

## INVESTMENT PROMOTION AGENCIES IN THE NEW PUBLIC MANAGEMENT PARADIGM: THE INVESTMENT SUPPORT AND PROMOTION AGENCY OF TURKEY

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### Abstract

The article describes investment promotion activities as a result of neoliberal development policies and analyzes concomitant administrative reforms, namely the rise of business like agencies that are part of the New Public Management (NPM) paradigm. The author assesses the operational model of investment promotion agencies and then moves on to analyze Turkey's investment and promotion agency according to Hood's (1991) NPM variables. The author concludes with policy implications.

**Keywords:** New Public Management, neoliberal policies, agencies, investment promotion

**JEL Classification:** F21, H83, L32

## YENİ KAMU YÖNETİMİ YAKLAŞIMI İLE YATIRIM DESTEK AJANSLARI: TÜRKİYE YATIRIM DESTEK VE TANITIM AJANSI

### Öz

Bu çalışma neo-liberal yatırım politikalarının bir sonucu olan yatırım destek faaliyetlerini tanımlamakla birlikte Yeni Kamu Yönetimi (YKY) paradigması ile yükselen işletme tipi ajansları incelemektedir. Yazar, yatırım destek ajanslarının operasyonel modelini değerlendirerek ardından Hood'un (1991) YKY değişkenlerine göre Türkiye yatırım destek ajansını analiz etmektedir. Yazar, politik etkiler ile çalışmayı sonuçlandırmaktadır.

**Anahtar Kelimeler:**Yeni Kamu Yönetimi, neoliberal politikalar, ajanslaşma, yatırım destek ve tanıtım ajansları

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## Introduction

Investment promotion agencies (IPA's) are public agencies that often hold special status in terms of their scope and authority. Many times IPAs are an official interface between foreign investors and host governments. As an integral part of a national development plan, activities of these agencies stretch from marketing functions to investment brokering, development of investment strategies and policy advocacy. In this capacity these organizations have been created as independent or semi-independent agencies that are part of the civil service but function based on private sector principles. They are created as agencies that are closest to the central government (Seidman & Gilmour, 1986), yet independent from imposing structures. They are agents in the implementation stage of an economic development policy that emphasizes on attracting foreign direct investment as part of a neoliberal competitive state model (Phelps, Power & Wanjiru, 2008).

Neoliberalism is a prescriptive/ normative framework to formulate and implement public policy at the national and international level (Cerny, 2010, p.135). At the essence of its thought lies the assertion that markets are the core institutions of modern capitalist society and policies should be geared towards making markets work better (Cerny, Menz & Soederberg, 2006, p. 12). David Harvey defines neoliberalism as 'a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade' (Harvey, 2007, p. 2). Neoliberalism emerged as a response to globalization and the shifting role of the state in this market based order. It prevailed as the alternative to Keynesian economics in the 1980s which consists of the combination of monetarism, supply side economics and public choice theories (deVries, 2010). Although globalization assumes the regression of the nation state, the competition state hypothesis put forth and developed by Cerny states that, paradoxically the role of the state is actually strengthened. The domestic rationale of the state to provide necessary public goods and social order is being superseded by policies that maintain and promote competitiveness in the global economic and political order (Cerny, 2010, p.6). While devolution and local governance policies on one hand may hollow out the central state, maintaining the competition state, which includes opening the domestic to the transnational and ensuring that citizens can keep up with pressures put forth by globalization, actually strengthens the central state. In other words the central state grows stronger as it becomes the guardian of policies that favor competition and pro-market regulations that propel the countries' economic status among other nation states (Cerny, 2010, p.6). The increasing role of the state in this context is than to build and regulate a framework that advances this free market spirit of the globalizing world

This paper argues that IPAs are a product of neoliberal thought in two ways. First, the main goal of IPAs which is promoting countries to attract foreign direct investment is basically competing for a market share of global investments. Foreign Direct Investment (FDI henceforth) is considered to be the highest form of external finance for development, therefore it receives privileged position. This competition for mobile capital lies at the very heart of neoliberalism (Phelps et al, 2008). Secondly, IPAs as private like organizational units within the greater framework of bureaucracy are a product of New Public Management

which is neoliberalism's imprint on the administrative system (deVries, 2007).

This paper is a case based analysis of investment promotion agencies as part of public administration, specifically as agencies that have been created in the NPM paradigm. IPAs have received much attention based on their contribution to economic development; however as public agencies they have rarely entered the public management or public administration discourse (Kumar & Marg, 2007; Riddle , Brinkerhoff & Nielsen, 2008). This paper analyzes the case of Turkey's investment and promotion agency (ISPAT). It specifically investigates how this agency is modeled in the projection of neoliberal inspired new public management paradigm. It will start by giving a brief review of new public management and the establishment of agencies, followed by a definition of the nature of investment promotion activities and agencies that conduct them. This section is concluded with an operational model of the function of IPAs. We will then turn to ISPAT and conduct an in depth analysis of the agency. We will examine the legal and organizational framework of the agency to demonstrate the extent of private sector practices in this government agency. The analysis is conducted by comparing ISPAT practices to Hood's (1996, p.271) seven NPM doctrines. Data for the analysis is based on fourteen months of intensive site observations. Over the span of 14 months observations were made at three retreats including one that hosted then World Association of IPA's (WAIPA) president, weekly staff meetings and general daily operations. Furthermore, conclusions were drawn based on printed materials such as 'Invest in Turkey' brochures, legal documents such as the organizations charter, organization's website and press releases and interviews.

### **1. Government Agencies as part of New Public Management**

The organizational structure and culture of investment promotion agencies are heavily influenced by the political climate they were conceived in. As stated before, investment promotion is a neoliberal concept, implying the necessity to market ones country as an investment worthy location. Concomitantly, as the political environment was shifting towards this competition state model, administrative reforms pushed public administration into a flexible market based model known as New Public Management (NPM). This section will provide a brief review of NPM that will constitute a base to analyze ISPAT.

According to Peter Aucoin (1990) administrative reform deemed necessary due to a changing global economic order which is the result of economic and political restructuring. Also, in the aftermath of the economic crises during the eighties and nineties the general public demanded government services and regulation in national political systems (Aucoin, 1990; Homburg, Pollitt & v.Thiel, 2007). The public's acquaintance with stagflation and an increasingly negative perception of bureaucracy led governments starting in New Zealand, Australia and the UK to implement a series administrative reforms that later spread globally and affected the way we perceive the work of government ever since (Barzelay, 2001).

The Thatcher government stands out as a dominant forerunner of structural changes in managerial functions of government. Campbell and Wilson (1995) argue that administrative reforms were externally induced in the UK in 1976, when the IMF determined in a rescue operation of the *Pound* that 'cash limits' had to be imposed on governmental departments.

While limiting government spending, Margaret Thatcher established systems at the center

of government that were designed to increase managerial efficiency. While it is not possible to determine a concrete date for the beginning of NPM or a conclusive set of doctrines that compromise it (Christensen & Laergreid, 2007), by the mid-eighties a public sector reform based on free market principles, devolution, managerialism, and the use contracts had become the panacea for bureaucratic malaises in the Anglo Saxon world (Boston, Martin, Pallot & Walsh, 1996). By the early nineties it became evident that NPM was a global phenomenon (Aucoin, 1990; Hood, 1991) challenging classical hierarchy based administrative systems and inducing globally a system that shifted its attention from organizations, structures and processes in the administrative apparatus to performance and output (Kettl, 1996). While it is impossible to capture the complete breadth of NPM principles, Hood (1991) provides us with a meaningful compilation of seven doctrines that capture its most significant tenets: hands on professional management, standards of measurement and performance, emphasis on output controls, disaggregation of departments to create corporatized units focused on products, completion and contracting as a means to provide better and lower cost services, a shift away from the classical, hierarchy based public administration towards private sector management practices and the principle of doing more with less through disciplined resource use (Hood, 1991).

In the United States of America these principles gained prominence during President Clinton's election campaign and the launch of the National Performance Review (NPR). The discussion whether public administration is a value imbued activity or science, based on principles has been ongoing in the US since the inception of Public Administration as a discipline. From the 'Principles of Scientific Management' (Taylor, 1911) throughout the Municipality Movement, Herbert Simon's logical positivist theory of administrative behavior (Simon, 1947), to Osborne and Gaebler's 'Reinventing Government' movement (Osborne, 1993) that later became synonymous with Vice Presidents Al Gore's effort in the National Performance Review, management based reforms have always been part of American Public Administration.

The transfer of government tasks into agencies is part of NPM based reforms. They have become a worldwide phenomenon (Pollitt, Talbot, Caulfield & Smullen, 2005; Pollitt and Talbot, 2004) that has found its way to Turkey as well. The UK's *Next Step's* program has been a prototype to introduce 'agencies' as organizational units, quickly to be applied by governments worldwide (Talbot, 2004; James, 2004). While there is no universal legal definition as to what an agency is or what its scope of authority should be, Pollitt and his colleagues have constructed the following working definition: Agencies are semiautonomous organizational units, which means that they have certain discretion over their budget and personnel, and operations. Agencies are disaggregated from a ministry, which means that they are structurally separated from the core of their ministry, however still are close enough for ministers to alter budgets or main operational goals of the agency (Pollitt et.al. 2005). Among the different kinds of agencies investment support agencies are the least discussed ones in the public management or administration context. The following section provides an overview of investment promotion agencies in this context.

## 2. The Nature of IPAs

Investment promotion agencies are public organizations that are created to promote a country or a region to raise its image as an investment worthy location to ultimately attract foreign direct investment. They are the main actors in a governance policy that focuses on place branding. They often vary in size and structure but they are similar as they are modeled after private sector principles. The forerunner of such agencies was Ireland's Investment and Development Agency, formed as part of the Department of Industry and Commerce. This agency has become a model for many newcomers to investment promotion. The majority of IPAs are connected to a ministry such as economy, trade, treasure or production, rarely are they semi-governmental or partly non-profit (Zanatta et al, 2008). Some of the examined IPA's report directly to the Executive of a country. Empirical research suggests that agencies that are most effective directly report to the country's president or prime minister, and are less effective if they are embedded in a ministry (Morisset, & Andrews-Johnson, 2004). Therefore the structure of an *agency* lends itself well for the investment support and promotion task. It is argued that as the number of members on the board from the private sector increases, the agency becomes more effective (Morisset, 2003). With emergence of economic globalization and the spread of economic liberalization and the ultimate dominance of the neoliberal economic order in the late 80's, IPAs gained a global presence to the extent that in 1995 the United Nations Conference on Trade and Development (UNCTAD) established a World Association of Investment Promotion Agencies (WAIPA). Currently, WAIPA membership counts for more than 220 national IPAs from 154 countries and over 250 subnational member organizations. In January 2014 the executive of ISPAT, Mr. Ilker Ayci has been elected as president of WAIPA. Headquarters currently located in Geneva, Switzerland will be moved to Istanbul, Turkey in early 2015 (ISPAT, 2014) indicating that Turkey's IPA has taken on a leadership role in investment promotion.

While the OECD and UNCTAD mostly generate reports geared towards politicians and practitioners on this topic, IPAs have entered the field social science from various aspects. Discussion in this field mostly centers on empirical studies investigating the effectiveness of IPAs (Morisset,2003; Harding and Javorcik, 2011), the effect of FDI on economic development or spillover effects, such as technology and innovation transfer, in host countries (Borensztein et al. 1997). Earlier studies have suggested frameworks for the activities conducted by the IPA (Loewendahl, 2001, Wells and Wint, 2000). Fewer studies have focused on the institutional structure of IPAs (Zanetti et al, 2008) and even fewer studies have approached these agencies as part of public administration (Kumar & Marg, 2007; Riddle et al, 2008). Researchers in the field agree that more studies are needed to properly assess the functions of IPAs in the execution of a national economic development plan that considers foreign investments as crucial for growth and development. There is a particular lack of studies focusing on individual agencies and the roles they play in the process. The literature almost unanimously agrees that policy advocacy is the most significant task these organizations fulfill.

### 3. Functions of the IPA

The reason of existence for investment promotion agencies is to attract Foreign Direct Investment (FDI) to their home countries. The World Bank defines foreign direct investment (FDI) as: 'net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor' (data.worldbank.org). It is part of an economic development strategy that not only values the immediate monetary benefit from the investment, but also perceives FDI as a fast and reliable way to transfer technology and innovation given that there is an absorptive capacity (Borensztein et al., 1998). Therefore the job of the IPA is to bring FDI and the multiplier benefits of it into the country and maintain them. While they are not the authority of foreign capital, which in Turkey's case would be the prime ministry under secretariat of treasury, they engage in a series of *promotion activities* that should put their countries on investor's shortlists for investment destinations. Wells and Wint (2000) state that promotion efforts are the result of governments competing aggressively for foreign direct investment. With the establishment of an IPA and the allotment of a budget for that agency, governments compete for foreign investments analogous to companies marketing themselves in an effort to gain greater market share.

Promotion activities are defined by Wells and Watt as a structured marketing strategy including advertising, direct mailing, investment seminars and missions, participation in trade shows and exhibitions, distribution of literature, one-to-one direct marketing efforts, preparation of itineraries for visits of prospective investors, matching prospective investors with local partners, acquiring permits and approvals from various government departments, preparing project proposals, conducting feasibility studies, and providing services to the investor after projects have become operational. In some cases IPAs also mediate between different government agencies and levels to establish working relationships in order to streamline investment processes.

Literature on the topic suggests that the main functions of IPAs are to encourage foreign direct investment through four sets of activities: First they *generate interest* among potential investors through promotion activities where they present their country as an attractive investment destination (national image building and place branding/marketing). This occurs through public relation campaigns, events, disseminating information on web sites, and road shows. Relevant audiences are also targeted through internet keyword advertisement such as 'Google Adwords' and social media. Concrete leads are then created and followed through investor forums and /or phone and mail campaigns and presentations by specialists from the IPA in an effort to *generate investments*. The IPA then focuses on a certain investment range in terms of value. Qualifying projects and investors are then supported by *facilitating action*. This support may range from expediting and obtaining approvals to broker relationships with local firms, banks and government agencies as well as after investment care (Wells and Wint, 1991; Loewendahl, 2001; Riddle et al. 2008). Last but not least, advocating for policies to improve the investment climate is a significant part of their work. Morisset (2003) asserts that policy advocacy is the most effective function for attracting investment followed by image building and investor servicing. Investment generation however seems to be the least effective function because it requires advanced

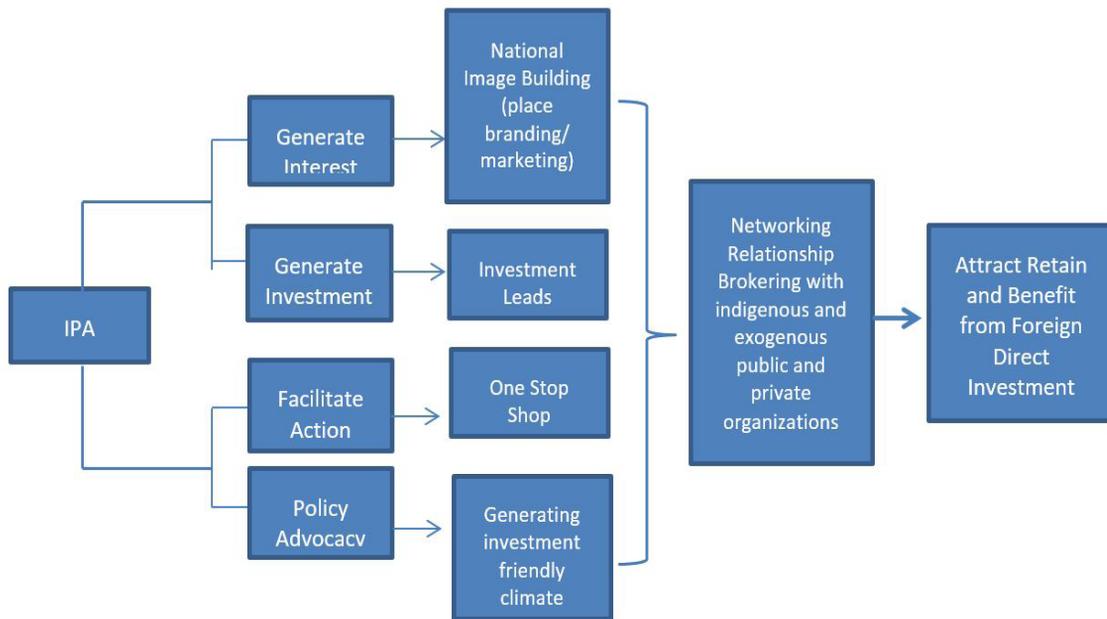
expertise and is therefore not cost effective (Morisset, 2003,p.19).

Harding and Javorcik (2011) studied US FDI outflows to 124 countries and concluded that one of the main purposes of investment promotion is reducing transactions costs by decreasing information asymmetry and cutting red tape by assisting with bureaucratic procedures. Out of those two, assistance with bureaucratic procedures is the statistically more significant factor. The authors conclude that investment promotion is especially effective in countries that are culturally distant from the investing country and especially in developing economies where convoluted bureaucratic procedures exist (Harding and Javorcik, 2011).

The following model, derived from best practices in the field as well as the literatures suggestions, illustrates the functions of an IPA. This model exists in the backdrop of economic-political climates, political power structures and within an intricate network of public and private sector partnerships. This model illustrates that the competition state model has gained dominance and that investment promotion agencies have become intermediaries in this competition model. The model indicates that IPAs serve one main policy goal which is to attract and retain foreign direct investment to eventually contribute to the economic development of the country. This may be done through activities that initially serve potential investors (one stop shop, network brokering, cutting through bureaucracy) but ultimately yield a return in the form of FD

#### **4. Administrative Reforms and the Investment Support and Promotion Agency of Turkey**

ISPAT has been established in Turkey as a) part of the neoliberalization process of the political landscape that started in the 80's and b) structurally as part of administrative reforms introduced by the incumbent government. To create the necessary pretext this section starts with a brief review of reforms in Turkey. Administrative reforms that affected the Republic of Turkey which was founded in 1923, actually started in the nineteenth century, the last century of the Ottoman Empire. These modernization reforms were synonymous with westernization (Sezen, 2011). According to Sezen (2011), the most radical and comprehensive reforms took place during the period of the early republic (mid 1920s to 1930s). This extreme change was intended to create a physical break from the Ottoman past (Müftüler Bac, 2005) and to segue the Turkish people into the system of the new founded Republic. A highly centralized administrative structure was adopted from France (Keskin, 2006) creating a unitary state, parliamentary democracy and a secular social regime (Sezen, 2011). The strong state tradition that evolved during the history of Ottoman Turkey has marked Turkish political as well as the administrative culture (Mango, 1977; Heper, 1987, 1992; Ozbudun, 1996; Heper and Keyman, 1998). While a physical break from the past occurred, Turkish public administration was imbued with the remnants of the Ottoman Empire translated into an *Etatist* state tradition. This meant for public administration that civil service did not exist to serve the public but rather was considered as a loyal servitude to the state, creating a civil service that performed public services without taking the citizen into consideration (Sözen, 2012). A democracy that had not been fully consolidated with a weak middle class, weak civil society and an ingrained respect for authority and the state have fostered this statist tradition (Sozen and Shaw, 2002).



**Figure 1:** *Operational model of Investment Promotion Agencies*

While two more waves of reforms were implemented through the creation of new constitutions after a coup d'état in 1960 and 1980 respectively, it was not until the Turgut Özal regime of the mid-eighties that the groundwork for contemporary neoliberal politics were laid in Turkey (Önis, 2004). The late eighties and early nineties focused on privatization and integrating the economy into the international capitalist system (Cevikbas, 2012). According to Eryilmaz (2004) the main trigger of administrative reform starting in the Özal era was the ongoing fiscal crisis. Reforms pertaining to economic development and the activation of the private sector hence gained dominance. The government of the Justice and Development Party (AKP) marked the beginning of a paradigm shift in Turkish Public Administration when it was elected to power in 2002 and moved forward when it was reelected in 2007 and more so in 2011. Change during this period can be attributed to external and domestic factors. Major reforms implemented by the AKP took the shape of policy transfer (Sezen, 2011). Similar to the spending limits posed on departments in the UK during the rescue of the *Pound* by the IMF, major administrative reforms took place as part of the EU negotiation process or were recommendations by OECD and the World Bank (OECD, 1996; Sozen and Shaw, 2002). The establishments of agencies to decentralize state power, the establishment of regional development agencies and the establishment of the investment promotion agency have been efforts in this vein. NPM manifested itself in Turkish Public Administration in the shape of legal provisions (Cevikbas, 2012). Laws were changed or amended in the areas of fiscal management and controls, public personnel management, development agencies, and the establishment of independent administrative authorities that eventually curtail the authority of ministries and eventually raise questions of legitimacy as these organizations are new actors that lay outside the control and supervision of parliament and elected representatives

(Özel, 2008).

The incorporation of the Investment Support and Promotion Agency of Turkey (ISPAT) dates back to July 2006 in accordance with Law 5523, passed by the Grand National Assembly of Turkey. Prior to this decree, investment promotion was not carried out in a systematic manner. FDI data were maintained by a department within the Undersecretariat of Treasury. Foreign investors would go through multiple layers of bureaucracy to realize their investments. While the authority on foreign capital, including developing policies for the attraction of capital, rests with the Ministry of Economy (Law No.6223,Sec.1, Item 2), the establishment of ISPAT congregated all foreign investment attraction and promotion related strategies and activities as well as research and support in one entity. Concomitantly, as part of accession requirements to the EU, Regional Development Agencies (RDAs) with a similar goal, however on the national level, were established. While initially the relationship between ISPAT and RDAs was one of informal advice and consultancy, an amendment to Law No. 5523 in 2011 formalized ISPAT'S role as coordinator of national strategies at the regional level. The establishment of this agency must be approached from two perspectives, namely the legal framework and the organizational structure. In this following section we will first discuss the structure of the agency from the perspective of its incorporation law (Law No. 5523) and how its reflection of NPM culture when operationalizes. We then discuss its informal structure which is an adaptation of Switzerland's investment promotion strategy carried to Turkey by consultants.

#### **4.1 The Legal Framework**

Law No 5523 provides a detailed framework for the establishment of the agency. We will discuss the objective of its incorporation, personnel, the board, budget and auditing, contracting and its right to request information from all other government departments. We will then look at amendment made to this law in 2011, specifically pay attention to the formation of two new departments from which one is responsible for the coordination of national investment interests with RDAs.

##### **4.1.1 Objective of Incorporation and Functions**

The law states, the main goal for this agency is to implement investment support and promotion strategies that aim to increase the inflow of FDI which is in accordance with the current National Economic Development Plan. Its formal functions can be divided into four categories, creation and implementation of investment promotion strategies in cooperation with RDAs; assemble information and disseminate as a guidance to potential investors, broker relationships and advocate for investors at relevant levels of the government. The agency website, whose content is provided by the ISPAT research team, states following purpose:

‘Active on a global scale, ISPAT operates with a network of local consultants in Canada, China, France, Germany, India, Japan, Saudi Arabia, Spain, the Russian Federation, the UK, the USA, and South Korea offering an extensive range of services to investors through a one-stop-shop approach, and assists them in obtaining optimum results from Turkey. ISPAT's team of professionals can assist investors in Arabic, Chinese, English, French,

German, Italian, Japanese, Korean, Russian, or Spanish as well as Turkish, and is dedicated to helping investors successfully develop their business operations in Turkey. Working on a fully confidential basis, as well as combining the private sector approach with the backing of all governmental bodies, ISPAT's free-of-charge services include, but are not limited to...'(About ISPAT, accessed on16.03.2014)

When discussing the reason of existence and operational methodology of the agency with upper level management emphasis is made on the private sector approach, where operations are fast and potential investors are treated like potential clients, and where depending on the size of the investment project directors, Project Directors provide 'one stop shop' service. Overall the agency with its physical premises and personnel culture resembles a business consultancy agency.

#### **4.1.2 Personnel**

To carry out these functions the agency was initially granted a the core staff of 30, which was doubled in 2011 to 60 in order to keep up with the increased work load. Besides these 60 'government employees' specialists are employed as contractors. Project Directors (PD henceforth) and Department Heads have to show impeccable personal and legal records as well as qualifications that include advanced proficiency in a foreign language and preferably and second foreign language. A minimum of four years of tertiary education followed by experience in the professional field is required. When a project directors (PD) of the core staff was asked how recruitment took place, the PD stated that he responded to a 'business' ad in a mainstream newspaper. The advertisement looked for 'young, dynamic team members who spoke at least one foreign language and had work experience and were presentable' (Interview with PD). Business attire and attitude lie at the core of the agency's culture. To ensure that new employees internalize this culture 'business etiquette and protocol' seminars are held annually (observation). This team of young professionals has received much attention from the media, referred to as the 'National Team' of investment promotion (Sayar, 2014). Contrary to the common perception of idle bureaucrats or civil servants, PDs resemble a team of business consultants who conduct their operations on VIP level.

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#### **4.1.3 Service Units**

Major service units are the directorate of investment promotion services, directorate of investor services, as of 2011 also the department of collaboration with development agencies and the department of public private sector collaboration. In addition to those the consultancy unit provides legal counsel and ancillary services including human resources and support services.

#### **4.1.4 Consultancy Board**

The agency is governed by a Consultancy Board that is chaired by the Prime Minister and attended by ministries, governmental and civil society organizations as assigned by the Prime Minister, as well as representatives from the private sector (Law No.5523, Sec.5, Item 1). The president of the agency who is appointed by the Prime Minister is the top executive and representative of the agency. The agency president is accountable towards the

prime minister. It is important to note that the current as well as former presidents of this agency have been transferred from the private sector where they had served their respective companies as high ranking executives. This is a break from the tradition of transferring top bureaucrats into private executive positions which has been argued to be one of the reasons of state domination over civil society in Turkey (Sozen and Shaw, 2002). Instead, direct transfer from the private sector is argued to bring effective change in implementing NPM reforms (Shaw, 1997). The board meets at least once a year to review activities, decides on long term strategies, and makes recommendations to improve the productivity of the agency as well as to designate institutions for collaboration if necessary. As stated before, the agency is directly tied to the Prime Minister, and the agency head acts as consultant to the PM. At the same time any major investment related decisions have to be cleared with the PM (observation). The fact that private sector representatives are on the board of this agency raises concern as clearly conflicts of interest may arise. Even though the agency may act like a private sector organization, it is part of the state, accountable immediately to the prime minister but eventually to the public and entrusted with the duty to pursue the public interest.

#### **4.1.5 Budget and Financial Management**

ISPAT has been incorporated as a financially and administratively autonomous entity that is directly tied to the Prime Ministry (PM), henceforth the agency answers only to the Prime Ministry. Financial transactions are audited by the Turkish Court of Auditors (Sayıştay) and submitted to the PM's office as well as the Grand National Assembly. All revenues obtained by the agency through the provision of services or aid funds and donations as well as the budget directly allocated by the PM are to be deposited in a bank that is approved by the PM. Financial management law of public entities (Law No.5018) requires administrative entities within central government to deposit funds and revenues to the treasuries cash offices in order to maintain the unity of treasury. However the agency is as stated in the previous sections close to the core of government while financially autonomous, through their exemption from Law No. 5018. Nevertheless the prime minister has ultimate say in hiring and salary scales.

While we have seen that ISPAT is legally framed as a financially and legally autonomous unit, the fact that the prime minister is the chair of its Board, the president of the agency is appointed by the PM and is accountable to the PM and the National Grand Assembly shows that de facto autonomy is often limited to coincide with the policies of the prime ministry. This may not be a bad thing however, as research has shown that close proximity to the policy making center (which in Turkey is undisputedly the prime ministry) is more important than legal autonomy (Yesilkagit and Thiel, 2008).

#### **4.2 The Organizational Framework: Promotion Swiss Style**

As stated in the previous sections, Turkey often introduces reforms in the form of policy transfer. Historically, major reforms have been transferred from suitable European models. For example Turkey's administrative system was imported from France after the declaration of the republic. Investment promotion is a relatively new policy in Turkey. Once the law

for its incorporation was issued, a team from Switzerland was contracted to establish the initial strategy and processes related to operations. As a result executives of Development Economic Western Switzerland (DEWS) adapted a 'Swiss made' system to Turkey. To make implementations lasting the head of the agency was recruited from DEWS. As a Turkish citizen and former deputy of the Swiss agency it was hoped that he could sway public opinion about the agency and investment promotion positively.

In an extensive interview the former executive of DEWS explains how the image, perception and operational process of the agency were carefully crafted and that this agency would become the interface between large scale investors and Turkey. The interviewee described ISPAT as representative of Turkey abroad, therefore its image had to be accordingly (F.Sermet, personal communication, July 2010). In this vein, the mission of the agency was reiterated as increasing FDI inflows by attracting international service companies, service centers, regional hubs, manufacturing firms preferably introducing new technologies and to contribute to develop Turkey as a brand. In this vein a desirable investment project was defined as one that a) transfers new technology; b) adds value to the existing fabric of industry and c) creates employment opportunities for residents d) is environmentally non intrusive. To do so the agency 'Investment Support and Promotion Agency of Turkey (ISPAT) was created and positioned as the 'A Team' that will bring foreign investors to Turkey. ISPAT was organized around the principles of effectiveness and efficiency, and tailored into a one stop shop concept. From recruitment to its organizational culture, it is based on private sector principles. For example, the image of the agency has been carefully crafted by professional PR specialists. An executive institutional identity, staffed with young, sleek, multilingual highly motivated men and women intends to create a high developing and business oriented image of Turkey.

The agency's work style is divided into fieldwork, promotion and investment generation strategies carried out by Project Directors (PD) and Representatives of the agency in over 21 countries, and back office services ranging from research departments to legal counsel and supporting services. The PDs work is region and sector based. This means that PDs are assigned a geographical region globally, as well as nationally. On a global scale they will follow leads and projects and cooperate with the representative of that region. Nationally, the PD follows leads and projects but also cooperates with Development Agencies in that region. In addition to that every PD has to master a sector of which they will be responsible to report on. The national network mainly fulfills their investment advocacy function (personal communication, May 2010). The international network consisting of 15 ISPAT regional representatives in 21 countries as well as embassies, consulates, commercial attaches and relevant NGO's, contribute to the promotion and investment generation function of the agency. Through proactive measures such as roadshows organized with support of their international network, image building initiatives by distributing promotional materials in high class facilities such as CIP lounges and business class compartments of airlines and global media campaigns, a modern and economically inviting image of Turkey is created and disseminated to target audiences. In his regard all promotion functions of the agency can be summarized as place branding/marketing activities. Place branding/market is currently gaining attention as governance strategy (Eshuis et al., 2013). In this regard ISPAT and

regional development agencies have become agents of this governance strategy. The strength of this agency lies in its independent private sector work style and network concept, nationally and worldwide. Since it is a semi-autonomous agency it is only tied to the prime ministry but is highly networked with various levels of government. In this regard ISPAT can be considered as a network organization. O'Toole defines networks as 'structures of interdependence involving multiple or parts thereof, where one unit is not merely the formal subordinate of the others in some larger hierarchical arrangement' (1997, 45). The complexity of social and policy problems public managers are exposed to, or 'wicked problems' as Rittel and Webber (1973) call them can no longer be solved by the existing hierarchy based structures. As a response to these predicaments network based organization took shape. Investment promotion is a highly complex exercise, in this regard ISPAT is designed as a network agency that holds special status to counter these *wicked problems*. Its statute grants request of information from any governmental source, their relationship with the Prime Ministry give them access to any government official, including ministries, and their deputies take active roles in the *Investment Advisory Council of Turkey* as well as the '*Coordination Council for the Improvement of the Investment Environment*'.

## 5. Conclusions

The goal of this paper was to demonstrate in what ways investment promotion agencies are products of New Public Management. The case of ISPAT is a suitable example to show how government units are formed around NPM principles. ISPAT legal statue has been drafted in the backdrop of these administrative reforms.

Table 1 presents an analysis of ISPAT by comparing their operational practices against Hood's seven doctrines. According to this analysis, we can state that ISPAT is a product of its paradigm. It is a professionally managed entity that is formed around the object of a certain product and major output, namely FDI attraction. ISPAT is steered by a board consisting of professional private sector executives. The head of the organization has been transferred from a major insurance company. Performance is measured in intervals and benchmarked against structurally and economy wise similar countries. The agency status provides ISPAT with a level of autonomy in terms of budget and personnel. It also marks a shift away from the classical hierarchy of departments. ISPAT enjoys some level of freedom, however is ultimately accountable towards the Prime Minister and the General National Assembly. In terms of contracting, while ISPAT employs a number of civil servants it employs contracted staff and contracts some of its services directly from private providers.

ISPAT does encounters besides operations relation problems, other impediments to its work. While it is legally an autonomous organization it is de facto tied to the decisions of the Prime Minister. As the chair of the board the Prime Minister exerts power in terms of hiring, salaries, budget and policy implementation strategies. Major decisions have to be approved by the PM. This often brings party politics based criticism, where the agency is accused of implementing a ruling party agenda, and to staff the agency with their own partisan designees and putting the interest of investors before those of the citizenry. Nevertheless, this agency is a prototype in Turkish public administration.

This field based research gives us insights into the working of Investment Promotion

Agencies. It further shows that independent agencies are not so independent after all. But rather are tied directly to the core of government. While they advance the provision of a specific service and avoid dealing with multiple layers of bureaucracy through their special legal status, this set up is not sustainable when applied to more agencies if they do not sufficiently cooperate. Place branding/marketing and governance are very recently coupled phenomena. Eshuis et al. (2013) published an assessment on place marketing as governance strategy. Further research may include an assessment of the relationship of investment promotion agencies, such as IPAs and RDAs to governance and their effect on governance through place marketing.

Doctrine	Meaning	Justification	ISPAT
Hands on professional management	Visible managers at the top of the organisation, free to manage by use of discretionary power.	Accountability requires clear assignment of responsibility, not diffusion of power.	Strong executive with department managers who have discretionary power
Standards of measurement and performance	Goals and targets defined and measurable as indicators of success.	Accountability means clearly stated aims; efficiency requires a 'hard look' at objectives.	Employees performance measured individually based on case loads etc., agency's overall performance judged by FDI inflow to Turkey
Emphasis on output controls	Resource allocation and rewards are linked to performance	Need to stress results rather than procedures.	Strong emphasis on output, agency expenditures have to be positively related to inflowing FDI
Dissagregation of departments to create corporatized units focused on products	Disaggregate public sector into corporatized units of activity, organised by products, with devolved budgets. Units dealing at arm's length with each other.	Make units manageable; split provision and production, use contracts or franchises inside as well as outside the public sector	Agency financially and administratively autonomous unit; within the agency work divided into departments that are overseen by managers
Completion and contracting as a means to provide better and lower cost services,	Move to term contracts and public tendering procedures;introduction of market disciplines in public sector	Rivalry via competition as the key to lower costs and better standards.	Services contracted from private sector (security, logistics) only one third of employees (specialists) are civil servants, majority contracted professionals

Shift away from the classical, hierarchy based public administration towards private sector management	Move away from traditional public service ethic to more flexible pay, hiring, rules, etc.	Need to apply 'proven' private sector management tools in the public sector	Hiring and retention practices borrowed from private sector
Principle of doing more with less through disciplined resource use	Cutting direct costs, raising labour discipline, limiting compliance costs to business	Need to check resource demands of the public sector, and do more with less	Financial autonomy of agency is overseen by court of auditors and PM, strong expenditure controls

**Table 1 :** Comparison of Hood (1991) doctrines against ISPAT practices

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