A Comparative Analysis Of The Regional Development Agencies In Europe And Turkey

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Abstract

The Regional Development Agencies were put into effect in Turkey within 26 agencies with the Law number 5449 that was passed in 2006 after European countries as a foundation highlighting the understanding of territorialisations, localization and competition. The aim of the study is to compare the recently founded Development Agencies in Turkey with the long-established system in Europe. Moreover in this study, the concepts of region and regional development are described and the origination conditions of development agencies in Turkey and in the world are explained shortly. The structure of the development agencies in European countries, especially in those in the European Union (EU), which have been active for a long time, is compared with that of the development agencies in Turkey from many perspectives. This study reveals that the development agencies in Turkey and Europe show differences in terms of their aims, legal positions, and supervisions, whereas, they show similarities in terms of their founders, general characteristics, organizational structures, fields of activities, staff employment, financial sources and project centers.

Keywords: Region, Regional Development, Regional Development Agency, Turkey

Introduction

The understanding of development has changed in parallel with economic developments under the effects of globalization process and international institutions (Keleş, 1998: 3). Nowadays, this understanding has changed from the central planning and development to decentralized development within the economic progress. Development policies have come to a state of determining and applying bottom to top politics rather than top to down politics. The concept of region has gained more importance within this period.
Region, is a geographical management level (Bulut, 2002: 18), and a government unit, which serves a functional or political aim (Keleş and Erbay, 1999: 6). The concept of region, which is scaled between the local and national, is bigger than the local, but smaller than the whole country. Region represents sub-executive units for a country. The fact of region that national states do not lean towards was used as means in the development politics of countries after Second World War and its importance increased with the implementation of public services and the needs for planned development (Keleş, 1999: 56). Today, regions develop if they possess a competitive structure to withstand the changes in global marketplace. Regional Development Agencies take on the task of gathering many local actors, coordinating and leading the way in terms of regional development (Allen 2002: 34-35).

The first development agency is Tennessee Valley Authority\(^\text{82}\) (TVA) that was founded in the USA in 1930. It became a current issue in Europe upon interregional differences that came into focus as a result of the Second World War and technological advances. The advancement of Paris’ and its surroundings’ in France to a big development level compared to other regions, the differentiation of north and south in Italy, the reconstruction problems of old industrial zones which turned into collapse region in England, Scotland and Wales, paved the way for forming politics and mechanisms for regional planning and regional development in European countries (Çavuşoğlu, 1992:76-84). Even though the Development Agencies are the development foundations that have high incidence of spatial differences and constantly change (Halkier, 2006:3), they have been working for reviving the economics in regional scale, mobilizing economic potential and reducing interregional development differences since 1950s and 1960s. Whereas Austria, Belgium, Ireland and France became acquainted with the Development Agencies in 1950s, Germany, Holland, England and Italy became acquainted with after 1960s and also Greece, Spain, Finland, and Denmark met in 1980s. The agencies operate in the form of planning, programming, running projects and using sources with this aim. There exist nearly 20.000 foundations called as development agencies in the world (Özen, 2006).

In Turkey, the interregional difference of development is explicit particularly between the eastern and western regions. Regional plans and development plans have been prepared for long years with the aim of reducing regional differences. In Turkey, which realized many reforms within the process of EU membership, the development agencies have been founded to reduce regional differences, to benefit from the funds which EU

\(^{82}\) For further information about TVA, follow http://www.nber.org/papers/w19293.pdf.
provides to the member countries and to adapt to EU from the angle of regional politics. Law no. 5449 Law on the Establishment and Duties of Development Agencies, which can be accepted within the structural reform studies in our country and is a very important step in terms of localization, was accepted in January 2006 and came into effect in February. Today, there are 26 Development Agencies in Turkey. Thus, “region management” has come to the agenda as a new concept which have never taken place in the management structure of Turkey. The law has been criticized from different perspectives starting from the proposal phase. In literature, the approaches towards the regional development agencies differ for each disciple in Turkey. While the academicians in the field of economics look the agencies positively, favoring effects such as adaptation to EU, benefits from structural funds and development based ideas; some of the researchers in the discipline of public administration take negative perspectives to these agencies for their legal positions, discrepancies with our country’s governing structure, measures on the clustering of provinces, their supervisions, and staff structure. In following parts, the structure of development agencies, which have been active for a long time in European countries, especially in the countries having EU membership, are compared from various angles with that of the development agencies that law no. 5449 proposes.

**The Development Agencies in Europe and Turkey**

The regional politics are also the most important economics politic applications of EU. The general purpose of EU’s regional development politics is to provide an economic and social harmony among EU members. In EU countries, the development agencies are seen as the agencies, which “determine sectoral and general development problems, then identify the possibilities about their solutions, improve these solutions and support the projects”. (Lagendijk, Kayasu ve Yaşar, 2009: 384; EURADA, 2006).

The development agencies in Turkey are described as “…an institution which has a governing structure independent from the centralized governments, and is established with the aim of developing and reviving the entrepreneurship potential of a region, whose borders are drawn and thus, contributing to the economic development. Its activities are financed by the public or private sector…” (DPT, 2000; 54) in the 8th Five-Year Development Plan, Specialization Commission Report.

The conclusion that can be deducted from these descriptions is that the development agencies are far from bureaucratic structure, exhibit

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84 Law no.5449 The Law About the Foundation, Coordination and Tasks of Development Agencies accepted on the 25th January 2006 will be mentioned only with the article number
autonomous or semi-autonomous unit characteristics and their financing sources are public or private sector. The scope of activity of these agencies is limited to a certain region and they are purposed to advance the economic development of their specific regions. These development purposes in the regional level have to be coherent with the development politics applied in the national level (Dura, 2007; Hughes, 1998: 620).

The Foundation Purpose of Development Agencies

The purpose of the agencies in EU is to provide interregional competition. This description calls to mind the question that to what extent the policy of providing interregional competition will contribute to the removal of interregional imbalances. The interregional imbalances are a serious problem in candidate and member countries within EU. The interregional competition politics increase the inequality instead of bringing equality in some candidate countries. Moreover, encouraging the interregional competition leads to a competition among the ones that are not equal and so, this situation can deepen the existing imbalances much more (Özer, 2009: 41-43). England serves as a model for this case. The differences of the development agencies between the south and the north part in England have increased the interregional differences significantly. It was decided in England that the development agencies were closed in 2012 and the agencies were replaced by Local Enterprise Associations (Huggins, 2014:183; Morgan, 2002: 8).

The development agencies in Turkey are founded with the aim of eliminating the regional inequalities (# 1). However; the Development Agencies have not still provided an interregional equality since they began their mission in the last nine years in Turkey. It cannot be expected from the Development Agencies to remove the regional inequalities completely by simply ignoring the natural and geographical reasons, terror, cultural differences, and the other reasons, which are also significant causes of the interregional inequality.

The Founders of Development Agencies

Although the Development Agencies in Europe operates on a regional base, which is independent from the central government, their founders can be local governments, local authority and foundations in addition to the centralized governments. The Development Agencies were founded in America and England with the aim of realizing the regional development cooperatively in terms of the private and public sector (Özen, 2006).

The decrease of regional support by the centralized government and its bulky structure has caused the small-scaled private and local actors that
recognize the region well to become active. Nowadays, the management of regional development has turned into a bottom to up understanding (Keleş, 1998:4). The foundation and construction of the development agencies, which have developed in Europe within this understanding have had a top to down structure. The foundation of development agencies in Turkey (# 3) is carried out with the relevant ministry application and the confirmation of the council of ministers.

**The Organizational Structures of the Development Agencies**

Even though the Development Agencies in Europe differ with respect to the applications of their countries, they consist of a general assembly, executive board, chairman, board of supervisors, and secretary-general as means of a general classification. The internal organization of the development agencies is a legal structure, which consists of the key elements like general assembly, board of supervisors, supervisory committee and general manager (Berber and Çelepçi, 2005: 1).

Regional development council, executive board, office of secretary-general and investment support offices take place within the construct of the agencies in Turkey (# 1). In the regions consisting of a single province, the executive board includes governor, metropolitan mayor, provincial assembly chairman, chamber of industry chairman, chamber of commerce chairman and three delegates who are selected from the private sector and/or nongovernmental organizations by the development council. In the regions consisting of more than one province, the board includes province governors, metropolitan mayors (city center mayors in, non-metropolitan towns), assembly chairmans and one representative chairman of the chamber of commerce and industry from every province. The chairman of executive board is governor and he or she represents the agency. Secretary-general is the executive organ of the agency and reports to the executive board. The agency bodies in Turkey mainly exhibit public nature. Regional actors (listed in the part of founders) have to participate in the agencies. The centers of agencies and their close collaboration with the government are definitely important, however; the relationships that will be established with the regional and local managements also become more of an important issue as Berber and Çelepçi state (2005).

The law provides active roles to the institutions like chamber, which are delegates of the capital part, association and foundation in the management of development agencies. The centralized government in Turkey has also gathered the private sector to itself in terms of solving the planning and development problems in the regions and given the regions more freedom economically in the fields of attracting foreign capital, obtaining finance and investing. Yet, the fact that the management of
agencies depends on Ministry of Development organically prevents this idea unarguably from being accepted.

The Legal Positions of the Development Agencies

The legal positions of agencies in Europe can be in the form of public body, stock company, limited company, non-profit foundation, inter-municipalities agencies, non-departmental public body and autonomous organization (Berber and Çelepçi, 2004; 1). This variety is also seen among the agencies that are established in the states with the same administrative organizations and even exist among the agencies within the same country. In the USA, there is no just one Development Agency model.

The legal positions of agencies in Turkey are not stated clearly, but they are subject to the private law provisions in all the transactions that are not regulated by the law and they are provided with legal entity. Also, they are decentralization management agencies in terms of service within the scope of regional development. The development agencies have been associated with Ministry of Development in the central level and associated with metropolitan municipalities, municipalities and special provincial administrations in the local level. With Oyan’s (2006) statement, a structure which is unsuitable to the constitutional descriptions and has no clear identity has been constituted and it bears neither private administration nor public administration qualification. The agencies are a legal entity which uses the public resources and contains the important public agents in itself, but are not public corporate entity.

The Field of Activities of the Development Agencies

The activities the Development Agencies in Europe were centered around the goals of contributing to the economy by attracting the foreign investors in 1950s and 1960s to provide service to the local and regional companies by itself or in the form of partnership in the following years. EU states the duties of the Development Agencies as: internal development, drawing foreign investors, the services provided for entrepreneurs, the services given to the local and regional authorities, education services, international activities, financial intermediation, providing technical support and supporting the research institutes (EURADA, 2006).

The activities of the agencies in Turkey are stated in the law (# 5) shortly as the following: the preparation of regional development plans, the support of local management plans, providing regional cooperation, to support the researches and studies for regional development financially, presentations for foreign investors, the follow-up of legal transactions necessary for entrepreneurs and to support firms.
The Financial Resources of the Development Agencies

On which resource the financial structure of the Regional Development Agencies will depend differs according to the politic, economic and institute structure of country. Besides, their financial resources change according to the size of the field that the Regional Development Agencies operate, their legal status, and the scope of the service presented (Aktakas, 2004: 108). The most important financial resources of the Development Agencies operating in Europe are public revenues and EU funds. On which resource the financial structure of the Regional Development Agencies will depend differs according to the politic, economic and institute structure of country. Besides, their financial resources change according to the size of the field that the Regional Development Agencies operate, their legal status, and the scope of the service presented (Özen, 2005:6). Significant amounts of monetary assistance by decentralization foundations (subnational structures) in order to realize EU’s interregional competition and sustainable development policies in member and candidate countries and their desire to provide this support only via the regional organizations focused on this issue, not via the local managements in the level of province or county led to a quick increase in the number of regional development agencies in 1990s (Özden, 2006).

The financial resources of development agencies in Turkey consist of (# 19): the transfers that will be made in the rate of 5 per thousand after the proportion allocated for the special provincial administrations and municipalities from the general budget tax yields are deducted, the resources that will be provided from the European Union and other international funds, activity revenues, the proportion in the rate of one in a hundred that will be transmitted from the budget revenues of special provincial administrations and municipalities in the region, the proportion in the rate of one in a hundred that will be transmitted from the budget revenues of chamber of industry and chamber of commerce in the region finalizing in previous year, the donations and aids made by national and international foundations and establishments. The fact that the agencies in Turkey are financed mostly by public revenues supports the idea that they resemble administrative regulation body and have top to bottom development understanding depending on centralized government.

The Staff Structure of the Development Agencies

If the staff structure of the development agencies is examined, it is difficult to observe a common staff structure. Because the staff structure of each agency is developed in a way to serve the regional requirements, it does not exhibit a common structure. Generally, it can be said that the Development Agencies are subject to their own foundation laws in terms of
financial rights and wage and are subject to the law which the public staff depends on in terms of social securities. The continuity of staff employment depends on the performance (Güneşer Demirci, 2005a: 73). Since the agencies in Europe adopt a more flexible structure as the staff regime, the number of their staff changes according to the region and the activities they do. Besides, flexible regulations, which provide possibility for the staff employment, can be made in the working parties formed with the purpose of supporting the activities that are supposed to be undertaken within the scope of the agencies and committees. The staff that will be employed in the Development Agencies is directly employed by the agency (Güneşer Demirci, 2005a: 73)

The staff system brought for the Development Agencies in Turkey: Services of the agencies are carried out by the support staff and the expert staff employed according to the labor legislation clause. According to the regulations no. 27440 Article 3; competitive examination for the staff is performed under the presidency of the secretary-general by an assessment board of five, which includes the two people chosen from the faculty members by Executive board and the two people appointed by the Ministry. The Development Ministry assigns the secretary-general among the candidates that are determined by the Development Ministry and/or proposed by executive board and it can dismiss him officially if appropriate. It could have been a more suitable way for locality, if the secretary-general was hired with the proposal or the decision of executive board and/or development committee or the agency shareholders who know the local dynamics rather than the Development Ministry.

The Supervision of the Development Agencies

Most of the agencies in Europe are responsible to local and/or regional executives and some of them are responsible to co-founders or executive board. Some of them also report to the relevant minister and parliament. Internal and external audit are made in agencies in Turkey. In internal audit; the activities of the agency, its accounts, transactions and performance are inspected by the board chairman or secretary-general and an internal auditor. Internal audit reports are presented to executive board and development council. External audit is made by the independent auditing firms, which are established according to the Capital Market Board regulations. The independent auditing firms present their reports synchronously to the Ministry of Interior and Ministry of Development (# 25). The fact that the institutions, whose public force and public resource are transferred, are left out of the audit office supervision and made subject to the market control as external audit rather than internal audit has received serious criticism.
The Project Centers of the Development Agencies

There are One-Stop Shops as the project centers in America. They provide service to investors and are responsible for the project coordination. Small and relatively weak agencies establish data banks and information services in order to accomplish their purpose and they open offices abroad, in the capital cities of their own countries and in the presence of EU. The 70% of agencies in Europe are in this way. The powerful agencies that can also be expressed as multifunctional agencies develop particularly organized industrial zones, science parks and trade centers, mediate for giving regional aid grants, ease the technology transfers and offer consulting service in various subjects (Güneşer Demirci, 187). In Turkey, according to the Development Agencies Investment Support Offices Regulations (# 5); the investment support offices are established and consists of a maximum of five experts, of whom one has to be the coordinator with the decision of the executive board. If the number of expert staff working in the investment support offices can not meet the needs of region and province, this number can be increased with the decision of executive board and the consent of Ministry. The investment support offices are responsible to the office of secretary-general about their missions and the services offered to the investors in the investment support offices are completely free of charge. Among their services, it includes inventory studies, cooperation with foundations and institutions, having mutual studies, the presentation of working and investment atmosphere in the province, attracting the investors to the province, conducting the transactions about state aids, following and coordinating the permit and license transactions, informing and reporting. The offices conduct all these works within the knowledge and coordination of the Ministry.

Table 1: The comparison of Regional Development Agencies in Turkey and Regional Development Agencies in Europe

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>Regional Development Agencies in Europe</th>
<th>Regional Development Agencies in Turkey</th>
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<tbody>
<tr>
<td>Aim</td>
<td>Providing interregional competition</td>
<td>Eliminating interregional inequality</td>
</tr>
<tr>
<td>Constituent</td>
<td>Centralized government, local government, local authority, foundation</td>
<td>Established with the confirmation of the Cabinet</td>
</tr>
<tr>
<td>General Characteristics</td>
<td>A semi-autonomous position, easy politics for the firms, wide-ranging devices, flexibility, directing the developments</td>
<td>Compulsory participation for the regional actors, the governor who is the highest delegate of government in the province and</td>
</tr>
</tbody>
</table>

85 It has been benefited from also the manifesto of Dulupçu and Çankaya (2004) while preparing the table

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| **Organizational Structure** | General Assembly  
Executive Board,  
Chairman  
Board of Control  
Secretary-general | Executive Board, Development Council, Secretary-general,  
Investment Support Offices |
| **Legal Position** | Public Corporation  
Stock Company  
Limited Company  
Non-profit Foundation  
Public- Private Legislation Institutions  
Inter-municipalities Agencies  
Non-departmental Public Body  
Autonomous Organization | They are the institutions which are subjected to the private law provisions in terms of agencies, being provided with legal entity and all transactions that are not regulated by this law, and they are decentralization institutions in terms of service within the scope of regional development |
| **Fields of Activity** | Internal development,  
Attracting the foreigner investors,  
The services provided for entrepreneurs,  
The services provided for local and regional authorities,  
Education services  
International activities  
Financial intermediation  
Providing technical aid  
Supporting the research institutions | The preparation of regional development plans,  
Supporting local government plans,  
Providing regional cooperation,  
Supporting the researches and studies about regional development financially  
Presentations to the foreigner investors  
Following the legal transactions that are necessary for the entrepreneurs  
Supporting the firms |
| **Financial Resources** | The funds provided by participants  
Centralized government funds  
Revenues from services  
Donations  
EU funds | Transfers that will be made from the general budget  
EU and other international funds  
Activity revenues  
The proportion in the rate of one in a hundred that will be transmitted from the budget revenues of special provincial administrations and municipalities in the region finalizing in previous year  
The proportion in the rate of one in a hundred that will be transmitted from the budget revenues of chamber of industry and chamber of commerce in the region finalizing in previous year  
The donations and aids made by national and international foundations and establishments |
| **Staff Structure** | **Dependent on its own establishment laws with regards to financial rights and wage**  
Dependent on the laws that public officials depend with regards to social security  
Staff is employed directly by Development Agency  
Between 11-500 | **Determined by the executive board on condition that the wages and daily pages of secretary-general and other staff and their other financial and social rights do not exceed the sub and upper limits determined by Ministry**  
Agency staff is subjected to Law of Social Insurance in terms of retirement and social security.  
The employment of internal auditor, expert and support staff is realized directly within the scope of agency under the presidency of secretary-general and a examining board.  
Ministry of Development is responsible for the employment of secretary-general  
Between 28-56 |
| **Supervision** | **They are mostly responsible to local or regional directors and some of them are responsible to the related minister and parliament, co-founders and executive board.** | **Internal audit: responsible to executive board, secretary-general, Internal auditor, executive board and Development Council.  
External audit: responsible to Ministry of the Interior and Ministry of Development by Independent External Audit Foundations.** |
| **Project Centers** | **One-stop shops** | **Investment Support Offices** |

**Conclusion**

Even though the Regional Development Agencies differ from each other in terms of the way of establishment, their functions and structures, they have common characteristics such that they are development – oriented, carry on a business in a certain geographical region and mobilize the region by determining its potency. While the Development Agencies, which can be described as the organizational form of new developmentalism mentality, are clarifying the tradition of public state considerably, they are also candidates to use their public power so as to legitimate their relations in public space. The initiative in the development agency applications in Europe is mostly on private sector delegates nongovernmental organizations. The agencies, which aim the development in their regions through the investments made by the private sector, are completely managed and act with the mentality of private sector.
When the construct in Turkey is observed, although the aim is to improve cooperation among the public sector, private sector and nongovernmental organizations, and to provide the active contribution of these parts to the processes of decision making and implementing these decisions, it only remains as the extension of center in the province in terms of financial support and the regional planning of development agencies. The Development Agencies in Turkey resemble the field service of the Development Ministry. On the other hand, the Development Agencies should work independently from central, local and regional managements, mobilize the potency of region and devise site-specific projects about providing developments in social, cultural and economic fields. The Development Agencies should stay out of the centralist structure and mentality in order to be successful in Turkey.

It can be concluded from the results of the comparative analysis that the Development Agencies in Turkey and Europe differ from each other in terms of their purposes, legal positions and supervisions and they have some similarities in terms of their founders, general features, organizational structures, the field of activities, staff employment, financial resources and project centers.

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