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► **To cite this version:**

Benoît Montabone. From Regionalisation to Territorial Management: the role of the "Regional" Development Agencies in Turkey. "Grand Ouest" days of Territorial Intelligence IT-GO, ENTI. Nantes-Rennes, mar. 2010, Mar 2010, Nantes-Rennes, France. 7p. halshs-00781751

HAL Id: halshs-00781751

<https://shs.hal.science/halshs-00781751>

Submitted on 28 Jan 2013

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From Regionalisation to Territorial Management: the role of the “Regional” Development Agencies in Turkey

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Abstract : The creation of *Regional Development Agencies* at the regional scale in Turkey introduces new actors within the centralised development process of the country. These RDAs lie at the core of the creation of regional growth coalitions through supporting regional business communities. More than being a regionalisation process under the EU pressure, they appear as new instruments enhancing endogenous capital and promoting regional capacities through new territorial management principles.

Keywords : Regional Agency, Regionalisation, Endogenous Growth, Territorial Management, Turkey.

Résumé : La récente mise en place d'Agences Régionales de Développement en Turquie introduit de nouveaux acteurs dans les processus de développement économique du pays. Ces agences sont au cœur de la création de « coalition de croissance » en apportant un soutien institutionnel et logistique aux milieux économiques. Plus que la mise en place d'une nouvelle institution régionale dans un processus d'eupéanisation, elles sont amenées à jouer un rôle central dans le management territorial régional pour favoriser des stratégies de croissance endogène.

Mots-clef : Agence Régionale de Développement, Régionalisation, Croissance Endogène, Management Territorial, Turquie.

The creation of *Regional Development Agencies* at the regional scale in Turkey, based on the European regional development agency model, is often seen as a result of the political europeanisation of the country, undertaken through the European Union candidacy process. In the same time, the creation of regional statistic units and, across the same territorial limits, the setting up of development agencies has been analysed as the first steps towards a regionalisation process, in order to anticipate the reception of european regional policies.

These agencies establish a new level of territorial institution, an intermediate one between the national and the local level. Their primary mission is the coordination of all regional development actors aiming at drafting and implementing regional development plans (*bölgesel gelişme planı*); planning will therefore cease to be fully centralised and will be made possible at more local level. This huge shift within Turkish planning tradition is justified by using the international dimension of good governance principles, a better knowledge of local realities, and a more efficient action closer to local society needs.

The observations based on the three first agencies in Turkey, located in Adana-Mersin region, Izmir region and Istanbul region, and the in-depths interviews with local actors involved in local and regional development allow us to balance these objectives. Far from being a new institutional level, the first created agencies seem not to interfere with central and local political power. Based on a permanent collaborative program, they appear as new tool for territorial management.

This paper will first discuss the fact that the creation of Regional Development Agencies can be considered as a result of a regionalisation process. Local initiatives and local demand from the business communities for supporting economic growth will allow us to finally demonstrate how these RDAs can play a role in promoting regional endogenous development through new forms of territorial management.

I. Are “Regional Development Agencies” the expression of a regionalisation process in Turkey?

Traditionally, the Turkish approach to planning has been sector-based. The territorial dimension is hardly integrated into the Five-Year Plans, thus when regional issues are integrated into these plans, they reflect an atomistic understanding (Dulupçu 2005). The main goal of this development-oriented planning is to promote investments in specific economical sectors, without incorporating the geographical distribution concerning the sectors in question. In contrast, European planning is simultaneously multi-sectoral, and territorially integrated. In this sense, the GAP project can be seen as an exception, since it tended towards a new multi-sectoral and somehow decentralised approach (Loewendahl-Ertugal 2005).



Figure 1: New Statistical Units in Turkey, NUTS I, II and III. Source: Eurostat

It is in this framework that the introduction of NUTS and the creation of Regional Development Agencies should be understood (fig 1). In the general legal grounds of Law n°5449, it was clearly stated the obligations required in order to become a member of EU make the establishment of RDAs necessary. Some authors argue therefore that RDAs are clearly a result of political policy transfer process within the candidacy process (Sobacı, 2009). The very term of agency (*ajans*) is a neologism in Turkish. It shows the importation of a term positively connoted with governance (Massicard, Bayraktar, 2009). These agencies constitute the only institutional innovation of the reforms addressing local authorities, which aim to conform to European prescriptions. Without naming it explicitly, they seem to be inspired by the partnership principle that is at the core of European regional policies. These agencies constitute a new level between local, provincial and national levels. Their purpose is to coordinate local actors for the elaboration and implementation of regional plans. Therefore, planning is not completely centralised any longer, but will also be addressed on a regional level. This can be considered as a true and deep innovation within Turkish planning and territorial system, whereas Turkey followed a centrally and sectorally based planning model since the 60's. This competence devolves to the State Planning Organisation (*Devlet Planlama Teşkilatı*) which depends directly from the Prime Minister, and therefore from the central government in Ankara, and does not share its decision-making powers. Provincial and local actors are not involved in regional plans groundwork, which leaves virtually no space for local initiatives, nor for the partnership principle settlement.

These agencies have different missions. First, they have to select projects which can come from public, private, or civil society sectors to be supported. Second, agencies constitute an interface between European and international development funds. Finally, agencies have to promote investment, especially foreign investment, in their region. In order to fulfil these missions, they have several important means at their disposal: their budget and their qualified human resources more important than those of local authorities. However, the decision-making process remains very centralised, and the delegation of power to regional structures is very limited – a point that has been criticised by the European Commission (2005: 102).

First, the agencies have been created by the centre, via a decision of the cabinet. Until recently, only two agencies had been created, for 26 NUTS II: the Izmir agency for the Izmir region and province, the Çukurova agency for Mersin and Adana provinces. Recently, the creation of eight more agencies was agreed upon (Istanbul, Konya, Samsun, Erzurum, Van, Gaziantep, Diyarbakır and Mardin), but they are not yet operational. However, the criteria for the creation of these agencies, the priority given to some NUTS over others, and the distribution of means between them –especially the amount of funding from the central budget– have not been made public.

Second, the functions of these public institutions –although they are subject to private law– are limited to information, support, and coordination of public, private and civil society actors. On the other hand, development agencies have very limited initiatives and they are not specifically devoted to regional development (Massicard, 2009). Their board (*yönetim kurulu*) is composed of people in office in other local offices including mayors, governors, directors of the chambers of commerce and industry as well as presidents of provincial councils, but this decision-making body is headed by the governor. Like the governor, the general secretary of each agency is appointed by the home office. Moreover, it is DPT that has the task of coordinating, supervising and evaluating regional plans. Thus, the process remains very much controlled by the centre. Therefore, the regional level seems to be linked to the central authorities as well.

Moreover, the agencies are dependent on the DPT, which assigns an important fraction of their budget and approves their annual work program. This analysis is confirmed by the designation of the authority responsible for the managing of structural funds. In accordance with the principle of subsidiarity, the EU allows the member states to implement their regional policies and decide which authority will be responsible for the administration of structural funds. The Turkish government has designated the DPT as the authority responsible for this task. By Law DPT is also responsible for determining the principles and processes of distribution and the use of national and international funds for regional development (Law n°5449, art.4c). In effect, conferral of these competencies to DPT further limits the role of agencies. These agencies can best be described as an institutional arrangement responding to European requirements while conciliating domestic reluctance and oppositions to engage in actual decentralisation (Massardier, Tek, 2005). Agencies seem to have been conceived mainly in order to manage European structural funds, and to channel international funds without endangering the centralised structure of the state (Loewendahl-Ertugal 2005). Therefore, it seems highly improbable that the development agencies will pave the way to the formation of regions and their political existence.

II. Local initiatives and local demand for supporting regional business communities

Regional Development Agency is not a new concept in Turkey, and the model itself was already present within several regions before the EU candidacy process. The first initiatives towards the establishment of RDAs emerged in the early 1990s (Lagendijk&al, 2009). These developments generally stemmed from local initiatives taken by non-governmental organisations (NGOs), notably in the business sector. An exemplary NGO in the field is the Aegean Regional Development Foundation (EGEV, 2002). EGEV was established in 1992 by the provincial governor, municipality, chambers, industrialists and business organisations. The basic purpose of the organisation is improving the economic development of the Aegean Region through nurturing the region's endogenous potential. A key objective has been to attract local and foreign investors in cooperation and partnership with the other developmental organisations in the region. In Mersin, the Mersin Chamber of Commerce and Industry (MTSO) initiated the formation of a Development Agency in June 2002. Aiming to foster the socio-economic and cultural development of the region, the Development Agency's specific targets included the development of infrastructure, economic intelligence (through the collection of statistical data), and business support through consultancy and promotional activities. Alongside the development agency, another agency was established in 2004 with the participation of governorship, municipalities, universities and chambers, under the label of the Mersin Development and Cooperation Council, to provide a broader basis for support and legitimisation for the RDA.

The local demand for business support structures is also an important point for understanding the role of such agencies. A survey conducted on the Istanbul region and published on several sources (Kayasu & al, 2003; Lagendijk & al, 2009) shows many interesting points concerning business actors demand on RDAs. We present here the main results of this survey, linked with the role of RDA. A key question is to what extent firms liaise with other firms or local consultants and business agencies for assistance, and subsequently, what role can be envisaged for an RDA in fostering such linkages. For instance, during the start-up period of business development, a great majority of firms included in the survey indicated that they had not received any consultancy services relating to organisational structure, marketing, the targeting of potential client group and product development. The firms that benefited from such services were those that had entered newly emerging innovative industrial sectors. The significance of informal relations, particularly those centred on personal relations, were also pointed out by the majority of firms.

In terms of market access, more than half of the firms in the survey indicated that they produce for both foreign and local market. All firms endorse the importance of market research, notably for receiving information on new markets, methods of marketing and export services. More than 60% of the respondents use their personal relations for marketing purposes. Utilising the services provided by public organisations for market research clearly has the lowest share in the survey, despite the fact that several Turkish organisations provide services for foreign trade, marketing and export. This lack of uptake vindicates the need for locally based organisations providing specialised services for marketing and export. Such services could include global and local market research, providing consultancy for product promotion and export aid particularly for SMEs that lack stable market shares. Aside from large firms, which maintain formal networks with other firms and organisations, a large proportion of small firms confine their knowledge acquisition to existing informal networks that are established through personal relations. Locally based RDAs with clearly defined goals for providing customised services for firms will certainly accelerate the formation of more effective formal and informal networks and enable effective provision of services.

Public and private organisations are also involved in nurturing local economic development: regional organisations such as Chambers of Trade and Commerce, Trade Unions, associations of industrialists and businessmen, sectoral-based foundations constitute the core, local economic actors of regional development, as shown by Lagendijk & al for Istanbul (2009). According to the survey, vocational and entrepreneurial training, and consultancy on legal procedures are the services most on offer, followed by services related to R&D and cooperation among firms inside and outside the regions. But existing forms of relations and interaction between firms and organisation appear to be deficient. Moreover, organisations available in the region suffer from an overly bureaucratic image, mostly because they are generally part of national bodies, working under central coordination. A key issue is hence what role RDAs can play in nurturing endogenous development through facilitating and undertaking the debating and detailing of a shared development agenda. The survey shows that 92% of the respondent organisations maintain cooperation with other organisations for this type of regional growth, but that in the same time only 25% of them have direct engagement with the development of a regional strategy or plan.

Overall, from a regional perspective, the survey and the in-depth interviews with local actors corroborate the lack of a comprehensive framework for preparing regional development plans. On the one hand, there are many local organisations which undertake various, largely unrelated, forms of economic intelligence-gathering; while, on the other hand, more comprehensive strategic actions geared towards regional development are carried out by organisations at the national scale. This raises the issue of a proactive role for the RDA. With the right institutional backing, an RDA could fill the gap by providing a bottom-up, regionally tailored framework for economic strategy making. More generally, as Lagendijk & al say:

“if RDAs were to become less associated with the top-down structures currently dominating both public and private support, moving closer to local business communities and networks, they could play a significant role in creating comprehensive frameworks of regional-economic strategy-making and support provision” (2009, p 394).

III. The role of the “Regional Development Agencies” in promoting regional endogenous development.

In the last two decades there has been a shift away from centrally sponsored and managed regional programmes towards new forms of relationships and activities. This shift points to a trend whereby countries in Europe are increasingly abandoning top-down regional policy and passing on responsibility for development to regional and local levels (Ertugal, 2007). Political difficulties in implementing top-down policies and their modest results encouraged a decentralised approach to economic development. At the same time, in both developed and developing countries globalisation and the enforcement of contractionary monetary policies and fiscal austerity programmes are diluting the formerly widespread regional policies of central governments (Scott and Torper, 2003).

It is argued that the ‘post-fordist’ region or metropolitan city is less than ever the product of natural conditions and location, but rather of economic strategies. The objects of such economic strategies by regional policies are labour skills and training, technologies, specific industrial services, an institutional and organisational framework that will magnify local reserves of agglomeration economies and

mechanisms to sustain economically useful regional cultures and conventions (Scott, 1998: Scott and Torper, 2003). The combination of regional configurations of public and private institutions, industry, supply-side factors and culture play the key role in achieving economic development and above all “endogenous growth”.

Event though there may be various regional institutional frameworks within which such intervention can be undertaken in the literature, the role of RDAs has been especially emphasised. Regional policies, it is argued, can be best formulated and carried out by RDAs since they have better knowledge of the local conditions, strengths and weaknesses, than the remote central state. Three influential and interlocking elements have been identified in the new approach that underpin much current policy especially in the EU (Thomas, 2000). The first is the role of production networks in regional economic growth. The second is the role of institutions, especially RDAs, in facilitating production networks. And the third is the role of networks and institutions in supporting regional innovation (Thomas, 2000). At the core of each of these stakes lie Regional Development Agencies. Hughes (1998) define the criteria which can be applied as test of model RDAs: the structure should be semi or quasi-autonomous of government; the objectives should be sufficiently broad (regional competitiveness, regional growth, indigenous/SME based growth, inward investment); there should be multiple policy instruments: environmental improvement, industrial infrastructures, business advice, venture capital etc. Many of these attributes may be argued to be part of the development function of local authorities. However, most of their activity has neither the region-wide discretion nor the breadth of powers to be comparable to RDAs as defined here.

According to the law, the 26 RDAs in Turkey will function as coordinator and leading organisations for regional economic development, infrastructure planning and local-institution building. RDAs will be established for the purpose of accelerating regional development, ensuring sustainability and reducing interregional development disparities in accordance with the principles and policies set in the Development Plans and Programmes, enhancing the cooperation among public sector, private sector and non-governmental organisations, ensuring the efficient and appropriate utilisation of resources and stimulating local potential. The organisational structure of the agencies will consist of a Development Council, an Executive Board, a General Secretariat and Investment Support Offices. Development Council is to be established in order to enhance cooperation among public institutions, private sector, non-governmental organisations, universities and local governments and to guide the agency.

RDAs are expected to play roles as part of the state’s organisational structure and policy programmes, versus a role as a self-sustaining strategic and operational agent and broker in particular regional settings. On the state’s part, it is clear that there is some keenness for devolving certain primary practical issues and tasks to RDAs, but that legal backing for devolution is fragile. In particular, what is lacking is a view of the state on the more strategic roles RDAs should play in fostering local economic development, and on the kind of services they are expected to deliver. Apart from broader political motives, this hesitancy is understandable given the often poor performance of local state organisations owing to lacking competencies, and the perseverance of patronage and clientelist practices (Ertugal, 2007). However, there is no organisation currently taking responsibility for developing regional development strategies. First, the current state of network relations and interactions among firms and organisation is poor and largely ineffective. Second, there is no coordination among the more general economic development activities and activities of service providers. Third, firms mostly rely on informal relations within rather enclosed business circles, resulting in insufficient network formation and cooperation at a broader level. So a key question remains as to whether RDAs could fill this gap.

Effective information flows could be achieved between firms and related organisations along with more productive informal network formation with a potentially significant contribution to regional economic development. There are three issues where the establishment of RDAs will be functional in encouraging and fostering regional development at NUTS II level in Turkey. This includes the drafting, discussion and implementation of regional development strategies and plans, the attraction of foreign investment, and expansion and alignment of the provision of business services.

Conclusion

The observations based on the three first agencies in Turkey, located in Adana-Mersin region, Izmir region and Istanbul region, and the in-depths interviews with local actors involved in local and regional development allow us to moderate the claim of an on-going regionalisation process in Turkey. The so

claimed “new public management”, supposed to be based on multi-level governance principles, appears to be a “command at distance”, or a way to deconcentrate the centralised State through a centrally monitored territorialisation. First, the law establishes the RDAs at the NUTS 2 level. The agencies are the first organs responsible for these territorial unit and, therefore, are likely to be the central arenas for the articulation of interests which are relevant to this territorial level. But many institutions already deal with regional development, such as Metropolitan Municipalities, which are from far more powerful than these young and inexperienced agencies. Second, the law mandates that sub-national elected officials will be the dominant decision makers in the RDAs. But the last approval of the Strategic Plan and the Annual Budget for each agency is done by the State Planning Organisation at the central level, which can be seen as a concession to the centralised structure of the administrative and political system in Turkey. Third, while provincial level has a dense network of ministerial branches administering central policies, the provinces are unable to offer a significant source of funds to increase the project development capacity of the RDAs. This means that Turkish RDAs must rely on central transfers or revenues from service provision in order to support the researches and capacity building projects to help regions to develop their endogenous capital.

Regional development agencies (RDAs) appear as bodies which support the indigenous growth with many different regional actors sheltered inside; they are organised regarding the reforms in public management as defined within the Turkey’s institutional restructuring process. According to the law, they have to fulfil different tasks, as giving technical assistance to the local governments in their planning process, assisting, monitoring and evaluating the implementations of regional plans and programs, developing cooperation between service sector, private sector and non-governmental organisations for the achievement of regional development goals, but also fostering the researches on analysing regional resources and strengths, introducing regional business and investment potential to the Nation and the world etc. Above all, they have to guide national and foreign investors through the bureaucratic procedure of their investments and support the small and medium enterprises in the fields of management, production, marketing, technology, finance and employees’ education. These RDAs are at the core of the creation of regional growth coalitions through supporting regional business communities, which are supposed to enhance endogenous capital and promote regional capacities in order to promote economic growth and social well-being. This analysis shows that the creation of a new territorialised actor does not necessary mean apparition of a new territorial administrative level. The so called regionalisation process under europeanisation pressure is actually a new way of territorial management, closer to international neoliberal standards than to regional policy implementation demands.

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