehir Metropolitan Municipality's strategic plans might be useful in order to comprehend the municipality's goals and strategies related to the municipal tendency of making use of alternative service provision methods.

According to one of the performance reports of the institution, Eskişehir Metropolitan Municipality considers strategic planning both as a part of the process in which local governments gain more independence from the central authority and

as a tool for ensuring municipal financial discipline.<sup>208</sup> As the state rescaling approach emphasizes the continuing and firm authority of the central state, the aim of escaping from the central authority's supervision and restrictions as well as operating in the private law's realm are among the leading reasons of incorporating firms not only for the metropolitan municipalities from opposition parties but also the municipalities belong to the ruling party at the center, as will be seen in the example of Konya.

In the strategic plan of 2006-2010, the metropolitan municipality mentions its goal of achieving a strong economy in the city. The plan especially highlights the significance of supporting business ventures by creating centers of attraction, accelerating infrastructure facilities in order to attract new investments, and increasing the municipality's cooperation with the groups that are affecting local economy.<sup>209</sup> Similar points are discussed by the NPM approach. The goals of strengthening local economy and attracting new investments direct local administrations to make and implement decisions about the locality in a more free and quick way. As a result, for the municipality, utilizing alternative forms of local service provision methods can facilitate these processes. This also enables municipalities to be able to provide more flexible responses to local demands.

According to the same plan, for the municipality, accomplishing a strong financial structure is another target which involves generating new income sources as well as diversifying them, protecting the municipality's financial discipline to ensure the institution's credibility. There are other goals, such as keeping control of personnel costs and other expenses of the municipality so that raising money for

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<sup>208</sup> Eskişehir Büyükşehir Belediyesi, "2007 Yılı Performans Programı" (Eskişehir 2007), accessed April 20, 2015, [http://www.eskisehir.bel.tr/dosyalar/performans\\_programi/2007.pdf](http://www.eskisehir.bel.tr/dosyalar/performans_programi/2007.pdf)

<sup>209</sup> Eskişehir Büyükşehir Belediyesi, "Büyükşehir Belediyesi Stratejik Planı 2006-2010" (Eskişehir 2006), accessed April 20, 2015, [http://www.eskisehir.bel.tr/dosyalar/stratejik\\_plan/2010.pdf](http://www.eskisehir.bel.tr/dosyalar/stratejik_plan/2010.pdf)

required investment expenses, increasing the amount of revenues coming from the municipality's economic enterprises by ensuring their efficiency and effectiveness, and making use of national and international funds. Although their amounts of debts and contributions to municipal budgets are controversial, the revenue raising target is also associated with the municipality's entrepreneurial character. Together with the aims of fulfilling local services with low costs and of decreasing municipal expenses (while facing increased local demands), these features are pointed out by the new management approach to public administration, too.

Concerning the issues of providing efficiency and effectiveness, another item mentioned by the NPM, another example is that the metropolitan municipality has been found successful for its efficient and effective works by international organizations. In the period 2014-2015, Eskişehir Metropolitan Municipality won the award in the category of environmental and corporate sustainability and became the national champion in the European Business Awards, the main aim of which is to draw attention to and recognize the works of Europe's foremost business organizations.<sup>210</sup>

About municipal companies, the same plan indicates that the municipality carries out the production and supply of needed goods and services at low cost through its economic enterprises. Additionally, these firms generate employment and provide important contributions to the municipality's budget owing to the profits they make. Moreover, it is noted that they have gradually become more efficient and effective companies; in addition, the quality of their work done for the city as well as their volume of businesses have gradually risen.

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<sup>210</sup> "European Business Awards," accessed April 20, 2015, <http://www.businessawardseurope.com/about> ; "Büyükşehir 'European Business Awards' Oylamasında Türkiye Birincisi Oldu," *Milliyet*, March 9, 2015, accessed April 20, 2015, <http://www.milliyet.com.tr/buyuksehir-european-business-awards-eskisehir-yerelhaber-661954/>

As the NPM model argues regarding the structure of the municipality, the same plan designs a well-organized, small but agile organization which enlarges its scope of duties according to the needs of the public. The municipality should employ a limited number but accomplished staff as well as provide its staff's training so they can follow technological developments closely to be an effective e-municipality. Additionally, the municipality should be a well-equipped, responsive, flexible, dynamic, participatory, accountable, and transparent organization which provides services by considering the factors of productivity, efficiency, sustainability and also within the framework of social municipal work.

In the second strategic plan of 2010-2015, threats to the economic development of the city are mentioned.<sup>211</sup> It is stated that the cooperation culture between different groups for the sake of certain aims is weak. However, many big scale projects, regarding the development of the city, require harmony and cooperation among local actors. In other words, it states that the coalition at the local level remains weak. Besides, it is claimed that by the administration that since Eskişehir Metropolitan Municipality belongs to an opposition party to the ruling party at the center, as in other opposition municipalities, in every previous period, discriminatory, preventive and anti-democratic politics of the center have formed important sources of problems for the municipality as well. The stated plan gives the extension demands concerning the light rail system of the city, which have been excluded from the State's Investment Plan for the last three years, as an example while appeals from the municipalities that are in the hands of the ruling party have been accepted.

Moreover, it is argued that the reduction in the central state's tax incomes because of economic crises, affects particularly the revenue sources of municipalities

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<sup>211</sup> Eskişehir Büyükşehir Belediyesi, "Büyükşehir Belediyesi Stratejik Planı 2010-2015" (Eskişehir 2010), accessed April 20, 2015, [http://www.eskisehir.bel.tr/dosyalar/stratejik\\_plan/2015.pdf](http://www.eskisehir.bel.tr/dosyalar/stratejik_plan/2015.pdf)

which belong to opposition parties. The document complains about inadequate income sources and limitations of opportunities to increase revenues as well as the lack of qualified work force and cooperation between the municipality and universities. Furthermore, the municipality regards other factors as threats, too, for example; the insufficiency in its revenue growth compared to the expansion in the service areas of the municipality, possible difficulties in efficient service provision due to the expansion of the municipality's borders according to Law No.6360, negative impacts of the central government's town planning implementations that may not comply with metropolitan municipalities' planning activities, and the inadequate support of the central government for local projects.<sup>212</sup>

The metropolitan municipality adds that according to the related by-law, public administrations are required to take development plans and government plans of the central authority into consideration in preparing their performance programs. For example, the Tenth Development Plan attaches importance to the public management approach under the title of innovative production-stable high growth, and to local governments, regional development as well as competitiveness under the heading of livable spaces and lastly to matters of international cooperation and contribution to global development.<sup>213</sup>

Another stated program is the National Strategy of Regional Development (*Bölgesel Gelişme Ulusal Stratejisi, BGUS*). This plan also declares goals such as constituting a more balanced settlement arrangement throughout the country, increasing international competitiveness and global integration, generalizing governance, introducing and giving support to investment opportunities,

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<sup>212</sup> Eskişehir Büyükşehir Belediyesi, "Büyükşehir Belediyesi Stratejik Planı 2015-2019" (Eskişehir 2015), accessed April 20, 2015, [http://www.eskisehir.bel.tr/dosyalar/stratejik\\_plan/2019.pdf](http://www.eskisehir.bel.tr/dosyalar/stratejik_plan/2019.pdf)

<sup>213</sup> Eskişehir Büyükşehir Belediyesi, "2015 Yılı Programı" (Eskişehir 2015), accessed April 20, 2015, [http://www.eskisehir.bel.tr/dosyalar/performans\\_programi/2015.pdf](http://www.eskisehir.bel.tr/dosyalar/performans_programi/2015.pdf)

strengthening trans-border and interregional linkages. According to this program, administrations at the local level should take into account priorities and strategies stated in these plans of the central government while determining their own goals and policies.

In summary, as appeared in these plans and reports, several principles put forward by the NPM and the rescaling approach have been embraced by Eskişehir Metropolitan Municipality, such as creating new centers of attraction, increasing cooperation between different groups in the city, generating new revenue sources, which is seen as one of the contributions of municipal companies. Also, the matters of efficiency, small but agile, flexible, accountable and transparent municipal structure, the increase in the number of demanded public services are underlined. The list also involves the influence of central government's strategies, control and supervision and the willingness of several municipalities to gain more independence from these policies as well as to deal with fiscal problems, the two reasons which encourage municipalities to engage in the private sector's realm and public-private partnerships (for instance by establishing enterprises) are among the discussed subjects in these theoretical approaches too.

### The Companies of the Metropolitan Municipality

According to the website of Eskişehir Metropolitan municipality, these firms were established to produce municipal goods and services in the market's conditions of competition and prevent contractors and sellers from negotiating and determining the

price as well as the supplier of the service before the tender phase.<sup>214</sup> The municipality declares that 12 companies in different economic fields have been established so far. It is added that these enterprises are audited by an inspection team and run by a small number of professional directors who are distanced themselves from political parties. The necessity of regular auditing mechanisms and professional management techniques in the public sector are once more part of the new approach to the public administration.

In addition, the capital of the firms is invested by the metropolitan municipality itself and after the taxes are paid to the state, the net profits remain in the hands of the municipality. The establishment years, capital structure ratios and areas of activities of these 12 companies are taken from the same website and cited below. Except for the one company, which is in the construction business, all other eleven companies were set up in the first decade of the 2000s. The companies are small corporations whose stock holders are the metropolitan municipality itself and the municipality's other economic enterprises.

The first company is Belkent (*Belde Kent Hizmetleri İnşaat Turizm Taşımacılık Ticari İşletmecilik, İletişim Sanayi ve Ticaret A.Ş.*), which was founded in 2001. It specializes in all types of superstructure designs and infrastructure projects, tourism, transportation services, commercial business, communication services, bakery production, and contracting businesses.

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<sup>214</sup> “Eskişehir Büyükşehir Belediyesi / Kurumsal / Şirketler” accessed April 20, 2015, [http://www.eskisehir.bel.tr/kurumsal\\_sirketler\\_list.php?menu\\_id=21](http://www.eskisehir.bel.tr/kurumsal_sirketler_list.php?menu_id=21)

Table 4. Belkent's Capital Structure	TL	%
Capital Structure Ratios	50.000.-	
1. Eskişehir Kent Hiz. San.Tic. Ltd.Şti.	23.000.-	46
2. Esk.Sanat Öz.Eğt.San.Tic.Ltd.Şti.	23.000.-	46
3. Kent Dizayn- Kent Mob.San.Tic.ltd.Şti.	1.000.-	2
4. Espark –Esk. Park San.Tic.Ltd.Şti.	1.000.-	2
5. Belmar- Belde Market.San.Tic.Ltd.Şti.	1.000.-	2
6. Kentaş Kent İçi Top.Taş.San.Tic.Ltd.Şti.	1.000.-	2

Source: The website of Eskişehir Metropolitan Municipality.

Belmar (*Belde Marketleri Ticari İşletmecilik Pazarlama Turizm Eğlence Spor Sanat ve Ticaret Merkezleri San. Tic. Ltd. Şti.*) was founded in 2000, is involved with shopping malls, supermarkets, art galleries, exhibition and entertainment areas, parks, sports facilities, hotel management, kindergarten and dormitories as well as cinema and concert centers establishment, management, renting or leasing out, café and WC management.

Table 5. Belmar's Capital Structure	TL	%
Capital Structure Ratios	47.000.-	
1. Eskişehir Kent Hizmetleri San.Tic.Ltd.Şti.	25.850.-	55
2. Eskişehir Sanat Özel Eğit.San.Tic.Ltd.Şti.	21.150.-	45

Source: The website of Eskişehir Metropolitan Municipality.

Belnet (*Belnet Bilişim Teknoloji Araştırma San. Ve Tic. Ltd. Şti.*) was founded in 2005, provides program, database and software development, production, and installation.

Table 6. Belnet's Capital Structure	TL	%
Capital Structure Ratios	5.000.-	
1. Belkent A.Ş.	2.600.-	52
2. İZTEK İzmir Teknoloji San.ve Tic.Ltd.Şti.	2.400.-	48

Source: The website of Eskişehir Metropolitan Municipality.

Esket (*Eskişehir Sanat Özel Eğitim Kültür Spor Özel Sağlık Reklam ve Tanıtım Hizmetleri San. Tic. Ltd. Şti.*) was founded in 2000, operating in the areas of art activities, private training, private health care, advertisement and public relations, the

City Databank, information management systems, security systems, computer equipments and software, and know-how activities.

Table 7. Esket's Capital Structure	TL	%
Capital Structure Ratios	1.070.000.-	
1. Eskişehir Büyükşehir Belediyesi	1.069.500.-	99.95
2. Eskişehir İmar İnşaat ve Ticaret A.Ş.	500.-	0.05

Source: The website of Eskişehir Metropolitan Municipality.

Espark (*Eskişehir Park Bahçe Peyzaj Temizlik San. Tic. Ltd. Şti.*) was founded in 2000, in the areas of parks, gardens, greenhouses, nurseries, sprinkler systems, landscaping and architecture services and projects as well as seeds, trees, plants, and flowers production and trading, and cleaning services.

Table 8. Espark's Capital Structure	TL	%
Capital Structure Ratios	5.000.-	
1. Eskişehir Kent Hizmetleri San.Tic.Ltd.Şti.	2.250.-	45
2. Eskişehir Sanat Özel Eğit.San.Tic.Ltd.Şti.	2.750.-	55

Source: The website of Eskişehir Metropolitan Municipality.

Espaş (*Eskişehir Pazarlama İşletmecilik Org. Kitle İletişim Hizmetleri Turizm Taşımacılık ve Ticaret A.Ş.*) was set up in 2001, in the fields of marketing, management, event services, mass media services, tourism, transportation, and the wholesale distribution and marketing of Kalabak drinking water.

Table 9. Espaş's Capital Structure	TL	%
Capital Structure Ratios	50.000.-	
1. Belmar- Belde Market.San.Tic.Ltd.Şti.	31.000.-	62
2. Esk.Sanat Öz.Eğit.San.Tic.Ltd.Şti.	15.000.-	30
3. Kent Dizayn- Kent Mob.San.Tic.ltd.Şti.	1.000.-	2
4. Espark –Esk. Park San.Tic.Ltd.Şti.	1.000.-	2
5. Kentaş Kent İçi Top.Taş.San.Tic.Ltd.Şti.	1.000.-	2
6. Kent Sigorta Aracılık Hizmetleri Ltd.Şti.	500.-	1
7. Esk.Kent Hizmetleri Ltd.Şti.	500.-	1

Source: The website of Eskişehir Metropolitan Municipality.

Estram (*ESTRAM Hafif Raylı Sistemler Ulaşım San. Ve Tic. A.Ş.*) was founded in 2004 for managing public transportation.

Table 10. Estram's Capital Structure	TL	%
Capital Structure Ratios	800.-	
1. Kentaş Esk.Kent İçi Top.Taş. San.Tic. Ltd.Şti.	560.-	70
2. Espaş Esk.Paz.İşl.Org.Kit.İlt.San.Tic.A.Ş.	240.-	30

Source: The website of Eskişehir Metropolitan Municipality.

İmar İnşaat (*İmar İnşaat Tic. A.Ş.*) was established in 1990, for all types of superstructure designs and infrastructure works, consulting and contracting of collective housing works, and production of concrete elements.

Table 11. İmar İnşaat's Capital Structure	TL	%
Capital Structure Ratios	600.000.-	
1. Eskişehir Büyükşehir Belediyesi	538.575.-	89.763
2. Kent Dizayn Kent Mob.San.Tic.ltd.Şti.	30.475.-	5.079
3. Beylikova Belediyesi	30.000.-	5.000
4. Espark Esk. Park San.Tic.Ltd.Şti.	475.-	0.079
5. Belmar Belde Market.San.Tic.Ltd.Şti.	475.-	0.079

Source: The website of Eskişehir Metropolitan Municipality.

Kent Dizayn (*Eskişehir Kent Mobilyaları Üretim Yapım Bakım Onarım San. Tic. Ltd. Şti.*) was set up in 2000, operating in the areas of all types of urban furniture, road marking materials, advertisement, security systems, communication systems, superstructure and infrastructure construction works.

Table 12. Kent Dizayn's Capital Structure	TL	%
Capital Structure Ratios	5.000.-	
1. Eskişehir Kent Hizmetleri San.Tic.Ltd.Şti.	2.750.-	55
2. Eskişehir Sanat Özel Eğit.San.Tic.Ltd.Şti.	2.250.-	45

Source: The website of Eskişehir Metropolitan Municipality.

Kent Hizmetleri (*Eskişehir Kent Hizmetleri Üretim Yapım Bakım Onarım Dağıtım Sanayi ve Ticaret Ltd. Şti.*) was incorporated in 2000, for preparation of plans, projects, study and planning works of the city and the metropolitan municipality, all types of superstructure and infrastructure construction projects, public transportation, cleaning works, landscaping works, all kinds of production, distribution and marketing activities that are in the public's as well as the

municipality's benefit, establishment and management of the required infrastructure facilities for these works.

Table 13. Kent Hizmetleri's Capital Structure	TL	%
Capital Structure Ratios	1.050.000.-	
1. Eskişehir Büyükşehir Belediyesi	1.049.450.-	99.94
2. Eskişehir İmar İnşaat ve Ticaret A.Ş.	550.-	0.06

Source: The website of Eskişehir Metropolitan Municipality.

Kent Sigorta (*Kent Sigorta Aracılık Hizmetleri Ltd. Şti.*) was founded in 2000 to deal with insurance intermediary services.

Table 14. Kent Sigorta's Capital Structure	TL	%
Capital Structure Ratios	5.000.-	
1. Eskişehir Kent Hizmetleri San.Tic.Ltd.Şti.	2.750.-	55
2. Eskişehir Sanat Özel Eğitim San.Tic.Ltd.Şti.	2.250.-	45

Source: The website of Eskişehir Metropolitan Municipality.

Kentaş (*Eskişehir Kent İçi Toplu Taşıma Nakliye Makine ve İnşaat Sanayi ve Ticaret Ltd. Şti.*) was established in 2000, carrying on businesses in the areas of urban transportation, establishment of infrastructure facilities for public transportation, oil and petroleum products trade, vehicle maintenance stations, establishment and management of car parks, all types of infrastructure construction works, esbot (vessel) management.

Table 15. Kentaş's Capital Structure	TL	%
Capital Structure Ratios	205.000.-	
1. Eskişehir Kent Hizmetleri San.Tic.Ltd.Şti.	112.750.-	55
2. Eskişehir Sanat Özel Eğitim San.Tic.Ltd.Şti.	92.250.-	45

Source: The website of Eskişehir Metropolitan Municipality.

As can be seen from the tables above, the business fields of these firms are quite large. They exceed the traditional activity areas of municipalities considerably by including business administration, tourism, commerce, marketing, computer equipment and software or event organization. Except for the one in the construction business, the other companies were established in the post-2000 period. Additionally,

municipal firms in Eskişehir are not very large companies, excluding Esket, İmar İnşaat and Kent Hizmetleri. With the exception of İztek A.Ş. from İzmir, all other investors of these corporations are either the municipality itself or its other enterprises.

I could not find the information on how much profit or loss the municipal companies in Eskişehir make and the number of the personnel employed in these firms. Neither the metropolitan municipality nor the companies were willing to share this data. I could only find that, according to one of Eskişehir Metropolitan Municipality Council members from the opposition party, the JDP, as one of the biggest enterprises of the municipality, the amount of annual financial turnover Estram made has been 60 million TL on average in recent years. In other words, an amount that changes between 800 thousand TL and 1 million TL is transferred to the municipality per month.<sup>215</sup>

In addition, according to a local newspaper, the opposition JDP group in the local municipal council prepared a list which showed that 10 out of 11 municipal companies made losses in 2013 and the total amount of the loss was 8, 731, 000 TL.<sup>216</sup> Although Estram is an example for the municipality's goal of generating new income sources via setting up companies, by considering the total loss in that year and the opinions of the interviewees, at least for the year 2013, they are not profitable companies. In general, the companies in Konya are more successful in that sense.

Based on this local news, although there are profit-making municipal companies, the companies might end up in losing money in total. This loss is covered by the municipality. In addition, because municipal enterprises are very much under

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<sup>215</sup> "Meclis Üyesi Süzer: Estram Kar Ediyor, Ulaşım Yapılan Zam Vatandaşa Yük," *Cihan Haber*, August 13, 2012, accessed April 20, 2015, [http://www.cihan.com.tr/tr/haber/Meclis-uyesi-Suzer-Estram-kar-ediyor-ulasima-yapilan-zam-vatandasa-yuk\\_1023-CHNzYxMDIzLzIwMDg=](http://www.cihan.com.tr/tr/haber/Meclis-uyesi-Suzer-Estram-kar-ediyor-ulasima-yapilan-zam-vatandasa-yuk_1023-CHNzYxMDIzLzIwMDg=)

<sup>216</sup> "Belediye Şirketleri ve Zarar," *Eskişehir Anadolu*, November 18, 2013, accessed April 20, 2015, <http://anadolugazetesi.net/belediye-irketleri-ve-zarar-a-9443.aspx>

the influence of the metropolitan mayor, and his/her party, both in Eskişehir and other cities, it is the opposition party members who question and demand information about the management matters of these firms.

In addition, the table below, which I made by compiling data from the municipality's annual reports, shows the enterprise and ownership revenues of the municipality in the last eight years.

Table 16. Enterprise and Ownership Revenues of Eskişehir Metropolitan Municipality			
Year	The Estimated Budget (TL)	The Recovered Amount (TL)	The Income's Share in the Total Municipal Revenues (%)
2007	32,309,241.00	19,108,614.93	19.0
2008	30,785,021.00	25,971,411.89	22.66
2009	37,050,259.00	33,065,385.75	26.95
2010	51,473,500.00	31,403,281.01	19.87
2011	45,805,000.00	41,812,269.96	21.51
2012	93,290,000.00	44,938,227.45	23.13
2013	88,062,000.00	46,103,062.20	21.13
2014	75,439,000.00	67,761,880.10	20.89

Even though the amounts include the revenues coming from the municipal firms, they include ownership incomes; therefore, the data do not give clear information about these 12 companies' contribution to the municipal budget. In fact, rental incomes bring much more revenues than the companies do, never the less, it might be helpful to have an idea about municipal revenues.

#### Arguments about Municipal Companies in Eskişehir

#### General Evaluation and Reasons for Establishment

Regarding the functioning of the municipal companies in Eskişehir, I did interviews with four people, the two from the metropolitan municipality, one is a manager of one of the municipal firms, and one a financial advisor of these municipal

companies. On the subject of general views on municipal companies, the head of the tender department of the municipality stated that;

Companies are important for the municipality in terms of both making new investments in favor of the development of the city and providing local services to the citizens. Besides, a lot of municipal activities can be transferred to municipal firms. However, it might be difficult to transfer some of the works to the private sector because of the quality matters. For example, we do not prefer to employ private companies for the works of parking spaces and management of social facilities since this creates problems in terms of quality of the services.<sup>217</sup>

Especially in large cities, the two mentioned business areas, especially car parking, are among the most profitable areas for municipalities. Therefore, municipal firms might be used to make new investments to the city and to provide a better quality local service standard in a more quick and flexible way. About the issue of the provision of local services, he said that municipalities making use of municipal firms is both a good and a bad practice. If the aforesaid service can be widely provided by the private sector, he thinks that it does not make much sense to incorporate a company in this realm. On the other hand, concerning the realms in which the private sector has problems or does not exist, the municipality might intervene, as in the case of the municipality running gondolas in the Porsuk River. He said that although they are private firms, municipal companies cannot be considered to be equivalent to private firms because municipal companies do not act for profit in itself.

The head of the purchasing department of the municipality said that;

I do not agree with the approach that municipalities have turned into more investment-oriented institutions. Ultimately, albeit through companies, metropolitan municipalities, are making investments for the city and the citizens. Additionally, because they are not acting for profit for the most part, they are not working in accordance with the private sector logic. For example, the services of theatres, operas, concerts are provided via these firms. The main aim is serving, offering services at lower prices than the prices offered by other private companies, not making profits. Another example of affordable service

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<sup>217</sup> The Head of the Tender Department from the Purchasing Office of Eskişehir Metropolitan Municipality, interview by the author, Eskişehir, 12 March 2015.

delivery is bakery production. Therefore, I can say that municipal companies operating, at least, in these areas are acting without profit making motives.<sup>218</sup>

According to him, even though municipal firms should not be regarded as investment-oriented corporations which aim for profit, municipalities make investments through their economic enterprises. The manager responsible for the company of bakery production explained the principal reasons for setting up companies as follow;

One of the reasons for the provisioning of local services through municipal firms is because the number of staff assigned to the municipality is insufficient for maintaining common local necessities. The central state is the main decision maker at this point (...) Secondly, when we look at the municipal companies in Eskişehir, the oldest and foremost municipal company is Eskişehir İmar İnşaat, established for the construction and infrastructure works of the municipality. Instead of purchasing goods and services from outside or initiating tenders, such a company was set up. Subsequently, Eskişehir Kent Hizmetleri was established, together with Estram. The increases in municipal service areas and the escalation of citizens' demands and expectations from the municipality have led to municipal enterprises' branching out. For example, Kent Dizayn was set up as a branch of Eskişehir Kent Hizmetleri for designing such things as roads, and bridges.

In addition, these are not very big companies. Through these firms, the metropolitan municipality, instead of paying other private firms, takes its money from its right pocket to its left pocket. There are also other branches of this company, such as Espark and Belkent. Espark deals with moving grass, irrigation and planting trees, in other words, the works do not interest private companies (...) To summarize, municipalities have chosen the way of founding economic enterprises due to the increased number and scope of common local needs; for example, the necessity of establishing Eskişehir Halk Ekmek for bakery production emerged because of the possibilities of enhancement in bread prices and emergence of strikes (...) As a result, public services are maintained via limited liability and joint stock companies with hundreds of employees recruited outside of the municipal institution.<sup>219</sup>

As this perspective shows, municipalities establish companies in order to avoid some of the restrictions, control and influence of the central government. In addition to this, in the face of increasing demands coming both from the investors and public in

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<sup>218</sup> The Head of the Purchasing Department from the Purchasing Office of Eskişehir Metropolitan Municipality, interview by the author, Eskişehir, 13 March 2015.

<sup>219</sup> The Manager of Eskişehir Halk Ekmek Company of Eskişehir Metropolitan Municipality, interview by the author, Eskişehir, 24 March 2015.

general, they attempt to offer local services in a more efficient way. Also, as stated before in the municipality's plans, municipal companies contribute to the constitution of an agile and flexible municipal institution which fulfills city services at lower cost and with fewer employees, as referred by the NPM perspective to local administration.

The manager of the company also indicated that the issue of municipal companies is twofold. The first side is the commercial side. Because these companies are private firms that spend public money, in order not to waste public resources, they have to act like prudent traders and to comply with commercial law and customary rules as well. The other side is the emphasis on social state or the importance of provisioning qualified goods and services at reasonable prices. So, according to him, the financial continuation of the company and purchasing power of the citizens should be considered together. Moreover, he argues that although it is difficult to define municipal companies, they cannot be regarded as other private companies, especially considering the other side of the coin, mentioned above.

As in the case of bakery production, municipal companies in Eskişehir and İstanbul are different from other private firms, such as Uno, in terms of offering goods at more affordable prices. As seen in these perspectives, the inexistence of profit motives of municipal companies is underlined, usually giving bakery production or drinking water distribution firms as examples. Although this motive is emphasized, municipal firms might operate in lucrative business areas as well, a lot of municipal firms are operating in market-oriented sectors or management fields so as to provide revenue to the municipal budget.

Similar to what the NPM states, the financial advisor of Eskişehir Metropolitan Municipality's companies argued that the main reasons for the establishment of

municipal companies are fulfilling of municipal services in a more widespread and rapid way as well as keeping these services' costs low for the municipality.<sup>220</sup> In other words, for faster, cheaper and better quality provisioning of common local services, municipalities choose to take advantage of setting up corporations. Thus, once again as the NPM argues, these companies play roles in increasing competition in the public sector and more use of private sector management methods in this sector. It can be added that, consequently, output controls have turned into more significant matters rather than service provision processes themselves or inputs controls. Last, municipal companies also show that there is a trend towards the disaggregation of units and decentralization in the public sector in order to make faster and more efficient and constitute manageable entities.

He also said municipalities' goal of accelerating both tender stages and procuring phases of buying goods and services are targeted as well; however, it is open to discussion that whether or not these companies are run by in compliance with these goals. Furthermore, because all shares of the municipal firms in Eskişehir are owned by the metropolitan municipality, the approach of offering goods and services through these firms contributes to the increase in number and volume of the municipality's activities with respect to the city's economy. In other words, the scope of the municipality's area has expanded.

### Competition and Tenders

On the subject of ensuring competition in municipal tenders and on the critiques about the circumstance that the tendering authority and the awarded parts are after all

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<sup>220</sup> The Financial Advisor of Eskişehir Metropolitan Municipality's companies, interview by the author, Eskişehir, 16 March 2015.

the same, the head of the tender department argues that it may be better to restrict the scope of the tenders, in which the municipal enterprises take part, such as with the procurements of the service sector, management of cafeterias, social facilities, and parking areas. He emphasizes that the tendering authority and the awarded party are not the same in the case of Eskişehir by indicating that, for instance, in the previous few years, the ratio of the tenders won by the municipal companies was no more than five or ten percent.

Moreover, the interviewee from the purchasing department did not agree with the idea that municipal firms are diminishing competition in the market. He also did not think that municipal firms provided much revenue through municipal tender bids. Last, the manager of Eskişehir Halk Ekmek argued that municipal firms eventually increased competition in the market because new players participated in this rivalry.

According to the chief of the tender department, when municipal firms get involved in business activities, since they did not act in line with profit motives, the rivalry between companies increased. The interviewee from the purchasing department also said that although their municipality initiated tenders and bought services from its own municipal firms, in general about 90 percent of the procurements were obtained by other companies. He asserted that unlike other metropolitan municipalities, they did not discriminate against other private companies in procurement issues. He said if they did, they would have municipal firms that did most of the local works; they transferred these works to their enterprises, neglected others and moved on with new issues.

According to the financial advisor, the implementation of municipal companies entering the municipality's tenders contributes to the creation of a competitive environment. Thus, few municipal resources are spent through purchasing of goods

and services via the tender method. He said that usually, companies agreed amongst themselves before the tender phase. Because other private firms could not get involved in such relationships with municipal enterprises regarding a tender, companies other than municipal firms did not offer extremely low or extremely high prices in these tenders. This approach contributes to a more reasonable and average price formation at the tender. Lastly, he agreed that in Eskişehir, the ratio of tenders that were won by municipal enterprises was quite low.

As indicated by a study<sup>221</sup> conducted in 15 metropolitan municipalities, in Eskişehir between 2008 and 2009, three of the municipal companies (out of 12) joined municipal tenders of purchase of goods and services in various fields or construction projects within the scope of Public Procurement Law No.4734. As the researcher says, it is important to point out that about the companies that do not take part in these municipal tenders, the majority of them operate in the areas of transportation, food sector, natural gas distribution works (therefore, in market-oriented sectors) and/or others run car parks or tourist facilities that belong to the municipality. Thus, these companies either do not need to or have the possibility of participating in municipal tenders within the context of Law No.4734 or these two options are limited.

In addition, municipalities and affiliated administrations (such as water and sewage administrations) get services from some other municipal firms which do not join tenders and operate in study, planning and consultancy services, insurance businesses, fair organizations as well as urban furniture manufacturing through the direct supply method, in other words, without initiating procurements. There are also other possibilities, such as since some companies' information concerning the

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<sup>221</sup> İlhami İlhan, "Türkiye'de Belediyeler ve Şirketleri Arasındaki İhale İlişkileri Üzerine Bir Araştırma," *Sayıştay Dergisi* 88 (Ocak-Mart 2013): 5-25, accessed April 20, 2015, <http://dergi.sayistay.gov.tr/icerik/der88m1.pdf>

tenders they participate in may not be given to the Public Procurement Authority or these enterprises might join tenders in other years. Therefore, all data regarding the business volumes of this municipality's enterprises cannot be presented only by examining public tenders, yet it might give an idea about the tender relationships between metropolitan municipalities and their firms.

As stated in this research,<sup>222</sup> the total number of procurements initiated by Eskişehir Metropolitan Municipality and ESKİ (Eskişehir Water and Sewage Administration) was 111 in 2008 and it was 46 in 2009. In these years the number of these tenders won by the municipal companies was 21 in the former year and it was 12 in the latter year. Within these two years, the total figure of tenders announced by the leading 15 municipalities and their affiliated administrations were 4,500 and approximately seven percent of these tenders were won by municipal firms. While in Eskişehir, the average was 22.50 percent and in Konya, the same ratio was 2.66 percent, noticeably lower than the ratio of Eskişehir. But, the amounts of these tenders won by municipal corporations should be evaluated as well.

According to the research, the total amount of tenders that initiated by the 15 metropolitan municipalities in 2008 and 2009 was 16.2 billion TL. 3.9 billion TL of this amount was taken by related municipal companies. However, in the years of 2008 and 2009, as can be seen in the table below, 64.3 percent of the total amount of tenders initiated by Eskişehir Metropolitan Municipality went to the municipality's companies, the ratio was the highest figure among the metropolitan municipalities in this period.

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<sup>222</sup> Ibid.

Table 17. The Amounts of Tenders Won by Municipal Companies in Eskişehir, 2008-2009								
	The Metropolitan Municipality and Its Affiliated Administration	2008			2009			The Average Ratio of 2008 and 2009 %
		The Total Tender Amount (TL)	The Total Tender Amount That The Municipal Companies Won (TL)	The Ratio %	The Total Tender Amount (TL)	The Total Tender Amount That The Municipal Companies Won (TL)	The Ratio %	
Eskişehir	M. Municipality	75,027,546	39,336,650	52.43	17,584,285	13,392,811	76.16	<b>64.30</b>
	Eski	72,555,450	10,471,564	14.43	24,403,752	10,973,458	44.97	<b>29.70</b>
	<b>Total</b>	<b>147,582,996</b>	<b>49,808,214</b>	<b>33.75</b>	<b>41,988,037</b>	<b>24,366,269</b>	<b>58.03</b>	<b>45.89</b>

About the conditions of competition in municipal tenders, by comparing the number of tenders won by the municipal companies and the number of these tenders which the municipal firms are the only participants, it can generally be argued that municipal firms are mostly the only tenderers, unlike the principle of ensuring competition stated in Public Procurement Law.<sup>223</sup>

Table 18. The Conditions of Competition in Eskişehir, 2008-2009								
Metropolitan Municipality	The Tenderer Administration	2008			2009			The Average Ratio %
		The Number of Tenders Won by The Municipal Firms	The Number of Tenders That The Municipal Firms Are The Only Bidders	The Ratio %	The Number of Tenders Won by The Municipal Firms	The Number of Tenders That The Municipal Firms Are The Only Bidders	The Ratio %	
Eskişehir	M. Municipality	8	4	50.00	4	2	50.00	<b>50.00</b>
	Eski	13	8	61.54	8	5	62.50	<b>62.02</b>
	<b>Total</b>	<b>21</b>	<b>12</b>	<b>57.14</b>	<b>12</b>	<b>7</b>	<b>58.33</b>	<b>57.74</b>

Last, about the subject of protecting the municipality's resources, the matter of municipal companies winning municipal tenders, by evaluating municipal firms' statements of loss and gain and these firms' price advantage rates, the research argues that in general, municipalities purchase services from municipal firms at higher prices than they could get services from other private companies.<sup>224</sup>

<sup>223</sup> Ibid.

<sup>224</sup> Ibid.

During 2008 and 2009, only the municipal enterprises in Eskişehir offered price advantages or provide services at lower prices (about 40 percent of the approximate costs). However, it has to be pointed out that this condition alone does not provide a benefit. As seen, these municipal firms of Eskişehir Metropolitan Municipality ended up in losses in these years. The researcher presents that in Eskişehir, two out of three municipal companies (the number of firms that the researcher found their profit and loss statements) incurred loss. The total amount of profits of these three companies was 210,000 TL in 2008 and the amount of the loss in 2009 was 13 million TL. When the total amount of profit-loss situations of 15 metropolitan municipalities are examined, the total amount of loss was about 8.3 million TL in 2008 and the same amount was 64.4 million TL in 2009. As a result, it is argued that it is difficult to mention clear profit returns towards metropolitan municipalities.<sup>225</sup>

Taking this research as an example, I examined the metropolitan municipality's and their affiliated administrations' tenders in Eskişehir and, in the next chapter Konya, figures provided by EKAP (the data base which presents the tenders initiated by the Public Procurement Authority and other public institutions).<sup>226</sup> Between 2010 and 2015, the number of municipal companies that participated in the municipality's or ESKİ's tenders was four (out of 12) in Eskişehir. In the same period, there were 450 tenders announced by these two administrations and 27 of these tenders were won by the municipal firms (which refers to 110.2 million TL).

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<sup>225</sup> Ibid.

<sup>226</sup> [www.ekap.com.tr](http://www.ekap.com.tr)

Table 19. The Numbers of Municipal Tenders Won by Municipal Companies in Eskişehir, 2013-2014								
The Metropolitan Municipality and Its Affiliated Administration		2013			2014			The Average Ratio of 2013 and 2014 %
		Total Number of Procurements	The Number of Tenders Won By Municipal Firms	The Ratio of The Number of Tenders Won By Municipal Companies to The Total Number of Tenders %	Total Number of Procurements	The Number of Tenders Won By Municipal Firms	The Ratio of The Number of Tenders Won By Municipal Companies to The Total Number of Tenders %	
Eskişehir	M. Municipality and ESKİ	96	3	3.13	100	8	8.00	5.56

Table 20. The Amounts of Tenders Won by Municipal Companies in Eskişehir, 2013-2014								
The Metropolitan Municipality and Its Affiliated Administration		2013			2014			The Average Ratio of 2013 and 2014 %
		The Total Tender Amount (TL)	The Total Tender Amount That The Municipal Companies Won (TL)	The Ratio %	The Total Tender Amount (TL)	The Total Tender Amount That The Municipal Companies Won (TL)	The Ratio %	
Eskişehir	M. Municipality and ESKİ	105,079,198	15,476,189	14.72	135,131,439	8,975,701	6.64	10.68

As seen the last two tables above display the numbers and amounts of the tenders that were made within the scope of the Public Procurement Law. The ratio of the tenders won by the municipal firms was 5.5 percent on average, as well as the amounts of these tenders in the same period was 10.6 percent on average which was a significantly small proportion compared to the 64.3 percent of the 2008-2009 period. Lastly, about the competition in the period of 2013-2014, the figure of 68.7 percent points out that the municipal firms have continued to be the only tenderers in most of municipal procurements, as the table below shows.

Table 21. The Conditions of Competition in Eskişehir, 2013-2014								
Metropolitan Municipality	The Tenderer Administration	2013			2014			The Average Ratio %
		The Number of Tenders Won by The Municipal Firms	The Number of Tenders That The Municipal Firms Are The Only Bidders	The Ratio %	The Number of Tenders Won by The Municipal Firms	The Number of Tenders That The Municipal Firms Are The Only Bidders	The Ratio %	
Eskişehir	M. Municipality and ESKİ	3	3	100.00	8	3	37.50	68.75

### Senior Administrators of Municipalities Taking Part in Municipal Companies'

#### Management

As discussed in the previous chapter, municipalities' senior managers taking parts in management boards of municipal enterprises is a widespread implementation and is valid in the case of Eskişehir as well. Additionally, similar names play parts in different municipal corporations' administrations; for example, the company manager of Espark is also a member in directories of Belkent and Eskişehir İmar A.Ş., or the general director of Estram A.Ş. is also the company director of Kentaş.

According to the head of the tender department of the municipality, the municipality's senior staff taking part in municipal companies' boards of directors creates an advantage for the municipal firms and this also causes adversities for other companies. Unlike other interviewees, he said it is not a beneficial implementation for other private corporations. On the other hand, according to the manager of Eskişehir Halk Ekmek, this situation is normal; in addition, it is also stated in Turkish Commercial Law that municipalities can employ municipal senior staff in their economic enterprises' directories.

He added that municipal companies are already very much under the influence of the metropolitan municipal mayor (which is also a reflection of the strong municipal mayor figure discussed previously). The municipality carries out this effect through. For example, five persons and the metropolitan mayor is the primary figure. From this perspective, the circumstances are alike to the private sector in the sense that it is the company's boss who has the last word. Lastly, according to the financial advisor, there are not many people who are employed both in directories of municipal companies and in the senior management level of the municipality; and those who are employed in both positions are mainly assigned to monitoring tasks.

#### The Number of Personnel and the Issue of Subcontracting

As the NPM emphasizes that whereas the number of state employees has diminished in the post-1980 era, the number of staff in the worker status has increased. The manager of Eskişehir Halk Ekmek said that the municipal firms de facto increase the number of personnel working for municipal works because hundreds of people have been employed in these companies even if there is no enhancement in the number of permanent public servants. Moreover, for him, it is critical to point out the influence, control and limitation of the central authority over the number of civil servants working in local administrations. The trend leads municipalities to incorporate firms in order to avoid these controls and impacts. The financial advisor also mentioned that the existence of municipal companies does not cause a reduction in the number of municipality's staff. He emphasized that since municipalities are places which experience an excessive level of integration with politics, they can increase their

number of employees via municipal companies more easily, but this approach of them is, of course, not economically efficient.

With respect to the matter of subcontracting, the head of the tender department maintains that subcontracting implementations have not been witnessed most recently; he claimed that along with the new regulation, if the metropolitan municipal assembly makes a decision about the subcontracting of the work, the awarded party cannot directly transfer the work to a third party. For the independent accountant of the municipal companies, if there is no legal restriction, the parts, which entails specialization, of the promised jobs might be transferred to subcontractors; however, it is not a widespread practice to hand over the entire business to a subcontractor.

#### The Decreasing Role of Municipalities as Service Providers and the Subject of Quality

In Eskişehir and Konya, when considering the practices of incorporating municipal enterprises and initiating tenders, almost none of the interviewees agreed with the statement that municipalities have transformed from institutions which provide local services themselves to those which have construction works done or purchase goods and services from other persons and organizations. The head of the purchasing department expresses that although municipalities make use of municipal firms in fulfilling common local services. This statement is not valid for the municipality in Eskişehir because it is still the public institution which is responsible for the provision of these services. Thus, to my understanding, controlling and supervising the fulfillment of a local work or service by the municipality are found sufficient.

The director of Eskişehir Halk Ekmek implicitly accepted this perspective and points out that the reasons of this shift are the lack of adequate staff of municipalities as well as the expansion in their business lines. He said he wishes that municipalities were able to make planning and work in line with their long-term strategies. Instead, they focus on their short-term daily works and short-term programs. As a result, they might face malfunctions which leads them to make use of the private sector's solutions. The public accountant, on the other hand, mentioned that although municipalities make use of economic enterprises, they continue providing services via their units within the structure of the municipality. The quality of the works done by the metropolitan municipality is generally higher than that private firms. One of the reasons for this viewpoint is that municipal firms are subject to the municipality's inspectors' supervision as well.

With regard to the issue of quality, all of the interviewees agreed that the citizens are interested in the quality of the jobs, not who is providing them. In other words, as the NPM suggests, the important thing is outputs rather than inputs or processes. The chief of the purchasing department said that "Citizens are only interested in the visual part of the job but nothing else; for example, there are many sculptures in the streets. When they were first erected people objected them, as they always oppose everything. Yet, these sculptures have become figures among the symbols of the city now." For the financial advisor, the crucial things in the eyes of the citizens regarding goods and services are quality and low prices as well as the achievement of the goal of ensuring maximum quality at minimum cost. This approach also leads municipalities to utilize economic enterprises.

### The Topic of Auditing

On the subject of the auditing of municipal firms, the interviewee from the tender department said that with the addition of the Turkish Court of Accounts' audit, even though its supervision is inadequate for now, it will be put on the right track in time. The chief of the purchasing department, however, strongly defended the idea that the municipal companies of the Eskişehir Metropolitan Municipality are constantly and efficiently audited. The financial advisor stated that municipal companies in Eskişehir are audited by certified public accountants as well as the metropolitan municipality's own auditors, inspectors from the Ministry of Commerce and Trade, the Revenue Administration, the Social Security Institution, and the Turkish Court of Accounts. Thus, he said that municipal firms are controlled sufficiently; however, he added that the important point about auditing is its independence and objectivity, to put it differently, free auditing that is not being exposed to political pressures and the municipality's favoritism.

Contrary of these views, the manager of Halk Ekmek claimed that there are no effective auditing mechanisms over municipal companies, mainly because of the lack of qualified personnel and initiation of sake and willingness issues (*hatır gönül meseleleri*) when municipal firms come into question. According to him, municipal companies, probably, have 50 percent of the supervision of Koç Group's companies. He said that as their municipality belongs to one of the opposition parties, they must struggle more to get their revenue shares from the central budget and credits from İlbank as well as to find guarantors from the Prime Ministry Undersecretariat of Treasury when applying for foreign credits, unlike the municipalities that belong to the ruling party. He added that the central government constantly sends inspectors

both for opposition party municipalities and their companies. He said he does not know if the situations in municipalities from the party in power are similar. As an additional point about the center's control, he underlines that in the establishment phase of municipal enterprises, it is quite difficult to get the permission from the Council of Ministers. Consequently, as a municipality administered by an opposition party, more, in general they utter and complain about more auditing mechanisms and discriminative implementations of the central authority, applications that have been witnessed in different periods and different places as well.

### The Problem of Funding the Municipality

The topic has been discussed many times whether or not municipal companies bring municipal revenues back to the municipality, as one of the reasons for establishing these corporations. For the head of the tender department, it is difficult to state that municipal enterprises are transferring large amounts of funds to the municipality. After they win a municipal tender, they have to make profits and pay the taxes, and the remaining amount is turned over to the municipality's budget.

The head of the purchasing department said that "I do not think that municipal enterprises are very effective in supporting the municipal budget. For example, as far as I know, there is a municipal firm, which deals with the municipality's works of providing loans for agricultural products and oil production, whose last year loss was 500 thousand TL. If the company continues to make loss, the metropolitan municipality will consider closing it." The manager of Eskişehir Halk Ekmek points out that these companies are not efficient in providing resources to the municipal

budget. According to him, the main expectation from these firms is at least meeting their expenses themselves and not making losses even if not making profits.

The financial advisor said that, municipal companies are not effective in supplying municipalities with revenues. He gave the example of Eskişehir Halk Ekmek and indicated that even if this firm makes losses, the local administration tends to maintain the company since one of its aims is to balance excessive rises in bread prices and to provide the citizens with cheaper and healthier bread, the target which alone can be seen as a social service.

### The Efficiency and Effectiveness of Municipal Firms

Although providing efficiency and effectiveness are prominent points underlined by the new management approach to public administration and one of the most critical reasons for establishing municipal corporations, in both cases examined in this work, the companies have not been very effective and efficient in fulfilling local services so far. The respondent from the tender unit uttered that the issue of municipal firms being efficient and effective varies according to the service area; for example, parking places and social facilities' management areas are more efficient and profitable than the fields of public transportation and bakery production.

The director of Eskişehir Halk Ekmek Company stated that the fulfilling of social service should be the priority for every municipal company. For example, since park and garden works do not bring money, the municipality has to deal with these jobs, sometimes by transferring money from its other income sources (such as the revenue from the municipality running kiosks) to social works. The significant things are to not waste public money and, in case of the procurements preclude

corruption and malpractices. About efficiency, he asserted that municipal companies can never be as productive and efficient as other private companies. According to him, in practice, these firms are approximately 65 percent successful; yet there might be 40 percent successful ones, too. Moreover, it is difficult to pay high salaries and employ very talented personnel in municipal firms; instead, he said that these enterprises keep staff for sake and willingness (*hatır gönül*) reasons like they keep him and some others.

In a similar way, the financial advisor remarked that municipal companies are not very profitable and efficient in the provision of infrastructure services or bakery production. Regarding these fields, the main target is not to make profits but to provide the mentioned goods and services in a quicker, affordable and quality way. So, for him, municipal companies should not be considered private firms because if they only focused on making profits, they would deviate from their purposes of establishment. Yet, continuous auditing is required so as to prevent these firms from making regular losses and to protect the financial structures of these firms. Otherwise, the metropolitan municipality would go to increase capital, this will cause cash outflows from the municipal budget. He agreed that the critical point is to ensure these companies not making losses even if they cannot make profits.

### The Tendency of Conglomeration and the Question of International Quality

#### Management Systems

The financial advisor pointed out that because setting up municipal companies is subject to the permission of the Council of Ministers, the tendency towards conglomeration changes according to the political conjuncture. He asserted that the

central government might not permit municipalities from opposition parties to found economic enterprises and in practice, usually it does not. Once more, the reason for avoiding the central state's influences is more observable (compared to Konya example). Therefore, it is reasonable to infer that this attitude of the central state enhances opposition party municipalities' leaning for conglomerates. In addition, as another method, municipalities can have the possession of companies via the method of grant-donation, a procedure which does not necessitate the mentioned permission.

As another subject matter, the financial advisor said that municipal companies in Eskişehir put into practice international quality managerial systems, work to enhance the efficiency of personnel as well as conduct performance improving studies. In this sense, they have been influenced from the logic of the private sector as the NPM suggests.

These are the general arguments of and approaches to the municipal economic enterprises in Eskişehir. In the following chapter, the municipal companies of Konya Metropolitan Municipality will be discussed. Also, in the conclusion chapter, I will discuss the similarities and differences between the municipal enterprises in these two cities.

## CHAPTER FIVE

### MUNICIPAL COMPANIES IN KONYA

#### Konya Metropolitan Municipality

Topic titles that were discussed in the chapter about municipal enterprises in Eskişehir are mentioned in this part too. In the conclusion section of this chapter, I try to make some comparisons between the municipal enterprises in these two cities. Firstly, as general information, Konya Municipality was transformed into Konya Metropolitan Municipality in 1987 with the enactment of Law No.3399; therefore the duties and authorities of the municipality together with municipal revenues have increased.

About the dominant political tradition in the city, it might be useful to remember that as the local elections held in the last 25 years show in 1994 and 1999, conservative (and successors) parties with an emphasis on Islam, the Welfare Party and the Virtue Party, won the elections. In the last three terms, the local elections have been won by the JDP. Regarding the member distribution in the metropolitan municipal council, as mentioned before, despite the existence of nationalist or religious-conservative opposition in the council, the JDP has been the dominant actor in making decisions about the city in the last three elections.

Unlike its counterpart in Eskişehir, there is very limited information related to the municipality's understanding of New Public Management and its perspective of municipal economic enterprises in the performance and annual reports of Konya Metropolitan Municipality. But, as municipalities have to prepare strategic plans

according to Law No.5393 and Law No.5018, it might be inadequate, but still useful to take a look at the metropolitan municipality's strategic plans in order to have a better understanding of its goals and policies about the city in this neoliberal era.

According to the strategic plan of 2007-2011, strategic planning is an important component of the new public financial management which needs to be internalized by local administrations as well. Planning the future (in accordance with performance based criteria) is regarded as part of the process of disciplining the municipality's institutional evolution in the European Union path.<sup>227</sup> Concerning the public administration model in the last three decades, these points are also highlighted by the NPM model such as strategic planning, performance auditing and accountability for performance. Besides, with the mentioned plan, efforts were made to achieve the goal of enhancing Konya to "the top positions in the ranking of livable cities" at minimum cost as well as in a minimum duration and in the most efficient way. It is stated that when determining targets stated in the strategic plans, the municipality considers its missions and visions in addition to the current situation, shareholders, the plan uses the expression "customers (citizens)" and others, different strategies, alternatives, related data, activities or outputs as well as performance criteria.

The same plan also draws attention to the world-wide trend that local governments have been financially strengthened and turned into more independent and autonomous institutions such as in the fields of health care, transportation and public security. Nevertheless, as the state rescaling approach holds, the central government's influence and supervision still continues. It is accepted that the tutelage authority of the central government and bureaucratic culture in the country

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<sup>227</sup> Konya Büyükşehir Belediyesi, "Konya Büyükşehir Belediye Başkanlığı Stratejik Planı 2007-2011" (Konya 2007), accessed April 20, 2015, <http://www.konya.bel.tr/dosyalar/stratejikplan.pdf>

have restricted municipalities in terms of using their authorities and effective functioning (one of the reasons for tending towards freer economic realms such as by incorporating firms). Therefore, even though the municipality belongs to the same party with the central government, they might have complaints about both the role played by the center and continuation of bureaucratic culture in political environment as well.

Additionally, it is noted that in 2006, Konya was selected among the cities with relevant costs for foreign direct investment in Europe by the *Foreign Direct Investment Magazine*, a publication of Financial Times. The municipality states this development as an example of the city's increasing potential for attracting investment, an important element in the post-1980 era. Additionally, for the plan, the lack of qualified staff, the lack of municipal power of intervening in municipal incomes determined by law, the lack of communication and cooperation among different units and actors in the city, constantly changing laws and regulations are among the weaknesses and threats that the municipal administration has to face as well as the results of the expansion in the municipality's areas of responsibility. These are also very similar matters valid in the Eskişehir example.

The strategic plan of 2015-2019 specifies that the municipality's activities are based on five baselines: physical municipalism, social municipalism, cultural municipalism, ecological municipalism and technological municipalism.<sup>228</sup> In addition to these principles, the plan announces that making Konya a center of attraction, strengthening the city's effectiveness and image in the international arena, enhancing quality, speed and contentedness in fulfilling local services by utilizing

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<sup>228</sup> Konya Büyükşehir Belediyesi, "Konya Büyükşehir Belediye Başkanlığı Stratejik Planı 2015-2019" (Konya 2015), accessed April 20, 2015, <http://www.konya.bel.tr/dosyalar/sp2015-2019.pdf>

opportunities of advanced technology are among the targets of this period, are points which are referred to by the NPM perspective.

#### Information about the Metropolitan Municipality's Companies

With respect to municipal economic enterprises in Konya, earlier, the metropolitan municipality put an important number of retail stores named *Uygun Satış Mağazaları (USAM)* into service in 1990. According to the municipality, after the spread of markets, these stores had completed their tasks. As a result, the municipality privatized them in 1995. Apart from this, the current municipal enterprises' names and the fields of activities, the information attained from the municipality, are included below. Besides, the organizational structures of the firms are gathered in the following table which is also taken from Konya Metropolitan Municipality the Department of Resource Raising and Participations. Also, subsequent tables and figures about financial statuses of the companies are also obtained from the same department of the municipality.

First, Konbeltaş (*Konya İnşaat Taşımacılık Hizmet Danışmanlık Park İşletmeciliği ve Elektrik Üretim A.Ş.*) was founded in 1983. It is involved with management of car parks, cafés and restaurants, travel kart (*elkart*) management, the work of collecting vegetable oil waste. *Belediye Sağlık Hastanesi Anonim Şirketi* is another enterprise which was established in 1985, operating in the field of health care services. *Konya Sanat Kültür ve Spor Faaliyetleri Ticaret A.Ş.* was founded in 1998 and has been active in culture and arts organizations, promotion of the city both in national and international arenas through publishing activities as well as organizing symposiums and cultural venue management. *Sağ-Taş Sağlık Tesisleri A.Ş.* was set

up in 1984 for health care services. *Karatay İnşaat Temizlik Sağlık ve Turizm A.Ş.* was established in 2000, conducting businesses in construction works, cleaning and health care services, tourism. Also, *Konya Bilim Merkezi İşletme Hizmetleri Sanayi Ticaret A.Ş.* was established in 2012, in the realm of science and technology. These are the companies that the metropolitan municipality and district municipalities have almost all shares. Unlike the municipal enterprises in Eskişehir, in Konya, the metropolitan municipality holds small shares in other companies operating in various areas, too. These companies are; *Enerya Gaz Dağıtım A.Ş.* (which was set up in 2003) in natural gas distribution; *Panplast Sulama, Tarım Sanayi ve Ticaret A.Ş.* (1985) in production of irrigation distribution systems; *ÇUM-PAŞ Patates ve Zirai Ürünleri Değerlendirme A.Ş.* (1973) in food industry; *ÇUM-SAN Çumra Sanayi A.Ş.* (1983) in food industry, buying-selling and storing of agricultural products and establishing facilities related to these issue; *BİL-MER-TAŞ Mermercilik Sanayi ve Ticaret A.Ş.* (1981) in marble industry and trade.

Moreover, as the biggest corporation of the municipality, Konbeltaş A.Ş. owns some companies as well, which are; *Konya Güvenlik A.Ş.* (which was founded in 2005), to ensure the security of the municipal units such as the municipality's service buildings, parks, city forests, cemeteries, market places and bus terminals. *Konya Ağaç A.Ş.* (2005) deals with park, garden and landscaping services. *Konbelspor A.Ş.* (2005) conducts businesses in sports events management as well as kiosks, tea gardens and car parks management. *Selçuklu Kent A.Ş.* (2010) is in activity in the areas of construction businesses, passenger transportation, freight shipment, petrol stations management, cafés and kiosks management, organization and advertising, education activities, tourism. Last, very recently, *Konya SUKİ A.Ş.* was founded in

2015 to operate in the areas of energy, investment, construction, contracting, service sector, consultancy, management, trade and industry.

Table 22. THE COMPANIES THAT THE KONYA METROPOLITAN MUNICIPALITY IS A SHAREHOLDER								
COMPANY INFORMATION					PARTNERSHIP INFORMATION	SHARE INFORMATION		
NAME	Year of Establishment	Capital/TL	Total Number of Shares	Share Value per / TL	Corporate Partners	Ratio / %	Number	Amount / TL
Konbeltaş Konya İnş.Taş.Hiz. Dan.Park İşl. ve Elekt. Üret. A.Ş	5/10/1983	1,000,000.00	5,000,000	0.2	Konya Metropolitan Municipality	99.96402	4,998,201	999,640.20
					Karatay Municipality	0.03334	1,667	333.4
					Konesta; A.Ş.	0.00132	66	13.2
					Tepeköy Municipality	0.00066	33	6.6
					Selçuklu Municipality	0.00066	33	6.6
					TOTAL	100	5,000,000	1,000,000.00
Belediye Sağlık Hastanesi Anonim Şirketi	7/10/1985	50,000.00	200,000	0.25	Konya Metropolitan Municipality	87.72	175,440	43,860.00
					Sağ-Taş A.Ş.	11.618	23,236	5,809.00
					Selçuklu Municipality	0.11	220	55
					Meram Municipality	0.11	220	55
					Karatay Municipality	0.11	220	55
					Other share holders (28 persons)	0.332	664	166
					TOTAL	100	200,000	50,000.00
Konya Sanat Kültür ve Spor Faaliyetleri Ticaret Anonim Şirketi	7/14/1998	100,000.00	100,000	1	Konya Metropolitan Municipality	40	40,000	40,000.00
					Karatay Municipality	15	15,000	15,000.00
					Selçuklu Municipality	15	15,000	15,000.00
					Meram Municipality	15	15,000	15,000.00
					General Directorate of Koski	15	15,000	15,000.00
					TOTAL	100	100,000	100,000.00
Sağ-Taş Sağlık Tesisleri Anonim Şirketi	4/2/1984	50,000.00	1,000,000	0.05	Konya Metropolitan Municipality	23	230,000	11,500.00
					Union of Municipalities	2	20,000	1,000.00
					Meram Municipality	2	20,000	1,000.00
					Selçuklu Municipality	12	120,000	6,000.00
					Karatay Municipality	12	120,000	6,000.00
					Other share holders (57 persons)	49	490,000	24,500.00
					TOTAL	100	1,000,000	50,000.00
Karatay İnşaat Temizlik Sağlık ve Turizm Hizmet Anonim Şirketi	6/5/2000	200,000.00	20,000	10	Karatay Municipality	99.9	19,980	199,800.00
					Konya Büyükşehir Municipality	0.025	5	50
					Selçuklu Municipality	0.025	5	50
					Meram Municipality	0.025	5	50
					General Directorate of Koski	0.025	5	50
					TOTAL	100	20,000	200,000.00

Konya Bilim Merkezi İşletme Hizmetleri Sanayi Ticaret A.Ş.	1/25/2012	10,000,000.00	100,000	100	Konya Metropolitan Municipality	77	77,000	7,700,000.00
					Koski	10	10,000	1,000,000.00
					Konya Organized Industrial Zone	10	10,000	1,000,000.00
					Konya Chamber of Industry	1	1,000	100,000.00
					Konya Chamber of Trade	1	1,000	100,000.00
					Konya Commercial Exchange	1	1,000	100,000.00
					TOTAL	100	100,000	10,000,000.00
Enerya Gaz Dağıtım A.Ş.	3/3/2003	10,000,000.00	10,000,000	1	Energaz Elektrik Su Dağ A.Ş.	74.972	7,497,175	7,497,175.00
					Konya Org. Industrl. Zone	10.39	1,038,958	1,038,958.00
					Konya Metropolitan Municipality	10	1,000,000	1,000,000.00
					Konya Chamber of Commerce	2.7	270,000	270,000.00
					Konya Chamber of Industry	0.27	27,000	27,000.00
					Others (8 Real 1 Corporate)	1.669	166,867	166,867.00
					TOTAL	100	10,000,000	10,000,000.00
Panplast Sulama, Tarım Sanayi ve Ticaret Anonim Şirketi	6/10/1985	150,000,000.00	150,000,000	1	Konya Şeker San.Tic.A.Ş.	61.286367	91,929,549.93	91,929,549.93
					Anadolu Birlik Holding A.Ş.	38.562812	57,844,218.35	57,844,218.35
					Konya Metropolitan Municipality	0.136044	204,065.92	204,065.92
					S.S Ilgın Pancar Eli Koop.	0.009687	14,529.80	14,529.80
					T.K.K 7.Bölge Birliği	0.005037	7,556.00	7,556.00
					Real person ( 5)	0.000053	80	80
					TOTAL	100	150,000,000	150,000,000.00
ÇUM-PAŞ Patates ve Ziraat Ürünleri Değerlendirme Anonim Şirketi	7/5/1973	4,000,000.00	400,000,000	0.01	S.S.Konya Pancar Koop.	33.68	134,727,500	1,347,275.00
					Konya Şeker San.Tic.A.Ş.	17.04	68,160,000	681,600.00
					Konya Metropolitan Municipality	9.3	37,197,500	371,975.00
					Çumra Mayorship	0.03	132,500	1,325.00
					Çum-San A.Ş.	4.4	17,590,000	175,900.00
					Çumra Chamber of Agriculture	0.09	350,000	3,500.00
					Alibeyhüyükü Su Koop.	0.13	525,000	5,250.00
					Other share holders	35.33	141,317,500	1,413,175.00
					TOTAL	100	400,000,000	4,000,000.00
ÇUM-SAN Çumra Sanayi Anonim Şirketi	1983	908,000.00	90,800,000	0.01	Konya Şeker San.Tic.A.Ş.	88.7	80,540,570	805,405.70
					Konya Metropolitan Municipality	2.8	2,548,821	25,488.21
					Other share holders	8.5	7,710,609	77,106.09
					TOTAL	100	90,800,000	908,000.00
BİL-MER-TAŞ Mermercilik Sanayi Ticaret Anonim Şirketi	1981	5,184,000.00	518,400,000	0.01	Dilek Mak.İnş.San.ve Tic.Ltd.Şti	65.5864198	340,000,000	3,400,000.00
					Semih Musluoğlu	34.2602494	177,605,133	1,776,051.33
					Konya Metropolitan Municipality	0.0119684	62,044	620.44

					Istanbul M. Municipality	0.0114697	59,458	594.59
					Province and district municipalities -7	0.0207976	107,812	1,078.15
					Corporate bodies -6	0.0080475	41,713	417.18
					Muhtarlıklar-23	0.0007184	3,712	37.23
					Real persons -921	0.1003295	520,108	5,201.08
					TOTAL	100	518,399,980	5,184,000
	HALK BANKASI				The Amount of Capital Receipts	Share of Capital	Number of shares	
		Name of the Partner						
		Prime Ministry Privatization Administration			638,825,500.00	51.10604		
		Open to Public			610,722,380.00	48.8577904		
		Others ( 14.696 ortak )			452,120.00	0.0361696		
		TOTAL CAPITAL			1,250,000,000.00	100		
		The Share Number of the M. Municipality					4973	
THE COMPANIES THAT KONBELTAŞ A.Ş. IS A SHAREHOLDER								
COMPANY INFORMATION				PARTNERSHIP INFORMATION				
					SHARE INFORMATION			
NAME	Year of Establishment	Capital/TL	Total Number of Shares	Share Value per / TL	Corporate Partners	Ratio / %	Number	Amount / TL
Konya Güvenlik A.Ş.	10/13/2005	50,000.00	50,000	1	Konbeltaş A.Ş.	96	48,000	48,000.00
					Belediye Sağ. Has. A.Ş.	1	500	500
					Kültür A.Ş.	1	500	500
					Karatay Temizlik A.Ş.	1	500	500
					Sağ-Taş A.Ş.	1	500	500
					TOTAL	100	50,000	50,000.00
Konya Ağaç A.Ş.	10/13/2005	50,000.00	50,000	1	Konbeltaş A.Ş.	96	48,000	48,000.00
					Belediye Sağ. Has. A.Ş.	1	500	500
					Kültür A.Ş.	1	500	500
					Karatay Temizlik A.Ş.	1	500	500
					Sağ-Taş A.Ş.	1	500	500
					TOTAL	100	50,000	50,000.00
Konbelspor A.Ş.	10/13/2005	50,000.00	50,000	1	Konbeltaş A.Ş.	96	48,000	48,000.00
					Belediye Sağ. Has. A.Ş.	1	500	500
					Kültür A.Ş.	1	500	500
					Karatay Temizlik A.Ş.	1	500	500
					Sağ-Taş A.Ş.	1	500	500
					TOTAL	100	50,000	50,000.00
Selçuklu Kent A.Ş.	2010	500,000.00	1,000	500	Selçuklu Municipality	99.6	996	498,000.00
					Konbeltaş A.Ş.	0.1	1	500
					Konya Güvenlik A.Ş.	0.1	1	500
					Konya Ağaç A.Ş.	0.1	1	500
					Konbelspor A.Ş.	0.1	1	500
					TOTAL	100	1,000	500,000.00
Konya SUKİ A.Ş.	2015	1,000,000.00	2,000	500	KOSKİ, Gen. Directory	96	1,920	960,000.00
					Konbeltaş A.Ş.	1	20	10,000.00
					Konya Güvenlik A.Ş.	1	20	10,000.00
					Konya Ağaç A.Ş.	1	20	10,000.00
					Konbelspor A.Ş.	1	20	10,000.00
					TOTAL	100	2,000	1,000,000.00

Source: Konya Metropolitan Municipality, The Department of Resource Raising and Participations.

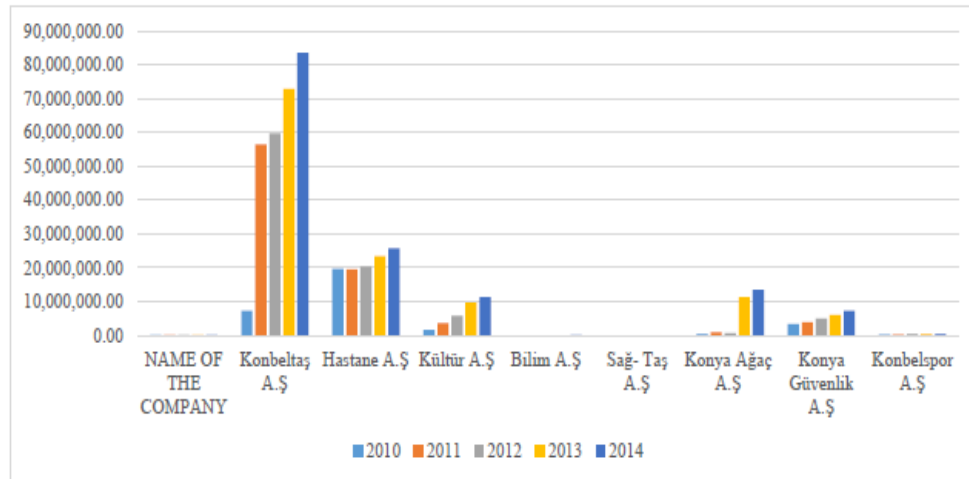
The table above shows share proportions of these corporations which the metropolitan municipality, its economic enterprises and district municipalities are among the share holders. Compared to the municipal companies in Eskişehir, these

companies are older and larger. There are non-municipal partners of these corporations as well. For example, the Union of Municipalities, Koski, the Konya Chamber of Industry, the Konya Chamber of Trade, the Konya Organizational Industrial Zone, Konya Şeker A.Ş., Anadolu Birlik Holding A.Ş., İstanbul Metropolitan Municipality and private persons. On the other hand, Konbeltaş's partners are only the metropolitan municipality itself and the municipality's other firms.

Among these companies, Konbeltaş A.Ş., Konya Bilim Merkezi A.Ş. and Konya Güvenlik A.Ş., firms which are mainly operating in the fields of car parks, restaurants management and security services, are the largest corporations of the municipality in terms of their capital amounts. Additionally, the municipality has important amounts of capital in Enerya Gaz Dağıtım as well as Konbeltaş's branches of Selçuklu Kent and Konya Suki A.Ş. Concerning the annual turnovers of these companies, as the table below shows, Konbeltaş A.Ş., with the amount of 83.4 million TL, has recorded the largest turnover among the firms in the last year. From 2010 to 2011, the turnover amount of the company increased by 8 times; and in the end, the last year's amount was significantly large compared to the same amount made in 2010, which was only 7.3 million TL. According to the figures of 2014, Konbeltaş was followed by Hastane A.Ş., with 25.7 million TL, and Konya Ağaç A.Ş., with 13.4 million TL. Kültür A.Ş. and Konya Ağaç A.Ş. also realized important economic achievements in the period of 2010-2014. The former company's turnover amount raised by 7.5 times, the latter's amplified by 30 times. Despite of some exceptions, in general, all these enterprises has increased their financial turnovers in the last five years.

NAME OF THE COMPANY	2010	2011	2012	2013	2014
Konbeltaş A.Ş	7,311,448.87	56,405,248.33	59,587,553.72	72,873,774.88	83,488,139.64
Hastane A.Ş	19,585,382.42	19,486,250.53	20,344,529.16	23,385,619.31	25,750,651.59
Kültür A.Ş	1,587,492.02	3,584,995.82	5,826,543.65	9,681,967.54	11,323,873.62
Bilim A.Ş	0	0	0	0	109,186.79
Sağ- Taş A.Ş	0	0	0	0	0
Konya Ağaç A.Ş	448,175.78	993,059.49	642,935.80	11,361,611.65	13,450,988.73
Konya Güvenlik A.Ş	3,390,986.42	3,933,397.44	5,046,275.91	6,055,763.05	7,196,923.58
Konbelspor A.Ş	233,617.43	278,821.11	341,582.61	436,225.44	379,070.87

Figure 1. Annual Turnovers of the Companies (TL)



Source: Konya Metropolitan Municipality, The Department of Resource Raising and Participations.

YEARS	KONBELTAŞ A.Ş.	BEL.SAĞ.HASTANESİ	KÜLTÜR A.Ş.	SPOR A.Ş.	GÜVENLİK A.Ş.	AĞAÇ A.Ş.	BİLİM MRKZ A.Ş.
2006	192,368.32	-578,455.59	57,092.00	-82,337.62	-162,613.36	-34,861.33	0.00
2007	406,158.00	315,327.00	158,009.00	-23,027.00	226,879.00	-91,611.00	0.00
2008	987,758.00	1,788,355.00	45,940.00	-6,462.00	330,434.00	45,092.00	0.00
2009	334,482.00	13,473.00	36,213.00	80,850.00	358,407.00	-86,368.00	0.00
2010	-542,125.00	394,802.00	52,151.00	51,999.00	8,800.00	-48,099.00	0.00
2011	775,468.03	127,289.41	314,512.51	-48,667.84	-24,825.94	3,004.86	0.00
2012	497,804.58	74,322.65	41,088.96	-7,334.51	188,432.40	100,216.24	28,814.81
2013	177,610.80	58,538.80	177,251.49	3,741.96	73,792.84	1,018,205.68	-38,070.51
2014	38,616.45	-1,878,782.56	329,600.54	34,451.02	-325,090.08	1,358,673.02	-1,231,950.86

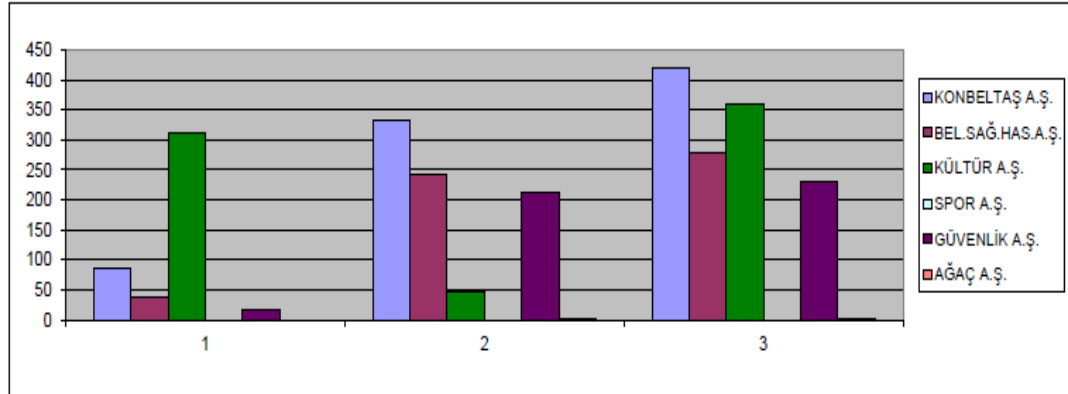
Source: Konya Metropolitan Municipality, The Department of Resource Raising and Participations.

The table above, in addition, shows the amounts of profits and losses that these companies made in the last nine years. According to these figures, there have been fluctuations with regard to these numbers throughout this period. In 2007, 2008, 2009, 2011, 2012 and 2013, the companies, in total, made the profits in the order of

991,700,000 TL, 3.1 million TL, 373,000 TL, 1.1 million TL, 920,000 TL and 1.3 million TL (in total, around 7.7 million TL). On the other hand, the amounts of losses were 608,000 TL in 2006, 82,000 TL in 2010 and 1.6 million TL (in total, around 2.3 million TL), which was mostly caused by Belediye Sağlık Hastanesi A.Ş. and the newly established Bilim Merkezi A.Ş., in the last year. Additionally, in the following table and figure, the number of personnel employed in these firms present day is mentioned. As can be seen from the statistics below, the figures number of employed staff is not too high.

Table 25. Number of Employees in the Enterprises (2014)			
Name of the Enterprise	Purchasing Services Department (1)	Working Staff (2)	Total (3)
KONBELTAŞ A.Ş.	85	334	419
BEL.SAĞ.HAS.A.Ş.	37	241	278
KÜLTÜR A.Ş.	313	48	361
SPOR A.Ş.	0	0	0
GÜVENLİK A.Ş.	17	213	230
AĞAÇ A.Ş.	0	3	3
BİLİM MRKZ A.Ş.	0	24	24
<b>Total</b>	<b>452</b>	<b>863</b>	<b>1315</b>

Figure 2. Number of Employees in the Enterprises (2014)



Source: Konya Metropolitan Municipality, The Department of Resource Raising and Participations.

Arguments about Municipal Companies in Konya  
General Evaluation and Reasons for Establishment

Concerning the functioning of the municipal companies in Konya, I did interviews with three people; two from the Department of Resource Raising and Participations, Konya Metropolitan Municipality, and the third person is one of the company officials of Konbeltaş A.Ş. On the subject of general views about municipal companies, the head of the participations department lists the reasons for establishing economic enterprises as such:

The first aim is to overcome the difficulties caused by the Public Procurement Law No.4734. The second goal is about the personnel recruitment and wage policies that the metropolitan municipality has to follow; but these policies are predominantly determined by the central government. We cannot employ the number of staff -and determine the amounts of their salaries- that the municipality needs, we encounter the central state's restrictions. Third reason is that since they are in the category of private companies, decision making processes in municipal firms are much easier than those in public organizations; firms do not need permissions from the municipal assembly or the municipal committee. These three issues are the most significant motives that behind the trend of increasing number of municipal companies.<sup>229</sup>

In this example too, he mentioned the control and restrictions of the central authority, the enduring influence of the central state (as the state rescaling explanation reminds) and considers this impact as one of the reasons for incorporating firms and therefore creating a freer sphere for the municipality in the economic realm. Moreover, according to the opinion above, this freer sphere is mainly opened for high bureaucrats of the municipality. But he also emphasized that municipal companies cannot be regarded as other private companies, as other interviewees indicate in both cities. He drew attention to the fact that these firms are under the Turkish Court of Accounts' supervision, unlike other companies. He said that municipalities are

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<sup>229</sup> The Head of the Participations Directorate from the Department of Resource Raising and Participations, Konya Metropolitan Municipality, interview by the author, Konya, 12 May 2015.

subject to Public Procurement Law No.4734 concerning matters of purchasing goods and services and to State Procurement Law No.2886 regarding leasing/renting subjects. It is also added that the central state does not evaluate municipal companies as regular private firms.

He added that the central government has limitations on share increasing implementations (not on capital increasing practices). About this issue, the permission of the Council of Ministers is required. According to him, the environments in which municipalities and municipal firms operate are, not exactly, but basically the same. Also, he did not agree with the decisions of the Supreme Court of Turkey and the Council of State, which consider municipal enterprises as other regular private firms.

The official I interviewed from the Department of Resource Raising and Participations said that:

Firstly, by law, municipalities have to act under the control of and in line with the permissions of the central government, for example, in the matters of recruitment and budget. On the other side, the center does not give such permits easily. For instance, Konya Bilim A.Ş. was set up with the support of Tübitak [The Scientific and Technological Research Council of Turkey] and the permission of the Prime Ministry; namely, municipal firms such as Konbeltaş cannot set up any enterprise as they wish. Therefore municipalities utilize the ways of purchasing goods and services through subcontracting, initiating tenders and establishing companies; namely, we can say that municipalities making more use of economic enterprises is a necessity. The excessive bureaucratic procedures lead municipalities to fulfill local services via their enterprises instead of doing them within the municipalities' structures. For example, when we have a demand from the central government on the matter of municipal staff employed for local works, this process takes a lot of time. Thus, we direct municipal works to the metropolitan municipality's companies. Besides, these companies are only conducting the businesses of the metropolitan municipality such as in the fields of health care and security. Secondly, the Konya Metropolitan Municipality is responsible for all the thirty one districts within the city. For this reason, we can say that the municipality's work load has been increased in recent years together with the increase in the public's demands and expectations from local governments; as a result, the number of municipal enterprises has increased.<sup>230</sup>

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<sup>230</sup> The Official from the Department of Resource Raising and Participations, Konya Metropolitan Municipality, interview by the author, Konya, 11 May 2015.

Once more, although local governments are not the only actors trying to strengthen local development, they need the support of the center, the central government's influential role over local administrations is pointed out. As a result of the center's impacts, long-lasting bureaucratic procedures and increasing demands coming from the citizens and investors, initiating tenders or setting up companies are regarded as quick and flexible solutions for performing local services. About the status of municipal companies, he said that they are different from other private firms in the sense that while the latter acts according to profit motives, on the other hand, from the perspective of the former, public interest is essential. For him, even though municipal enterprises are subject to Turkish Commercial Law, it is wrong to assess them as other private companies; he said that municipal firms have to consider how their businesses can benefit the public.

One of the company officials from the leading firms of the municipality, Konbeltaş, explained the reasons for initiating economic enterprises as such:

Metropolitan municipalities perform some works, which the municipality cannot fulfill within its structure, by establishing enterprises. As in the case of Konbeltaş, our company is responsible for the management of cafes and restaurants as well as (approximately 30) parking places, electronic ticketing (elkart), the collection of vegetable oil wastes for recycling and power generating out of waste garbage. Whereas providing public services is the essential duty of the metropolitan municipality, the works fulfilled by Konbeltaş cannot be regarded as public service, which are the works of business administration; therefore municipalities establish economic enterprises for the maintenance of such jobs. Other public institutions such as General Directorate of Highways (*Karayolları Genel Müdürlüğü*) and General Directorate of State Hydraulic Works (*Devlet Su İşleri*) set up companies or making use of subcontractors as well. At this point, there will be similar firms for the provision of local services.<sup>231</sup>

As mentioned, the works performed by Konbeltaş, such as car parking and café-restaurant management, are the works of business administration. This is another

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<sup>231</sup> A company official from Konbeltaş A.Ş., interview by the author, Konya, 14 May 2015.

entrepreneurial and competitive characteristic of municipalities in the post-1980 era which was discussed in the theoretical chapter. The official from Konbeltaş, too, declared that these firms do not operate according to profit motives but with the purpose of serving. They might differ from one economic area to another as well; for example, he said the aim of Halk Ekmek, the company of bread production, is to provide social aid. People who are in need of assistance are given vouchers so that they can buy a certain number of bread. He claimed that the goal is also the same in the example of managing car parks, only the field of activity changes. As a result of these implementations, the citizens feel that the metropolitan municipality is protecting and looking out for them.

At this point, it is useful to mention some criticism about Konbeltaş and another municipal corporation. With regard to Konbeltaş's car parking management activities, there was local news which showed citizens complaining about the high pricing of the municipal company.<sup>232</sup> According to this news, unlike what the Konbeltaş official stated, at least regarding the car parking business, people do not think that they are protected by the local administration. A member from the NMP of the Grand National Assembly of Turkey accused the metropolitan municipality of turning almost all roadsides into parking places, acting like a parking attendant and forcing the citizens of Konya to pay (protection) money. He said thereby the revenues obtained by this way could be used to cover the metropolitan municipality's debts.<sup>233</sup>

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<sup>232</sup> For example; "Belediye Şirketi Konbeltaş Ne Yapmaya Çalışıyor?" *Konyanın Nabzı*, November 6, 2013, accessed April 20, 2015, [http://konyaninnabzi.com/haber/konya-haber/belediye-sirketi-konbeltas-ne-yapmaya-calisiyor\\_8710213.html](http://konyaninnabzi.com/haber/konya-haber/belediye-sirketi-konbeltas-ne-yapmaya-calisiyor_8710213.html)

<sup>233</sup> "Konbeltaş'ın Keyfi Otopark Ücretlerini Meclise Taşdı," *Haber Konya*, February 4, 2015, accessed April 20, 2015, [http://haberkonya.com.tr/haber/konya-haber/konbeltas-in-keyfi-otopark-ucretlerini-meclis-e-tasidi\\_9114909.html](http://haberkonya.com.tr/haber/konya-haber/konbeltas-in-keyfi-otopark-ucretlerini-meclis-e-tasidi_9114909.html)

Another criticism was about Konya Bilim Merkezi A.Ş. In a written parliamentary question, a deputy from the RPP claimed the science center was being utilized as a new source of employment for the purpose of demonstration and showing off by referring to the findings that the company did not comply with the job specifications which had been set by the company during the employment procedure and thus caused new favoritism-discrimination examples.<sup>234</sup> It should also be added that these accusations were rejected by the Ministry of Science, Industry and Technology, which stated that science centers (which are financed by public, private or public-private sectors' sources) are critical for spreading scientific culture in our society and are used to teach science in an interactive manner.

### Competition and Tenders

About the subject of ensuring competition in municipal tenders, the official from the Resource Raising and Participations Department said that municipal companies do not make way for unfair competition. It is underlined that the Public Procurement Authority conducts these tenders and any company wishing to participate can join them. For him:

People always criticize us in the media and etc. by questioning that why Konbeltaş continually wins the municipality's tenders. The reason for municipal companies winning municipal tenders is because they do not seek for profits; they quote lower prices in comparison with other private companies and, as a result, obtain the contract. Moreover, as the metropolitan municipality is the only shareholder of its enterprises, the municipality, in other words the public institution, keeps all of the revenues coming from these firms.

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<sup>234</sup> "Bilim Merkezi Ne Zaman Faaliyete Geçecek?" *Konya Yenigün*, November 26, 2013, accessed April 20, 2015, [http://www.konyayenigun.com/haber/71709/Bilim\\_Merkezi\\_ne\\_zaman\\_faaliyete\\_gececek.html](http://www.konyayenigun.com/haber/71709/Bilim_Merkezi_ne_zaman_faaliyete_gececek.html)

The firm official from Konbeltaş mentions a similar approach (towards municipal enterprises' existence) that we observe in the perspective of one of the interviewees in Eskişehir:

If the metropolitan municipality says that the institution itself will perform a certain service in the best way, this does not create an unfair competition from the perspective of market (...) For example, in the case of Konbeltaş, metropolitan municipalities -through their companies- conducting management services brings a standard to the areas of restaurant and car parking management. For instance, regarding the example of managing car parks, previously, these places were in the hands of car park mafias. However, today, the municipality, together with its firms, has brought a standard and an order to that area. This does not denote unfair competition. The citizens are saying that it is a good thing that the municipality is dealing with such services.

The mentioned company's activities, such as in the field of car parking, are defended by claiming that the presence of the municipality in this and other similar areas has brought standard and order. Plus, because the income generated in these areas is taken by the municipality, the possibility of unjust conditions in municipal tenders can be neglected from the perspective of the officials of the municipality and of its firm.

The head of the participations department draws attention to the problem of the prevalence of making agreements among the participant companies before tender processes, as in the example of Eskişehir. Although he did not clearly state that municipal companies bidding in municipal tenders creates unfair competition. He said that even if there were unfair competitive practices in favor of municipal firms, the money given to the municipal enterprises should be seen as money given to the municipality or the public. In other words, the tender money is transferred from the right pocket to the left pocket of the municipality, instead of being transferred to private corporations. This is an approach similar to that stated by the officials in Eskişehir.

It is useful to mention the research<sup>235</sup> stated in the previous chapter in order to have a better understanding of tender relations between the municipality and its corporations; later on, similar data, which was compiled from EKAP, for the period of 2013-2014 will be displayed. As indicated by the cited study, the number of municipal companies that joined the municipality's (or its affiliated administrations') tenders of purchase of goods and services or construction works during the years of 2008 and 2009 in Konya was four (out of six). The total number of tenders initiated by Konya Metropolitan Municipality and KOSKİ (Konya Water and Sewage Administration) was 217 in 2008 and 171 in 2009. Furthermore, in these years the number of these tenders won by the municipal companies was nine in the former year (4.15 percent) and it was two in the latter year (1.17 percent). The total amount of these tenders can also be seen in the table below:

Table 26. The Amounts of Tenders Won by Municipal Companies in Konya, 2008-2009								
	The Metropolitan Municipality and Its Affiliated Administration	2008			2009			The Average Ratio of 2008 and 2009 %
		The Total Tender Amount (TL)	The Total Tender Amount That The Municipal Companies Won (TL)	The Ratio %	The Total Tender Amount (TL)	The Total Tender Amount That The Municipal Companies Won (TL)	The Ratio %	
<b>Konya</b>	M. Municipality	211,285,527	3,985,787	1.89	131,253,008	6,463,052	4.92	<b>3.41</b>
	Koski	30,712,575	0	0.00	44,022,622	0	0.00	<b>0.00</b>
	<b>Total</b>	<b>241,998,102</b>	<b>3,985,787</b>	<b>1.65</b>	<b>175,275,630</b>	<b>6,463,052</b>	<b>3.69</b>	<b>2.67</b>

As the table reveals, compared to the same ratios in Eskişehir in the same period (which were 33.75 percent on average in 2008 and 58 percent on average in 2009), the ratios of 1.65 percent in 2008 and 3.69 percent in 2009 were quite low proportions. Moreover, about competition with respect to municipal tenders which the municipality's firms joined during the years of 2008 and 2009, as in the example

<sup>235</sup> İlhan, "Türkiye'de Belediyeler ve Şirketleri Arasındaki İhale İlişkileri Üzerine Bir Araştırma."

of Eskişehir, municipality's enterprises were mostly the only bidders in the tenders they participated in, too.

Table 27.The Conditions of Competition in Konya, 2008-2009								
Metropolitan Municipality	The Tenderer Administration	2008			2009			The Average Ratio %
		The Number of Tenders Won by The Municipal Firms	The Number of Tenders That The Municipal Firms Are The Only Bidders	The Ratio %	The Number of Tenders Won by The Municipal Firms	The Number of Tenders That The Municipal Firms Are The Only Bidders	The Ratio %	
Konya	M. Municipality	9	7	77.78	2	2	100.00	88.89
	Total	9	7	77.78	2	2	100.00	88.89

Between 2010 and 2015, in Konya the number of municipal firms and the companies which Konbeltaş is a shareholder participated in the municipality's and affiliated administrations' tenders was eight (out of 16). In the same period, there were 585 tenders announced by the metropolitan municipality and KOSKİ and 78 of these tenders were won by the municipal firms or the companies that Konbeltaş holds shares (which refers to 118.9 million TL).

Table 28.The Numbers of Municipal Tenders Won by Municipal Companies in Konya, 2013-2014								
The Metropolitan Municipality and Its Affiliated Administration		2013			2014			The Average Ratio of 2013 and 2014 %
		Total Number of Procurements	The Number of Tenders Won By Municipal Firms	The Ratio of The Number of Tenders Won By Municipal Companies to The Total Number of Tenders %	Total number of procurements	The Number of Tenders Won By Municipal Firms	The Ratio of The Number of Tenders Won By Municipal Companies to The Total Number of Tenders %	
Konya	M. Municipality and KOSKİ	97	9	9.20	159	15	9.43	9.31

Table 29.The Amounts of Tenders Won by Municipal Companies in Konya, 2013-2014								
The Metropolitan Municipality and Its Affiliated Administration		2013			2014			The Average Ratio of 2013 and 2014 %
		The Total Tender Amount (TL)	The Total Tender Amount That The Municipal Companies Won (TL)	The Ratio %	The Total Tender Amount (TL)	The Total Tender Amount That The Municipal Companies Won (TL)	The Ratio %	
<b>Konya</b>	<b>M. Municipality and KOSKİ</b>	497,421,965	11,414,374	2.29	428,136,355	44,700,369	10.44	6.36

As the table above shows, the amount of tenders won by the municipal firms in Konya in the total amount of municipal tenders was 2.29 percent in 2013 and 10.44 percent in 2014; although the rate increased 5 fold in 2014, the amount was not very large. It should be remembered that not every company of metropolitan municipalities join municipal tenders because they might operate in market-oriented sectors or run their municipalities' car parks or social facilities (therefore, they might mostly remain out of the context of the Public Procurement Law or the municipalities obtain services from their enterprises through the direct supply method (mainly the case in Konya) or, lastly, these firms might have participated in municipal tenders in some other years. When measuring business volumes of municipal companies, these points should be considered.

Table 30.The Conditiond of Competition in Konya, 2013-2014								
Metropolitan Municipality	The Tenderer Administration	2013			2014			The Average Ratio %
		The Number of Tenders Won by The Municipal Firms	The Number of Tenders That The Municipal Firms Are The Only Bidders	The Ratio %	The Number of Tenders Won by The Municipal Firms	The Number of Tenders That The Municipal Firms Are The Only Bidders	The Ratio %	
<b>Konya</b>	<b>M. Municipality and KOSKİ</b>	9	1	11.11	15	6	40.00	25.55

About the competitive situations about the tenders, as the table above shows, it is noticeable from the table below that there is a more competitive environment in Konya in terms of municipal tenders, compared to Eskişehir.

Senior Administrators of Municipalities Taking Part  
in Municipal Companies' Management

According to the director of the participations department, it is natural for municipalities to have senior managers in municipal firms' boards of directors. He is also a member in one of these boards. However, he said that the municipality in Konya pays attention not to place every senior personnel, such as the head of the purchasing department, in their municipal companies' corporate boards. The official from the resource raising and participations department, too, specifies that these assignment implementations are normal and common. For example, the president his department is also a member of Konbeltaş's board of directors.

The Number of Personnel and the Issue of Subcontracting

As the NPM model discusses, flexible, quick, efficient and effective service provision with lower costs as well as the use of private sector methods have turned into more noteworthy targets. When these developments are combined with the lack of state employees working in municipalities and competition between cities in becoming a prominent city, the capital and staff needs of the municipality have increased. The head of the participation department states that, more precisely, the metropolitan municipality transfers projects to the municipal companies and uses

them as subcontractors; however, municipal firms do not hand over their projects to subcontractors.

On the other hand, the official from the same department points out that working with subcontractors is a common practice for the municipality. Besides, the company official from Konbeltaş emphasized that they offer services on behalf of the municipality; however, they might transfer the company's works to a third party. According to him, using subcontractors is a widespread practice as well; yet, Konbeltaş is still the responsible party for both fulfilling and controlling these services. He added that the revenues coming from these municipal enterprises are gathered in the municipal budget, in other words, eventually, the pool is the same pool. Furthermore, he criticized such promises of abolishing subcontracting practices (especially referring to the RPP's arguments), which aim to bring staff status to subcontracted workers. For him, this goal is difficult to achieve.

The official from the Resource Raising and Participations Department stated that making use of municipal companies in performing services escalates the number of personnel of the municipality in reality; in fact, the number of municipal staff is continuously increasing. He discussed the employment generation side of municipal enterprises; in consequence, when subcontracted workers and staff working at municipal companies are included, the number of de facto workers that the metropolitan municipality utilizes increases. The official from Konbeltaş agreed that the number of personnel and the municipality's influence in the economic realm of the city have increased as a result of metropolitan municipalities use of economic enterprises.

## The Decreasing Role of Municipalities as Service Providers and the Subject of Quality

As the citizens' demands have grown, their awareness of the performance of public services has changed too. Yet, as the NPM suggests, the critical point is the fulfillment of these services rather than the matter of who or what organization performs them. According to the head of the participations directorate, the citizens attach importance to the service itself instead of who is providing that good or the service. Therefore, he justified the use of municipal companies by claiming that although the municipality makes use of its enterprises in fulfilling the provisioning of goods and services, the responsible institution from these services is still the metropolitan municipality itself; if the mentioned service cannot be fulfilled on time, the citizens would blame the municipality.

For the company official from Konbeltaş, the important thing for the citizens is quick and quality implementation of local services as well. He said that Konbeltaş is only an intermediary at this point; the target of public companies is to represent the municipality and provide services on behalf of it rather than making profit or loss.

The chief of the participations directorate argued that such an approach that municipalities have shifted from service providers to service buyers does not reflect the reality. The matter of municipalities initiating economic enterprises is about the problems of lack of adequate staff and equipment. He gave the example of tramway construction work on Mevlânâ Street and pointed out that if the metropolitan municipality were doing it, the work would take much more time because of the working hours of civil servants. Since it is the private company fulfilling the service, the road work is perpetually being done. He added that there is an issue of

specialization as well; the metropolitan municipality might need to employ skilled staff and through municipal firms, this requirement could be met more easily. As another noteworthy point, for him, the municipality may need special tools and machines for a unique work, probably for once; so, it is not economically efficient to purchase those items and so the municipality prefers to transfer that work.

The official from the same department said that such a comment is not the right approach to the subject matter since it implies that the metropolitan municipality does not perform its duties; yet, if the municipality were not there, the citizens would not enjoy the benefits of the provided services. He continued that in the end, whether through companies or not, it is the municipality which offers the mentioned services.

Lastly, the corporate official from Konbeltaş said that because the metropolitan municipality does not have the authority to perform some works, as an intermediary organ, they had begun to found enterprises. Therefore, according to him, the mentioned shift about municipal understanding is not a valid explanation.

### Auditing

In general, the interviewees agree that municipal corporations are audited suitably, unlike the complaints made in the case of Eskişehir that the municipal companies in that city are overly supervised. The leader of the participations department indicated that municipal companies are audited satisfactorily; however, there might be some shortages regarding the supervision mechanisms of, for example, the Ministry of Trade and Commerce due to the lack of the ministry's staff. There are the Turkish Court of Accounts' and the metropolitan municipal mayor's as well as the municipality's committee of inspection's controls over the municipal companies. About the fact that the Court's supervision is rather new, he pointed out after the

related law passed in 2010 and the municipal firms in Konya were inspected by the Court in the last year for the first time. For him, there are several auditors, but the controls are usually on complaint and thus they are not periodic mostly, in addition, the subjects of the controls are mainly about efficiency issues rather than matters of income and expenditure accounts.

The official from that department drew attention to the Turkish Court of Accounts' supervision, saying that the required controls are implemented for monitoring the municipal enterprises. However, it is difficult to defend this approach given the implementation's newness and insufficiency. The firm official from Konbeltaş stated that if there is an unwanted or negative situation about the functioning of the municipal companies, in other words, if necessary, the authorized institutions audit these firms. As inferred from these statements, the controls concerning municipal firms are by and large carried out temporarily.

### The Problem of Funding the Municipality

For the leader of the participations department, municipal enterprises cannot provide resources to the municipal budget; instead, they utilize municipal resources. In addition, because municipalities do not need to take the permission of the Council of Ministers in increasing municipal companies' capitals, municipalities can transfer resources to their enterprises in a quick and easy way.

### The Efficiency and Effectiveness of Municipal Firms

As the general opinion asserts in both cities, the head of the enterprises directorate asserted that municipal companies are not efficient and productive as well. The official from Konbeltaş said that their company serves as a model for other municipal companies in their establishment phases. He stated that Konbeltaş mostly uses the direct supply method in purchasing goods and services that does not exceed the amount of 50 000 TL; concerning quantities above this sum, Konbeltaş has to initiate tenders.

### The Tendency of Conglomeration and the Question of International Quality Managerial Systems

The chief of the Participations Directorate said that municipal companies in İstanbul are larger than those in Konya. He stated that the annual financial turnover of Konbeltaş was 83 million TL in the previous year; as this amount increase, the audits over the companies and the companies' involvement with international quality management and career planning implementations enhance, too. He says adds that municipal firms in Konya were monitored by independent auditing firms for the first time in this year, yet other subjects about international quality have not become widespread in the case of Konya yet. About the controversial matter of conglomeration tendencies of municipal enterprises, the official from the same department commented that this was a result of an increase in the number of municipal companies' stock holders rather than a tendency of conglomeration.

## CHAPTER SIX: CONCLUSION

### Similarities and Differences between the Two Samples

This section summarizes the similarities and differences between the two cases discussed in Chapter Four and Chapter Five. Even though the state rescaling model puts emphasis on the local level's growing importance, it also draws attention that the central government remains to be the main actor regarding the urban realm. To start with the similarities, both metropolitan municipalities want to avoid the central government's control, auditing, supervision and limitations, for example, over the issues of the municipalities' recruitment or wage policies. It does not matter that whether the municipality belongs to the ruling party at the center or to the main opposition party. For both municipalities, this situation is the primary reason for incorporating economic enterprises in order to operate in the private economic realm that they have more freedom and independence.

The second main cause for establishing economic companies, in both cases, the lack of adequate income sources (as well as limitations of opportunities to increase municipal revenues) and staff (including qualified work force) in the sense that the two municipalities find it difficult to fulfill common local municipal services with the current staffing and budgets in their hands, despite the improvements made in local governments' budgets since the 1980s. In the post-Fordist era, as city centric and entrepreneurial strategies have become prominent, the city level has turned into a more autonomous realm which focuses on production and growth rather than consumption and also on the policies of reproduction of capital, rather than

redistribution (for example in the areas of investments, infrastructure and transportation). In addition, as the NPM argues, efficient, quick, low cost and flexible decision making and implementation mechanisms have come to the fore, especially in the last three decades. Relevant to these points, the third common motive is excessive bureaucratic procedures. Because municipal firms are private companies, it is easier to make decisions and provide quality local services with lower costs or in the market's conditions of competition through these enterprises. In other words, metropolitan municipalities attempt to overcome the impact of the central authority and bureaucratic culture by means of setting up firms, initiating tenders and utilizing subcontractors. Moreover, in this period, accountability for performance, citizens' awareness about the fulfillment of public services, greater competition in the public sector practices of public-private partnerships and mixed delivery of services have expanded.

The fourth common reason for the trend towards companies is the increase in the demands and expectations of the public from the local authorities. Together with the enactment of Law No.6360, as the metropolitan municipalities' regions of responsibility have been enlarged to cover all the area within the provincial limits, the municipalities' responsibilities have escalated.

Fifthly, there are two additional common but less important motivations for establishing these firms. Firstly, owing to these firms, the municipalities can generate employment. Secondly, these corporations have the potential to make contributions to municipal budgets, for example, for new investments.

In both cases, in general, interviewees think that even though municipal firms operate in the private realm, they cannot be regarded as other regular private firms given the central authority's influence (about permission in the stages of

establishment or share increasing), the audit mechanism of the Turkish Court of Accounts and the claim that although municipalities utilize their firms in offering services, the municipalities remain the responsible parties for these services' fulfillment.

However, there are also differences between the two cases. Most importantly, unlike the officials from Konya Metropolitan Municipality, the officials from Eskişehir Metropolitan Municipality put emphasize on the discriminative implementations of the center, such as regarding the issues of getting permissions from the center in the establishment phases of municipal companies or guarantor problems that they encounter in obtaining credits or more auditing mechanisms to which they are subject to as a municipality belong to an opposition part. In the example of Konya, although the officials mainly accepted that auditing mechanisms are not functioning sufficiently and periodically, they did not mention similar discrimination arguments.

In both cities, it is argued that the existence of municipal firms enhances competition in the market (since they do not essentially seek making profits); moreover, when the number and the amounts of municipal tenders within the context of Law No.4734 are considered, the related numbers and ratios were not very high, at least for the periods of 2008-2009 and 2013-2014. Again, in both cities, municipal companies are the only tenderers in most municipal procurements that they participated in; nevertheless, it can be stated that, at least by looking at these two mentioned periods, the environment is less competitive in Eskişehir.

In both municipalities, the presence of senior administrators of local administrations on the municipal companies' management boards is seen as normal

and unproblematic. In Eskişehir, the importance of influential role of the metropolitan municipality mayor is underlined.

In addition, in both cities, it is stated that subcontracting practices are widespread and also the approach of ending these implementations is criticized by one of the company officials in Konya. On the other hand, both of the municipalities agree that making use of municipal companies increases the number of staff working for the municipality. Except for one interviewee, the other respondents generally had the same opinion that their municipalities continue their roles as local service providers; but, when about 1000 municipal tenders, which were initiated between 2010 and 2015 in these two cities, are examined, it is clear that most of the local works are performed via municipal or other private firms, as a sign of the prevalence of mixed delivery of services.

In both cases, the metropolitan municipalities have several firms operating in similar quite a lot of business areas, though the enterprises of Konya Metropolitan Municipality have longer histories than those established in Eskişehir. In addition, it can be concluded that the firms within the body of the former municipality are larger in terms of their business volumes.

As the general opinion holds, the contributions made by municipal companies to their municipalities' budgets usually remain low. When this is combined with their efficiency and effectiveness problems, because these firms are using the public money, as well as with the lack of adequate auditing mechanisms over them, the issue of accountability becomes one of the most critical problems in both cases.

Consequently, there are many commonalities between the two municipalities' rationales behind establishing municipal companies even though there are differences

between the two municipalities' experiences as well, particularly due to the fact that they are in the hands of different political parties.

## Conclusion

In general, this thesis examined the role of municipalities in local economic development and these administrations' relationships with both the central state and the market in the neoliberal era. Two metropolitan municipalities from the two prominent Anatolian cities, Eskişehir and Konya, which are in the hands of different political parties and traditions were chosen as case studies to help ascertain the similarities and differences between the two examples within the context of their alternative local service provision methods, in this study, municipal economic enterprises. In order to understand the role of metropolitan municipalities which are operating in free market by incorporating private firms as well as this situation's implications in terms of the development of these two cities, I use of financial data and also through interviews with the people from the municipalities and municipal companies.

Throughout the text, it was pointed out that the city level has turned into a more important level in the post-1980 period compared to the priority of the nation state level in the Fordist period. This development has increased the significance of local governments in urban areas and made them more influential actors from the point of local economic development. However, as the state rescaling concept argues, the rise of the local level has not brought loss in the authority of central governments; instead, the central authority has intervened in society and economy more. This tendency can be observed in the political tradition of this country, too.

The central authorities usually seek to be influential actors over local authorities. Besides, long bureaucratic procedures and insufficient financial resources as well as personnel force have been among the problems of metropolitan municipalities for a long period of time. On the other hand, local governments have attempted to avoid the center's control and supervision. As the New Public Management (NPM) approach argues, with the impact of the neoliberal era, the private sector has been more included in public service delivery methods. Municipalities have engaged more in public-private partnerships and mixed delivery of services such as initiating tenders or incorporating companies.

In the post-Fordist era, the prominence of city-centric and entrepreneurial policies together with the process of the intertwining of the private and the public spheres, reviving local economic development as well as accelerating decision making and implementation processes about the development of the city have turned into significant matters. The city level has become a more autonomous unit and local governments have become more important actors for the development of the city in an environment in which there is competition between cities in terms of making their locality a center of attraction especially for both domestic and foreign investors and industrialists.

At this point, both the central authority and metropolitan municipalities focused mostly on pursuing the policies of economic growth and production rather than consumption, the policies which involve making more investments and infrastructure in order to strengthen productive forces of the city. In addition, fulfilling local services via alternative service provision methods, for example, the contracting out of municipal services or incorporating municipal companies, have made implementing decisions about economic development of cities easier, quicker

and more flexible. These developments have expanded the area of municipal activities; now, local governments have new means to function in many fields of public policy, from providing infrastructure to provisioning of cultural and art activities. This incident has caused an enhancing interest for local governments in cities' economic development. Furthermore, in the post-1980 stage (unlike the strategies of reproduction of labor dominant until the 1970s), the reproduction of capital policies, with the impact of the neoliberal economic approach, has come to the forefront.

In the mid-1970s, the creation of revenue sources and manufacturing were among the aims of municipalities. These could be seen in the examples of housing projects, bread factories, or developments in transportation facilities. In that period, producing of local goods and services by municipalities was the prevailing characteristic of local administration. After this phase, alternative local service provision methods became prevalent even for the municipalities who defined themselves as social democrats. Since the 1980s, with the adoption of policies of economic liberalization and export orientation, municipalities, which were supported with more revenues, have taken over privatization methods and established municipal companies in order to carry out local public services.

As in the second part of the theoretical chapter, the rescaling approach explains, although the city level has become more significant, the central level has maintained its role as the main actor in formulating, implementing, coordinating and supervising policies regarding the urban realm. With respect to this point, not only the municipalities administered by the ruling party at the center but (even though especially) the municipalities in the hands of opposition parties try to avoid the center's influence and supervision as well as from long bureaucratic procedures.

Municipalities regard establishing economic enterprises as a way to carry out these targets and to become more independent actors in the economic field of their cities.

Several points underlined by the NPM approach also can be considered as reasons for and pressures on municipalities to establish municipal economic enterprises; similar factors are also valid for the two example cities examined in this work. The list involves the prevalence of public-private partnerships and mixed delivery of services; explicit standards and criteria for measuring performance; professional and private sector management methods in the public realm. Also, more emphasis on output controls rather than input controls and processes; disaggregation of units and decentralization of the public sector (to make faster, more flexible and efficient decisions for manageable entities) can be added to the list. More competition in the public sector (to provide goods and services with lower costs and better standards); more careful, efficient and effective use of resources are among important tenets as well. The last item is also linked to the central authority's pressure on municipal budgets, this pressure might cause local governments to pursue increasing revenues and reducing costs policies and direct municipalities to seek alternative ways of local service provision methods. Finally, downsizing of municipal institutions; the fact that citizens' more awareness of the performance of public services; the aims of fulfilling accountability for performance and performance auditing (which are difficult to realize with the current monitoring mechanisms) and performance management; more use of information technology as well as the pressures of quickening service provisions, lessening budgetary and personnel costs and if possible increasing their revenues are significant principles for the approach.

As local services are being provided, the citizens have more demands and expectations from municipalities. In return, owing to their enterprises, municipalities are able to give flexible and pragmatic (and populist) responses to these demands. According to many metropolitan municipalities, they utilize their firms which operate in the name of the public with the logic of the private sector, put large scale projects into practice, transfer local services directly to them without initiating tenders, overcome bureaucratic obstacles, and deal with all kinds of trade.

From the perspectives of the officials working in these two municipalities and their companies, municipal firms are different from other regular private corporations in the sense that they are mostly operating for the benefit of the public. Yet, this claim is controversial. Many municipal companies are doing market-oriented businesses as a result of the entrepreneurial characteristic. It is difficult to measure the business volumes of municipal companies since almost all of them are unwilling to share their financial information both with the public and the authorities which are responsible for auditing these firms. Moreover, as it is mentioned, auditing mechanisms over these firms have remained insufficient, new and temporary so far.

In terms of reasons for establishment, the two municipalities assert similar rationales: they wanted to establish instruments in order to operate more freely in the economic realm, to meet the citizens' and investors' demands more easily, flexibly and efficiently while facing with the problems of lack of resources and staff as well as to stay away from traditional public auditing mechanisms. These mentioned problems of local authorities have persisted to exist to varying degrees for a long time.

The problems of the lack of staff and sufficient resources, the need for technology, the lack of freedom in decision making in the city's economic realm, too

much economic dependence on the center, the central government's administrative tutelage, increasing demands and expectations coming from the citizens and investors, the conveniences brought by operating in the private economic realm, the need for quick, effective and flexible decision-making organizations have made metropolitan municipalities to create new organizations and privatization methods and are among the main reasons for setting up municipal companies in both cities. Although it has been the case until so far that the municipalities in the hands of opposition parties have encountered more restrictions and auditing than those in the hands of the ruling party or parties.

It was pointed out that both the JDP and the RPP have utilized the neoliberal approach, even if with varying degrees, and alternative service provision methods in planning and fulfilling local services, under the impact of economic liberalization and political and social conservatism atmosphere since the elections of 1984.

Although these points are similar for the two municipalities examined in this work, there are differences between the two cases as well. Although the trend of avoiding from the central government's influence and control is common, the situation of the central government and local authorities are in the hands of different political parties have usually caused further disputes and debates since the party or parties at the center might tighten their control over the municipalities that are administrated by rival parties. This can also be seen as an additional motive for escaping to the private economic realm. As stated before, the officials from Eskişehir Metropolitan Municipality put emphasize on discriminative implementations of the center; however, the interviewees in Konya did not mention similar discriminative acts.

Additionally, as a critical issue, the NPM approach draws attention to the points of accountability for performance, auditing accountability and transparency features of new public administration. However, the implementation of them has been an important problem. It is discussed that municipalities that belong to opposition parties are being audited more frequently than those in the hands of the central authority. Even though the central authority attempts to audit and supervise these municipal companies' development, these control mechanisms of the center have remained either temporary or weak until now. Even the opposition party members in the metropolitan municipalities might not be well informed about the functioning of their municipality's enterprises. In sum, there are two important reasons for establishing municipal companies; to strengthen the productive capacity and forces of cities, and to avoid the central government's auditing mechanisms. The second one is more observable in the case of Eskişehir Metropolitan Municipality.

Also, the NPM says, for the new approach to local administration, as long as decisions regarding local economic development are supervised by public institutions, the matter of who fulfills local public services has become less critical. As a result, in this new attitude, the number of alternative methods stated above has increased. This transformation has also expanded the activity fields of municipalities.

If I summarize my findings about the case in Eskişehir, it is clearly observable that municipal companies are regarded as vehicles for gaining more independence in the economic realm, ensuring the financial discipline of the municipality, providing goods and services in the conditions of the free market at low cost and preventing pre-tender arrangements between contractors and sellers. These reasons are valid for the situation in Konya, too. Besides, as indicated in publications of the municipality as well as in the interviews, generating a strong urban economy in the city and

centers of attraction, making new investments (for the city and people), developing infrastructure and the municipality's collaboration with the actors influential regarding local economic growth, flexible and effective provisioning of local services, creating new revenue resources and decreasing the municipality's expenses, ensuring the financial discipline of the municipality, constituting a well-organized, small but agile municipal organization, generating employment facilities are the primary goals of the local government in the post-1980 term, all in accordance with the NPM model.

Moreover, there are also old factors, deficiencies in providing goods and services, keeping public sources within the municipal institution; and new factors, the enhancing authority of the center, the escalation of citizens' demands, new tendencies in local administration/management such as faster, cheaper and better quality service provision methods, accelerating tender stages. Municipal corporations serve for all these targets' of local governments in a period where there is increasing competition between cities.

Compared to the municipal firms in Konya, these companies are smaller in terms of their business volumes and subsequently established enterprises; Except for the one operating in the construction sector, other 11 ones were set up after 2000. Moreover, business fields are very large, the area includes tourism, commerce, business management, computer equipments and software, marketing, media or event organization. The biggest firms are Esket (private training, health care, art activities, advertisement, public relations, security systems, know-how activities), İmar İnşaat (infrastructure and construction works) and Kent Hizmetleri (infrastructure and construction works, transportation, landscaping works, all kinds of production and marketing activities). All these companies' shareholders, except

for İztek A.Ş. from İzmir, are either the metropolitan municipality or its enterprises. As a common characteristic for many other metropolitan municipalities, these companies are run by a limited number of people, senior managers of the municipality or people close to them.

Even though there is very limited financial data, based on the interviews, it is difficult to argue that municipal companies have been profitable entities so far. Also, despite of the municipality's aim of making new investments through its enterprises (the goal that is more achievable for bigger metropolitan municipalities), it has remained a difficult task. On the other hand, based upon more financial information, municipal firms in Konya are more successful in the sense of bringing revenues to the municipal budget.

The issue of affecting competition with respect to municipal tenders is another mentioned point. In the example of Eskişehir, it was commonly stated that municipal firms enhance competition as new actors, which are not seeking for profit, at least this is not their leading motive in certain sectors, are joining the market. In 2008-2009, on average 64.3 percent of the total amount of tenders initiated by the municipality went to the municipal companies. According to my findings, the same ratio was 10.6 percent on average in 2013-2014, noticeably small compared to the previous proportion. However, regarding these tenders, competition conditions remained weak in both periods.

Excluding one respondent, the others found the matter of the municipality's senior executives taking place in enterprises' management is a common practice which does not create disadvantages for other companies, for example, in terms of municipal tenders. One respondent also underlines that these firms are already under the influence of the mayor and a certain number of senior bureaucrats. They all

agreed that through municipal enterprises, the municipality's business volume in the city economy and the municipality's number of employees have gradually increased and this process will continue.

Furthermore, buying goods and services from the municipal or other companies or transferring municipal services to subcontractors are mostly defended by asserting the restrictions caused by the central government. In addition, it is underlined that despite of service purchasing implementations, because the responsible party is still the municipality itself, there has not been much change regarding ways of public service provision. But, when we look at the tenders of the last five years of the institution, it is clear that the municipality has transferred various types of works to private companies.

About the subject matter of auditing municipal firms, as in other municipalities, these mechanisms have remained temporary, weak, and inefficient. Yet, only one official brought up the need of independent, impartial, permanent and effective monitoring mechanisms. As in some other examples, concerning this issue, people emphasize discriminatory practices, caused by being controlled by an opposition party, of the central government.

Concerning the example of Konya, in accordance with the interviews as well as the metropolitan municipality's publications, the institution's targets are consistent with the NPM approach, promoting the city in international arena, attracting investments and fulfilling local services in line with performance based criteria, making the city among the most livable cities with minimum cost and duration as well as in the most efficient way. Though the local government points out that municipalities have acquired financial strength and turned into more autonomous organizations, it also complains about the factors which affect municipalities

negatively, such as dominant authority of the central government, the lack of qualified staff, municipal power over the municipality's income sources and the lack of cooperation among different actors in the city regarding local economic development, lastly, the increase in the municipality's area of responsibility. Other reasons for setting up enterprises (which are very similar to the first example) are counted as preventing pre-tender agreements, overcoming bureaucratic obstacles and quickening processes of fulfillment of local services, following freer wage and personnel policies from the central authority, rendering decision making processes much easier through private enterprises.

In this second example, municipal companies stated to be established from the beginning of the 1980s. Thus, they are older (and noticeably bigger) firms compared to those in Eskişehir, but again operating in various business areas (business management, health care services, culture, arts and sports organizations, tourism, construction works, science and technology, gas distribution, food industry and trade, security systems, landscaping). Konbeltaş and Konya Bilim Merkezi A.Ş. are the biggest enterprises of the municipality. In addition, the municipality owns significant amounts of capital in Enerya Gaz Dağıtım, Selçuklu Kent A.Ş. and Konya Suki A.Ş. Unlike the enterprises in Eskişehir, firms of Konya Metropolitan Municipality involve shareholders other than the metropolitan municipality or its companies, for instance, the Union of Municipalities, Koski, the Konya Chamber of Industry, the Konya Chamber of Trade, the Konya Organizational Industrial Zone, Konya Şeker A.Ş. and İstanbul Metropolitan Municipality.

With regard to the financial successes of these enterprises, it is clear that companies have been constantly increasing their financial turnovers in the last five years. Some of them have increased these amounts by eight, or even 30, times.

Furthermore, in six of the last nine years, the most important seven companies of the municipality made around 7.7 million TL profit in total, in addition to the 2.3 million TL losses in the other three years. About the number of personnel employed in these seven companies, on the other hand, is 1315 by the mid-2015, so I can say that the figure is not very high.

The officials from the municipality think that municipal firms contribute to the competitive environment in the city, even if these enterprises have negative impacts on economic competition, this does not create problems since the money goes to the municipal budget. It was also pointed out that the municipality generally uses the direct supply method to purchase goods and services, in other words, without initiating tenders. Unlike the example in Eskişehir, 2008-2009, the total amount of tenders won by the municipality's companies was significantly low (2.67 percent); the same quantity increased to 6.36 percent in the period of 2013-2014. Even though municipal enterprises are mostly the only bidders in Konya case too, considering the last five years' tenders, there has been a more competitive environment than the one in Eskişehir.

There are other similarities between the two municipalities' approaches to local service provision ways as well, for example, officials regard senior bureaucrats' holding positions on the boards of directors of these companies as a normal and common occurrence. Increasing the number of personnel and the practice of the use of subcontractors are also widespread in this locality. However, the interviewees reminded that the municipality is still responsible for providing local services and they utilize these implementations because of the institutions' needs of staff, equipments and experts.

Finally, unlike in the Eskişehir example, in Konya there were no claims of excessive auditing and control mechanisms; yet, these instruments of the central state have not been settled and remained temporary and inadequate in this example, too. Besides, about the issue of municipal firms funding the municipality, it is argued that there are no such big returns to the municipality. Compared to bigger metropolitan municipalities' firms in other cities, amounts might have remained low in Konya, however, as the data says they have not been that inefficient. Lastly, it is mentioned that, because the municipality's companies are small compared to -for example, the ones in İstanbul- the use of international quality management systems have remained weak; the making use of these systems by the local government is also depended on the financial strength of its enterprises.

Certainly, the arguments of the interviewees raise questions. For example, they considered senior municipal officials (specifically mayors) running municipal enterprises and the intertwinement of public and private sector realms normal. However, the existence of complex linkages between municipalities and their companies and the maintenance of local works through these firms that are audited very inadequately pose problems, first of all, about weakening the public nature of municipal services. The problem concerning the auditing of municipal corporations also undermines accountability of local governments; unlike the new management approach to public administration prescribes the importance of this tenet.

Moreover, as the new approach emphasizes outputs rather than inputs and processes, it creates problems that municipal and company officials ignore the significance of how and by whom municipal services are fulfilled. It is commonly, even if implicitly, accepted that there has been a shift in public service provision ways with the practices of increasing utilization of companies, tenders and

subcontractors, the transformation was not seen important. But, since the change gives local governments a large autonomous area (which has remained blurred and uncontrolled so far) in social and economic life of the city, the change is quite significant. Also, claims regarding deficiencies in auditing mechanisms over municipal enterprises were rejected by the officials. It is very difficult to agree with the interviewees on this approach because even the Turkish Court of Accounts has difficulties in monitoring these enterprises. At this point, both local governments and their corporations are reluctant to share related information about the companies, including with the councillors which are the members of opposition parties in that municipal assembly.

Obviously, this thesis has several shortcomings. First of all, the metropolitan municipality issue is a blurred area, which means it is a place in which both public and private areas are intertwined. One of the main deficiencies of this paper is it's the lack of sufficient financial information and profit and loss statements about these companies.

Second, as mentioned before, it was difficult to find data and determine these firms' business volumes because of the facts that municipalities may transfer public works to their companies without initiating tenders or several municipal firms operate in market oriented business areas.

Third, although I examined many reports, plans and news about municipalities and municipal companies as well as conducted interviews, more interviews could be done with the officials from these firms and related municipal departments, such as in resource raising and participations offices (it should also be noted that this department ceased to exist within the structure of Eskişehir Metropolitan Municipality. On the other hand, Konya Metropolitan Municipality continues to have

this department). If the auditing mechanisms, such as the Turkish Court of Accounts' mechanism, would operate more efficiently and the General Directorate of Public Accounts (the Finance Ministry) declares more information about these companies' activities as well as metropolitan municipalities share more information with the public, too, these firms can be more sufficiently evaluated.

In my opinion, the subject matter of this study is significant because local administrations have always been important institutions which are dealing with many local problems and providing local goods and services. But for the last three decades, they have become even more critical as the city level has become a prominent unit. In this environment where the local level has risen, municipalities have acquired qualifications of entrepreneurialism and followed further policies of accumulation of capital, the roles undertaken by local authorities concerning especially the local level's economic development have turned into critical issues to understand and explain.

By exploring these firms, municipalities' role and influence in cities' economic development might be observed in a more detailed way. However, it should also be recorded that accountability mechanisms over municipal corporations need to be tightened. As a result, as I see it, so as to have a deeper understanding about the role of local governments in today's neoliberal era and their intertwined and complex relationships with both the market and the central state, the issue of municipal companies, which has many different perspectives such as economical, political, cultural and social, deserves further study.

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