

THE EU IMPACT ON APPLICATIONS OF TURKISH REGIONAL POLICY

by

ŞİRİN BEYDİLLİ

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THE EU IMPACT ON APPLICATIONS OF TURKISH REGIONAL POLICY

APPROVED BY:

Bahri Yılmaz
(Thesis Supervisor)

Emre Hatipođlu

Eren İnci

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ABSTRACT

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ŞİRİN BEYDİLLİ

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Supervisor: Prof. Dr. Bahri Yılmaz

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Turkey has been in a long harmonization process with the EU since 1950s, endeavoring for full membership by meeting the requirements set by the EU. The EU Regional Policy is among the most demanding policy in terms of its requirements, especially for a country like Turkey with high regional economic disparities. Since the regional disparities in Turkey are increasing and necessary financial assistance provided by the EU, the preference of Turkey to improve its economy at regional level is towards the EU. Thus, the analyses of both EU and Turkey in the regional development area are done in this work in detail. The classification of the regions under NUTS II categorization like in the EU and the establishment of the RDAs in Turkey are conspicuous reforms in institutional structure of the country. By providing consulting services and use of financial resources, the RDAs are functional bodies for the

improvements made in the regional development area. Turkey had significant progress in converging its institutional and legislative structures but still there is a long to do list including the improvements on administrative capacity, labor force, financial controlling and monitoring mechanisms, and programming. If we take the İstanbul Development Agency (İSTKA) as an example of the RDAs in Turkey, the evolution of RDAs and their attempts should continue, pursuant to accession in the EU as to develop its regions economically. Considering the EU as the pattern of modernity, democracy and development, Turkey should maintain its reforms in line with the EU criteria to become a part of the EU in the near future.

ÖZET

TÜRKİYE BÖLGESEL POLİTİKA UYGULAMALARINDA AVRUPA BİRLİĞİ ETKİSİ

ŞİRİN BEYDİLLİ

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Danışman: Prof. Dr. Bahri Yılmaz

Anahtar Kelimeler: Bölgesel Kalkınma, Bölgesel Kalkınma Ajansları, İstanbul Kalkınma Ajansı

Türkiye 1950' lerde başlayan uzun bir AB uyum süreci içerisinde. Özellikle bölgesel ekonomik farklılıkları fazla olan bir ülke Türkiye için, AB Bölgesel Politikası yerine getirilmesi gerekenler açısından en fazla emek isteyen politikalar arasında yer almaktadır. Türkiye'deki bölgesel ekonomik farklılıkların giderek artması ve gerekli finansal desteğin AB tarafından sağlanması, Türkiye'nin bölgesel düzeyde ekonomisini geliştirmesinde AB'yi tercih etmesinin sebepleridir. Bu yüzden, bu çalışmada bölgesel politika alanında AB hem de Türkiye detaylı olarak analiz edilmiştir. AB' de olduğu gibi İstatistikî Bölge Birimleri Sınıflandırılması'nın (İBBS) bölgelerin tasnifinde kullanılması ve Bölgesel Kalkınma Ajansları'nın (BKA) kurulması ülkenin kurumsal yapısındaki en dikkat çeken reformlar

arasında yer almaktadır. BKA'lar danışmanlık hizmeti vererek ve finansal kaynakların kullanılmasını sağlayarak bölgesel kalkınma alanındaki gelişmelerin güçlendirilmesinde fonksiyonel yapılardır. Kurumsal ve hukuksal yapılarının uyumu açısından kayda değer gelişme sağlamasına rağmen yönetim kapasitesinin, çalışanların, finansal kontrol ve izleme mekanizmalarının ve programlamanın geliştirilmesini içeren uzun bir yapılacaklar listesi Türkiye'yi beklemektedir. İSTKA'yı Türkiye'de kurulan BKA'lara bir örnek olarak ele alırsak, AB üyeliği yolunda bölgelerin ekonomik kalkınması için AB ile uyumu çerçevesinde BKA'ların geliştirilmesi ve teşebbüslerin devam etmesi gereklidir. AB'yi modernlik, demokrasi ve kalkınmada örnek alan Türkiye, yakın gelecekte AB'nin parçası olmak için AB kriterleri çerçevesindeki reformlarına devam etmelidir.

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TABLE OF CONTENTS

Abstract.....	iv
Özet.....	vi
Dedication.....	viii
Acknowledgement.....	ix
Table of Contents.....	x
List of Tables.....	xv
List of Figures.....	xvi
List of Graphs.....	xvii
List of Abbreviations.....	xviii
Chapter 1: Introduction.....	1
1.1. The Scope of the Thesis.....	1
1.2. The Methodology of the Thesis.....	2
1.3. The Structure of the Thesis.....	2
Chapter 2: Regional Development Theories.....	4
2.1. Regional Growth Models.....	5
2.1.1. Keynesian Regional Growth Models.....	5
2.1.2. Neo-classical Regional Growth Models.....	5
2.1.3. Export Base Theory.....	6
2.1.4. Accumulative Causation Theory.....	7

2.2. Regional Econometric Growth Models.....	7
2.2.1. Polarized Growth Theories.....	7
2.2.1.1. Sector Polarized Growth Theory.....	8
2.2.1.2. Region- Polarized Growth Theories.....	9
2.2.1.2.1. Approaches of Myrdal and Hirschman.....	9
2.2.1.2.2. Core- Periphery Model.....	10
2.2.1.2.3. Central Place Theory.....	10
2.2.1.2.4. New Economic Geography Theory.....	11
2.3. Recent Theories.....	12
2.3.1. Endogenous Growth Theory.....	12
2.3.2. The Product Cycle Theory.....	13
2.4. International Applications of Modeling.....	13
2.4.1.HERMIN Model.....	14
2.4.2. QUEST Model.....	15
2.4.3. EcoMod Model.....	18
Chapter 3: European Union Regional Policy.....	20
3.1. The Historical Evolution of EU Regional Policy.....	22
3.1.1.The First Phase: 1957-1972.....	23
3.1.2. The Second Phase: 1973-1979.....	25
3.1.3. The Third Phase: 1979-1988.....	26
3.1.4. The Fourth Phase: 1989-1993.....	29
3.1.5. The Fifth Phase:-1993-1999.....	36

3.1.6. The Sixth Phase: 2000-2006.....	40
3.2. Recent Developments in EU Regional Policy from 2006 to Present.....	44
3.3. The Costs and Benefits of the EU Regional Policy.....	50
Chapter 4: The Regional Policy in Turkey.....	54
4.1. The Development of Regional Policy in Turkey.....	55
4.1.1. The Regional Policy in Turkey before the Planned Period.....	55
4.1.2. The Regional Policy in Turkey in Planned Period.....	58
4.1.2.1. First Five Year Development Plan: 1963- 1967.....	59
4.1.2.2. Second Five Year Development Plan: 1968- 1972.....	59
4.1.2.3. Third Five Year Development Plan: 1973-1977.....	60
4.1.2.4. Fourth Five Year Development Plan: 1979- 1983.....	61
4.1.2.5. Fifth Five Year Development Plan: 1985- 1989.....	61
4.1.2.6. Sixth Five Year Development Plan: 1990- 1994.....	62
4.1.2.7. Seventh Five Year Development Plan: 1996-2000.....	62
4.1.2.8. Eight Five Year Development Plan: 20001- 2005.....	63
4.1.2.9. Ninth Five Year Development Plan: 2007- 2013.....	63
4.2. The Instruments of Regional Policy in Turkey.....	64
4.2.1. Institutional Instruments of Regional Development.....	65
4.2.1.1. Regional Development Agencies (RDAs).....	65
4.2.1.2. Investment Support Offices.....	66
4.2.1.3. Regional Development Plans and Regional SWOT Analyses.....	67
4.2.2. Economic Instruments for Regional Development in Turkey.....	68

4.2.2.1. Organized Industrial Zones.....	68
4.2.2.2. Regional Aid Schemes.....	68
4.2.2.3. Venture Capitals.....	69
4.3. The Relationship between Turkey and the EU.....	69
4.4. The Costs and Benefits of the EU Impact over the Regional Policy in Turkey.....	71
4.4.1. The Progress Report on Turkey in 2009.....	73
4.4.2. The Progress Report on Turkey in 2010.....	74
4.4.3. The Progress Report on Turkey in 2011.....	75
4.4.4. The Progress Report on Turkey in 2012.....	77
4.4.5. The Presumptions for Turkey’s Membership in the EU.....	79
Chapter 5: İstanbul Development Agency.....	82
5.1. General Information about İSTKA.....	82
5.1.1. Mission and Vision of İSTKA.....	82
5.1.2. Goals and Objectives of İSTKA.....	83
5.1.3. Authorities, Duties and Responsibilities of İSTKA.....	84
5.2. Organizational structure of İSTKA.....	85
5.2.1. Development Council.....	86
5.2.2. Administrative Board.....	87
5.2.3. General Secretariat.....	89
5.2.3.1. Activities of Units Responsible to Secretariat General.....	91
5.2.3.1.1. Activities of Units.....	91
5.2.3.1.1.1. Planning, Programming and Coordination Unit.....	91

5.2.3.1.1.2. Program Management Unit.....	92
5.2.3.1.1.3. Monitoring and Evaluation Unit.....	93
5.2.4. Investment Support Office.....	94
5.3. Financial Structure of İSTKA.....	95
5.3.1. Revenues.....	95
5.3.2. Expenditures.....	97
Chapter 6: Conclusion.....	101
References.....	104

LIST OF TABLES

Table 3.1: Objectives Revised with 1988 Reform.....	p: 29
Table 3.2: Objective-2 Regions Funded between 1989-1993.....	p: 34
Table 3.3: Objective-3, 4 and 5 Regions Funded between 1989-1993.....	p: 35
Table 3.4: Objectives Revised with Agenda 2000.....	p: 41
Table 3.5: Objectives defined for 2007-2013 Period.....	p: 47
Table 4.1: Allocation of IPA Funds across Candidate Countries to the EU.....	p: 79

LIST OF FIGURES

Figure 5.1: Organizational Structure of İSTKA.....p: 86

LIST OF GRAPHS

Graph 2.1: The Effects of Cohesion Policy between 2000-2006 and 2007-2013.....	p: 17
Graph 3.1: GDP per capita across European Countries 2011.....	p: 21
Graph 3.2: Unemployment Levels across European Countries in September 2012.....	p: 22
Graph 3.3: GDP per capita Levels across European Countries in 1995.....	p: 30
Graph 3.4: Allocation of Funds under Regional Policy between 1989- 1993.....	p: 32
Graph 3.5: Largest 5 Shares Allocated in Objective-1 Regions in 1989-1993.....	p: 33
Graph 3.6: GDP per capita Levels across European Countries in 1999.....	p: 37
Graph 3.7: Share of Funds under Regional Policy between 1994- 1999.....	p: 39
Graph 3.8: Main Beneficiaries of Funds under Objective-1 Regions between 2000-2006.	p: 42
Graph 3.9: Main Beneficiaries of Funds under Convergence Objective in 2007-2013.....	p: 49
Graph 5.1: Revenues of ÍSTKA in 2011.....	p: 97
Graph 5.2: Expenditures of ÍSTKA in 2011.....	p: 98

LIST OF ABBREVIATIONS

AB	Avrupa Birliđi
BKA	Bölgesel Kalkınma Ajansı
BYKP	Five Year Development Plan
CEB	Council of Europe Development Bank
CEECs	Central and Eastern European Countries
CF	Cohesion Fund
CFCU	Central Finance and Contracting Unit
CFSP	Common Foreign and Security Policy
CHP	Republican People's Party
CU	Customs Union
DA	Development Agency
DP	Democratic Party
EAGGF	European Agricultural Guidance Guarantee Fund
EC	European Commission
ECB	European Central Bank
ECSC	European Coal and Steel Community
ECU	European Currency Unit
EEC	European Economic Community
EIB	European Investment Bank
EMU	Economic and Monetary Union

ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
EUSF	European Union Solidarity Fund
FIFG	Financial Instrument for Fisheries Guidance
GAP	Southeast Anatolian Project
GDP	Gross Domestic Product
GNP	Gross National Product
IMF	International Monetary Fund
IMPs	Integrated Mediterranean Programs
IPA	Instrument for Pre-Accession Assistance
İBBS	İstatistiki Bölge Birimleri Sınıflandırılması
İSTKA	İstanbul Development Agency
İZKA	İzmir Deevlopment Agency
JASPERS	Joint Assistance to Support Projects in European Regions
JASMINE	Joint Action to Support Micro-finance Institutions in Europe
JEREMIE	Joint European Resources for Micro to Medium Enterprises
JESSICA	Joint European Support for Sustainable Investment in City Areas
JHA	Justice and Home Affairs
KOB	Accession Partnership Document
KOSGEB	Small and Medium Enterprises Development Organization
KÖY	Priority Regions for Development
KSS	Small Industrialized Area

MIS	Management Information System
MÜSİAD	Independent Industrialists and Businessmen Association
NAO	National Authorizing Office
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organization
NUTS II	Nomenclature of Territorial Units for Statistics
OEEC	Organization for European Economic Cooperation
OKA	Middle Black Sea Development Agency
OPs	Operational Programmes
OS	Operating Structure
OSB	Organized Industrialized Zone
RDA	Regional Development Agency
RDC	Regional Development Committee
SEA	Single European Act
SF	Structural Fund
SME	Small and Medium sized Enterprise
SPO	State Planning Organization
TENS	Trans European Networks
TEPAV	Economic Policy Research Foundation of Turkey
TEU	Treaty on European Union
TUSKON	Confederation of Turkish Industrialists and Businessmen
TÜİK	Turkish Statistical Institute

CHAPTER 1: INTRODUCTION

The evolution of Turkey has been continuing in compliance with the European Union (EU) acquis for a long time period starting in 1950s. The transformation process is accelerated through reforms made on legislative, institutional, economic and political structure of it especially after opening of negotiations for full membership between the EU and Turkey in 2005.

One of the most important factors affecting the Turkish membership in the EU is the problem of regional economic differences in Turkey. Therefore, along with other policies of the EU, the Regional Policy is taken as a baseline for the reforms made in the regional development area.

1.1. The Scope of the Thesis

In this work, the progress made in the issue of regional economic development in Turkey is analyzed. The increasing economic regional disparities in Turkey and the efficiency of the EU in its Regional Policy force Turkey to adopt EU norms to be successful in removal of economic imbalances between regions. For that purpose, the establishment of Regional Development Agencies (RDAs) in Turkey in all 26 NUTS II

regions is a breakthrough in the path to convergence between the EU Regional Policy and Turkish policies on regional development. The European Commission also stressed that the establishment and development of RDAs in Turkey are indicators of Turkey's commitment to harmonize itself with the EU *acquis* in regard to regional development area. Thus, this thesis aims to analyze the EU impact over the Turkish Regional Policy by reviewing the historical development with a great emphasis put on the RDAs as functional tools of it. İstanbul Development Agency (İSTKA) is chosen as the case study among RDAs in Turkey because of its features like being a good representation of Turkey's economy and efficiency to implement the EU requirements.

1.2. The Methodology of the Thesis

In this thesis, a literature review has been made through use of books, articles, periodicals, publications of conferences, public institutions and related organizations in detail.

In addition, the data collected from the official websites of the institutions are used for further information gathered.

Moreover, for the İSTKA chapter, I visited the İSTKA and had a meeting with one of its staff to gather information about the organization, objectives and functioning of İSTKA.

1.3. The Structure of the Thesis

The thesis is consisted of six chapters including the introduction and conclusion chapters. The each chapter is subdivided into several titles, too.

The second chapter covers the regional development theories for understanding the background of the regional development area with giving examples of international

economic models applied for regional development. In the third chapter, the EU Regional Policy is discussed as a successful application of regional development strategies within the EU. The Regional Policy in Turkey under the EU impact is examined in the fourth chapter with an emphasis put on the RDAs in 26 NUTS II regions. In the fifth chapter, İstanbul Development Agency (İSTKA) is handled as one of the 26 RDAs in Turkey. As a last chapter, the conclusion restates the arguments provided throughout the thesis.

CHAPTER 2: REGIONAL DEVELOPMENT THEORIES

The works on economic development date back to the end of 18th century classical economists' studies concerning the economic welfare in the shape of economic growth, in other words the increase in output. Since then, the economic development has been one of the mostly deliberated areas in economics. More recently, the economic welfare is measured according to diversified factors unlike the old studies, one of which is the distribution. The increased economic inequalities across regions led the regional economic development theories and models to emerge aiming to remove these differences to advance economic welfare. Although the approaches adopted towards the regional differences vary because of differences between preferences of states, natural resources, demographic characteristics, international relationships etc., countries being a member of economic unions formed common ways to overcome regional economic disparities problem like in the EU. Before going into the details about the EU Regional Policy and its impacts on the Regional Policy in Turkey, the theoretical framework of the regional economic development needs to be examined. Therefore, in this chapter, theories related with the regional economic development and a few economic models applied in the EU are covered to understand the implementations of the decisions made by the EU and Turkish authorities in next chapters.

2.1. Regional Growth Models

The regional growth models arise from the adaptation of growth theories for the problems in regional growth.

2.1.1. Keynesian Regional Growth Models

The Keynesian approach towards the regional development focuses on the demand side of the production. The theory argues that the growth of a region depends on the demand for outputs produced within this region. Thus, the size of the region, industrialization in the region and the positioning of the region are the determining factors for the growth in the region. Later on, the roles of exports from and the investment made in the region added on to the assumptions of the theory. However, staying focused on the demand side of the production led the way to evolution of neo-classical models which incorporates the supply side of the production function into the regional development picture.¹

2.1.2. Neo-classical Regional Growth Models

The neo-classical growth models analyze the impact of inputs in the production function; capital and labor on the growth in general. The narrowing down of the scope into regional level provides the neo-classical regional growth models which assert the growth of region is achieved through the increase of capital and labor used in the production. It is assumed that the increases in capital and labor results with increased

¹ Ildrar, 2004, p.51

output which means increased growth. However, in the long run, there is diminishing marginal returns obtained with higher levels of inputs used. Thus, Solow introduced a third input; the technology into the production function in 1956, shifting the production function rightward with given inputs utilized. Thereby, it is assumed that technological advancement, which is available to all economies, enables the states to improve their economies and in one day the convergence is obtained if the same amount of savings, investments and population growth achieved.² The reasons of the divergence among the economies are diverse rate of savings, investments and population growth according to the Solow model. In order to institute cohesiveness, these are required to converge across economies.

2.1.3. Export Base Theory

As a response to the ignorance of the neo-classical theory to the demand side of the production function, the export base theory emerged involving the impact of exports on a regions growth. The export base theory assumes that the regions specialize on factors in which the region is rich and export them to the outside of the region that has a multiplier effect on the regional growth by leading the exporter regions to grow more despite importing regions are lagging behind. Therefore, the divergences between exporting and importing regions escalate according to the theory but the ways of reducing these divergences are not presented by the theory which is the weakness of it.³

² Cypher & Dietz, 2004, pp. 120-122

³ Ildrar, 2004, p. 58

2.1.4. Accumulative Causation Theory

Myrdal introduced the theory of accumulative causation which stresses the negative impacts of the developed regions on underdeveloped ones. It is argued that the market focus and accumulative competitive advantage of some places over others attract the investment while preventing the disadvantaged regions to develop. Thus, a loop of backwardness for these regions arises and makes the differences between regions deeper.⁴

2.2. Regional Econometric Growth Models

In order to make the economic growth models more detailed and consistent, the econometric models are used in studies related with the economic development which are covered below.

2.2.1. Polarized Growth Theories

Herewith, the imbalances between developments of economies are mentioned with taking the spatial dimension into consideration.

⁴ Stimson et. al., 2006, p.21

2.2.1.1. Sector-Polarized Growth Theory

Perroux emphasized the investment over a specific sector that is the “growth pole” to encourage economic activity and raise the welfare level within the region. He argues that the expansion in the growth pole is linked to other sectors in the region, thus leads to the economic development within the entire region.⁵ It is believed that the growth does not occur in each sector simultaneously but at points or poles of growth with varying intensity, and then spreads along different channels and affects a region’s economy according to Perroux. These assumptions recognize the development as a causal result of the concentration or polarization and investment on deliberate centers. Therefore, the dependence of the development to the spatial structure of the economy is taken into consideration which led to a centralization of the development strategies unlike to previous approaches suggest.⁶

The description provided by Parr (2009) also supports the Growth Poles Theory’s relevance in the development economics by arguing that following the collapse of export base and its multiplier effects on the region’s economy, the “depressed area” emerges which are affected by external shocks having high unemployment, low per capita incomes and human capital development and inadequate public services, and resulted in approaches such as fiscal transfers to problem regions in Europe. For example, the implementation of this growth pole approach undertaken in North-west England is underlined as “the moving work to workers or vice versa to places within the region where it will be most efficiently performed” for the solution of underdevelopment problems.⁷ Although, the over emphasize on the centers defined as the growth poles (mostly the metropolitans with the redefinition of poles by

⁵ Stimson et. al., 2006, p. 20

⁶ Parr, 2009, pp.1195-1198

⁷ Parr, 2009, p. 1200

Hirschmann as urban growth node in 1958⁸) criticized to be influential to direct attentions towards urban and ignorance to the rural, the spatial characteristic of the theory can be used in favor of the planned development strategies with targeted growth poles.

2.2.1.2. Region-Polarized Growth Theories

2.2.1.2.1. Approaches of Myrdal and Hirschman

According to Myrdal and Hirschman, the economic development of a country does not occur in all of the regions simultaneously like Perroux argued for the sectors. Instead the economic development starts from some regions and intensifies in these regions which results with imbalanced development at regional level. To have consistent development at national level, the growth poles should be established and through externalities created by the accumulation in growth poles the national growth can be sustained as the theory suggests.⁹

The regional differences in economic development terms take place as a consequence of the regions including the growth poles, called as development regions, prosper while the rest remain as underdeveloped. The development regions have dual effects on the development of their surroundings. First, with the spread effect, the development regions foster the development of regions in their hinterland due to economic relationships. As the second effect, the backwash effect meaning growth poles impede the underdeveloped regions to prosper. Hirschman argues that the spread effects of developed regions exceed the backwash effects and the regional differences

⁸ Stimson et. al., 2006, p. 20

⁹ Ildrar, 2004, pp.68-69

are diminishing in the long run. However, Myrdal believes that the backwash effects and the accumulative causation end in elevated regional disparities in absence of intervention.¹⁰ Therefore, the interference into the regional development area is allowed to eradicate the regional imbalances.

2.2.1.2.2. Core –Periphery Model

Friedman's approach to regions comes into view in the shape of core and periphery division. Core regions are the centers of attraction with a high industrial density, while the periphery emerges around these core regions and depends on the economic relationships with the core since the flow of the capitals, qualified labor force and natural resources is from the core towards the periphery. As Friedman states in the long run the number of cores will increase while periphery remains almost the same. In the case of spread effects are more than the backwash effects, the disparities between the core and periphery stays relatively the same. However, to increase the spread effects no suggestion is provided by the model.

2.2.1.2.3. Central Places Theory

Boudeville works through the relationships among both regions and sectors constituting the economic space and divides the economic space into three categories: first; the homogenous spaces, second; heterogeneous or polarized spaces and as third; the planned spaces as a tool for the development policies. According to the theory, high industrial complexity is needed in a city to become the development pole in a region. In this way the regional economic development is stated to be dependent on the relationships between cities related with the spatial accumulation and industrial

¹⁰ Ibid.

complexes. In 1960s, central places theory was put into use by underdeveloped countries but was not successful in creating a capital flow from the centers to the regions around. Contrarily, the flow of labor force is from regions around into the growth centers, like happened in Turkey. The theory understates to provide solutions to the problems of backwash effects of centers and creating new centers of growth.¹¹

2.2.1.2.4. New Economic Geography Theory

Although the theory assumes that the economic activities are not evenly distributed among regions like the previous theories, it not only rejects the diminishing returns assumption of the neo-classical models but also includes the effect of trade costs into the spatial analyses of growth, differently from other approaches. Moreover, it states that the decisions of the firms and individuals to locate in a specific region are the results of the balance between spatial and industrial structures by incorporating some factors such as imperfect competition, increasing returns, migration, input output linkages between firms, and transport costs.¹² In this context, it is believed that the combination of increasing returns and trade costs encourages firms to locate in large markets in which the level of competition is high. However, the rise in prices of local factors and goods takes place wherever the agglomeration occurs and if these necessary factors lack in the region are imported from the outside, the agglomeration continues. Otherwise, the industry is stated to be spread to underdeveloped regions.¹³ The globalization enables the mobility of factors and their tradability across regions, thus reducing the trade costs and the weight of local factors and goods. However, the importance of the underlying local resources like geography and endowments remain to

¹¹ Ildırar, 2004, pp. 70-74

¹² Ottaviano & Puga, 1997, p.3

¹³ Ottaviano & Puga, 1997, pp. 22-23

be high in economic productivity and growth, which means the spread of production in underdeveloped regions at the end.

2.3. Recent Theories

The theories introduced so far are found insufficient to address the needs of region in economic development and to provide solutions to the problems resulting from the economic disparities. They focus on regional output growth to measure the economic development in regions which needs to include social factors in evaluation process, too. As the regional differences within the underdeveloped countries are scaling up, despite increased levels of growth, indicates that new approaches should be taken towards the development issue. In this section, these new approaches are handled.

2.3.1. Endogenous Growth Theory

Along with the increasing growth, the importance of research and development, human capital, and the role of the state are highlighted. The theory falsifies the assumptions of the convergence hypothesis such as knowledge exchanges will lead to economic advancements in all countries in the long run and underdeveloped regions will converge to the level of developed regions. Instead of explaining the factors of growth with externalities like in the neo-classical theory, the endogenous theory uses the internal dynamics of regions fostering their developments economically. ¹⁴The technological advancements and the flow of labor are replaced by the entrepreneurial strategies and the role of the state in economy. The establishment of RDAs as tools of regional policies in Europe and Turkey could be accepted as the good examples of the

¹⁴ Romer, 1994, p.14

endogenous growth theory in practice. The role of RDAs in regional economy is vital by servicing towards the management of regional potential underlined by the theory in the shape of state involvement in economic development of regions.

2.3.2. The Product Cycle Theory

The explanation of the positive impact of technology on the regional structural changes is made by the Product Cycle Theory by dividing the production into four stages. In the first stage; the introduction stage, the product is produced in developed regions and consumed within the region. In the next stage, the product is produced in developed regions and sold to regions with similar development levels. In the maturity and the last stages, the standardization is achieved and enables the move of the production to underdeveloped regions because of cheaper labor supply in there. As the standardization of the product achieved and the production removed into the underdeveloped regions, the development of a new product starts and the same cycle will be followed. The establishment of Organized Industrial Zones can be regarded as good examples of the product cycle theory in practice. Thus, the spillover effect of economic development can be obtained at regional level.¹⁵

2.4. International Applications of Modeling

After reviewing the theoretical framework on the regional economic development, recently EU-wide applied economic models are discussed in order to see the theories mentioned above in practice in the regions of the EU in this section. As Romer states the progression in economic development area starts with models based on

¹⁵ Ildirar, 2004, p.80

perfect competition, then price-taking with external increasing returns takes place in models and finishes with the explicit models of imperfect competition.¹⁶ Herewith, the analyzed models recognize the market imperfections and thus measure the effects of the shocks in the economy via EU funds interventions.

2.4.1. HERMIN Model

The HERMIN Model is one of the models designed in response to the European Commission's request, to see the real effects of the EU Regional Policy in economic development of regions with inter-country and inter-region comparisons. To understand the model's methodology, it focuses on key structural features of a cohesion-type economy; the degree of economic openness, sizes and features of tradable and non-tradable sectors, the mechanisms of wage and price discrimination, the functioning and flexibility of labor markets, the role of public sector and the relationships between public and private sectors while assuming that the economy is comprised of four sectors: manufacturing (internationally traded), market services (non-traded), agriculture and government services. By comparing the situations of with and without Cohesion Policy funding, the model measures the policy's impacts on regions' development.¹⁷

As an example to the use of the model, the work by Sosvilla-Rivero et. al. is taken which searches the impact of the EU Regional Policy in an Objective-1 region in Spain (GDP per capita of it in 1998 was equal to 67% of the EU average) with the HERMIN Model between 1986 and 2006. They applied the model with the aim of measuring the improvements created by the investments made in three categories which are infrastructure, human capital and business support. After the provision of financial supports by the EU, the changes on key structural features like mentioned above are

¹⁶ Romer, 1994, p. 19

¹⁷ Bradley et. Al., 2007, p. 48

observed such as the structure of economic sectors, adjustment capabilities of industry to technological changes, openness to trade and wage flexibility with respect to a pre-defined particular base. The conclusion provided by this work is that the growth rate of real output produced in the region increased by 0.64 points above that prevailing without EU supports which regarded as a slight convergence towards the EU in terms of per capita income. The funds received from the EU also created (€312 million) 1, 75 % of the region's gross value added on the production between these years. Thus, it is stated that EU funds did not have an ignorable contribution on positive evolution of the region.¹⁸

Another research done by Bradley et. al. in 1995 by using HERMIN Model to evaluate the Regional Policy impacts in Ireland, Portugal, Spain and Greece between 1994-1999 also noted that the GDP growth positively affected by the EU supports. In terms of employment, an extra net 2 million new jobs were estimated to be created by 2015 in these countries by the contributions of the Cohesion Policy, as seen in the Graph 2.1 below.¹⁹

2.4.2. QUEST Model

Veld analyzed the impact of Cohesion Policy between 2007 and 2013 in regions covered under the Convergence Objective, by using QUEST Model which is a global macroeconomic model with strong micro-foundations and containing structural sub-models for each member state of the EU. It states that most of the funds were spent on supply-side policies aiming to increase productivity in this period, therefore the impact of the funds were measured by the rise in the GDP levels of Member States, especially in new member states. The rise of GDP in new member states is estimated to be more than 5% at the end of 2007-2013 period in which the Structural Funds are used for

¹⁸ Sosvilla-Rivero et. al.,2005, pp. 9-10

¹⁹ Tron, 2009, pp.171-172

improvements in infrastructure projects mainly. Although there expected to be crowding out effect of private sector in these countries at first, the long run impact of EU supports is estimated as being positive by contributing the productive potential of the economy and increase in the potential output levels.²⁰

²⁰ Veld, 2007, p. 20

Graph 2.1: The Effects of Cohesion Policy between 2000-2006 and 2007-2013

2000-2006				2007-2013			
Country	GDP gain (% above baseline)	Employment gain (% above baseline)	Employment gain (1000s above baseline)	Country	GDP gain (% above baseline)	Employment gain (% above baseline)	Employment gain (1000s above baseline)
Bulgaria	-	-	-	Bulgaria	5.9	3.2	90.4
Czech Rep.	1.6	0.8	39.4	Czech Rep.	9.1	7.1	327.8
Estonia	1.8	1.3	7.9	Estonia	8.6	5.4	31.0
Ireland	0.9	0.7	12.9	Ireland	0.6	0.4	8.2
Greece	2.8	2.0	85.2	Greece	3.5	2.3	95.0
Spain	1.0	0.7	133.5	Spain	1.2	0.8	156.7
Cyprus	0.1	0.1	0.4	Cyprus	1.1	0.9	3.1
Latvia	1.6	1.2	11.7	Latvia	9.3	6.0	55.4
Lithuania	1.2	0.9	12.4	Lithuania	8.3	4.8	67.7
Hungary	0.6	0.6	22.1	Hungary	5.4	3.7	147.3
Malta	0.4	0.4	0.6	Malta	4.5	4.0	6.9
Poland	0.5	0.4	50.3	Poland	5.4	2.8	384.2
Portugal	2.0	1.4	70.6	Portugal	3.1	2.1	104.8
Romania	-	-	-	Romania	7.6	3.2	267.5
Slovakia	0.7	0.5	11.3	Slovakia	6.1	4.0	87.9
Slovenia	0.3	0.3	2.3	Slovenia	2.5	1.7	15.7
East. Germ.	0.9	0.7	53.0	East. Germ.	1.1	0.9	60.0
Mezzogiorno (Italy)	1.1	0.8	55.7	Mezzogiorno (Italy)	1.5	0.9	60.1
Total			569.3	Total			1,969.7

Adopted from Tron, 2009, pp. 167-168

2.4.3. EcoMod Model

According to the report prepared by Bayar in respect to EC request, the EcoMod Model is one of the economic models to analyze the Cohesion Policy impact on regions' economic development based on general equilibrium framework which includes macro and micro elements in the economy and the government interventions by analyzing different scenario results. It provides results regarding the impacts on GDP, sectoral production, sectoral value added, sectoral trade flows, employment, investment, prices, wages, income, public finance outcomes and energy use so that gives details about the structure of the economy and the transactions take place. The findings of the model represent that the financial supports by the EU Regional policy budget has a positive effect with higher GDP levels in all recipient countries and this positive impact expected to remain in long term in new member states especially. Although the magnitude of the impacts on the national economies is changing, the direction of the change is found as same for all scenarios. Additionally, the model estimates that the number of unemployed people will be decreased tremendously that in some countries by more than 30% by 2020. However, continuance of the impacts is believed to be related with the implementation of other policies, the amount and efficiency of the investments made with the funds.²¹

By considering the results achieved from all these economic models used to measure the effectiveness of EU Regional Policy implementations especially by the provision of financial supports, it can be said that EU funds have been contributing to the economic growth and employment creation in Member States which is regarded as enhancements of regional economic development at the end. However, there are also criticisms made on the implementation of the policy needs to review, too.

²¹ Bayar, 2007, pp. 27-30

The most prominent research is done by Ederveen et. al. that emphasizes the high dependence of the EU Regional Policy implementation on country characteristics such as coordination failures, inefficient redistribution of funds among regions, and political motivations of decision making processes. The economic models used for measurement are stressed as lack of objectivity because they are prepared by the demands of the EC. In addition, the models end with results which are based on the assumption far away from the real data according to their research. Related with the policy itself, it is described to be ineffective in achieving convergence between regions, reducing the crowding out effect, moral hazard and rent seeking behaviors of national states, too.²²

In the light of the review of theoretical framework underlying the regional economic policies and the economic models evaluating these policies shortly cited above, it can be said that the need of interventions in the economy is necessary to achieve the aims of the regional development policies. In the case of EU, despite many oppositions and criticisms made over the Regional Policy, it is seen that it has contributions on development projects in regions of Member States. The importance of effective and efficient implementation of the policies is discussed further in the next two chapters in both EU and Turkey with more detail.

²² Ederveen et. al., 2003, pp. 31

CHAPTER 3: EUROPEAN UNION REGIONAL POLICY

The Regional Policy of European Union (EU) is one of the most costly European level policies, the budget of which is equal to the 35.7% of the total EU budget between 2007 and 2013, functioning for the realization of Europe 2020 Strategy. By 2020, the EU aims to create more employment, to increase competitiveness, to achieve higher level of economic growth, and to improve quality of life with a sustainable development in its Member States.²³

The Regional Policy is an important part of the political structure of the EU that helps to guarantee maintenance of the Union by focusing on both social and economic coherence among Member States with a target of reducing existing territorial differences in Europe through its financial instruments such as Structural Funds (SFs), Cohesion Fund (CF), Special Support Instruments and Community Initiatives in accordance with the objectives and principles defined in each term.²⁴ The EU Regional Policy is not only active in underdeveloped regions without natural resources, population or any geographical conditions necessary for development but also has operations in developed regions to keep and sustain their prosperity.²⁵

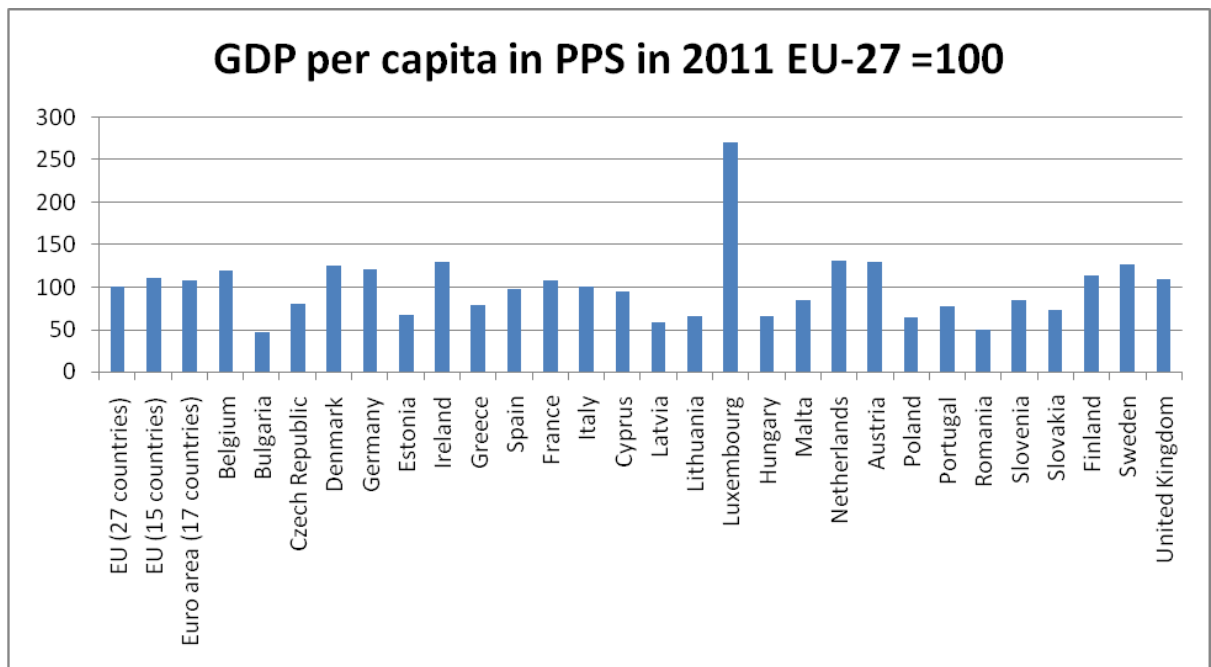
²³ EC Official Website, Retrieved January 30, 2013 from http://ec.europa.eu/europe2020/index_en.htm

²⁴ EC Official Website, Retrieved January 10, 2013 from http://ec.europa.eu/regional_policy/what/index_en.cfm

²⁵ Ibid.

According to data provided by the European Commission (EC), the socio-economic regional differences among and within Member States are remaining and also increasing despite an evolving Regional Policy applied since 1970s. The differences in GDP per capita levels and unemployment levels between Member States are testaments to the imbalances among them. For example, the GDP per capita level in Luxembourg is six times higher than the level of Bulgaria in 2011. In addition, the unemployment level in Spain with 26.6% is far out from the level in Austria with 4.5%, while the EU average is slightly above 10% in 2012 that can be regarded as an obvious social divergence among Member States as clearly seen in the graphs below.²⁶

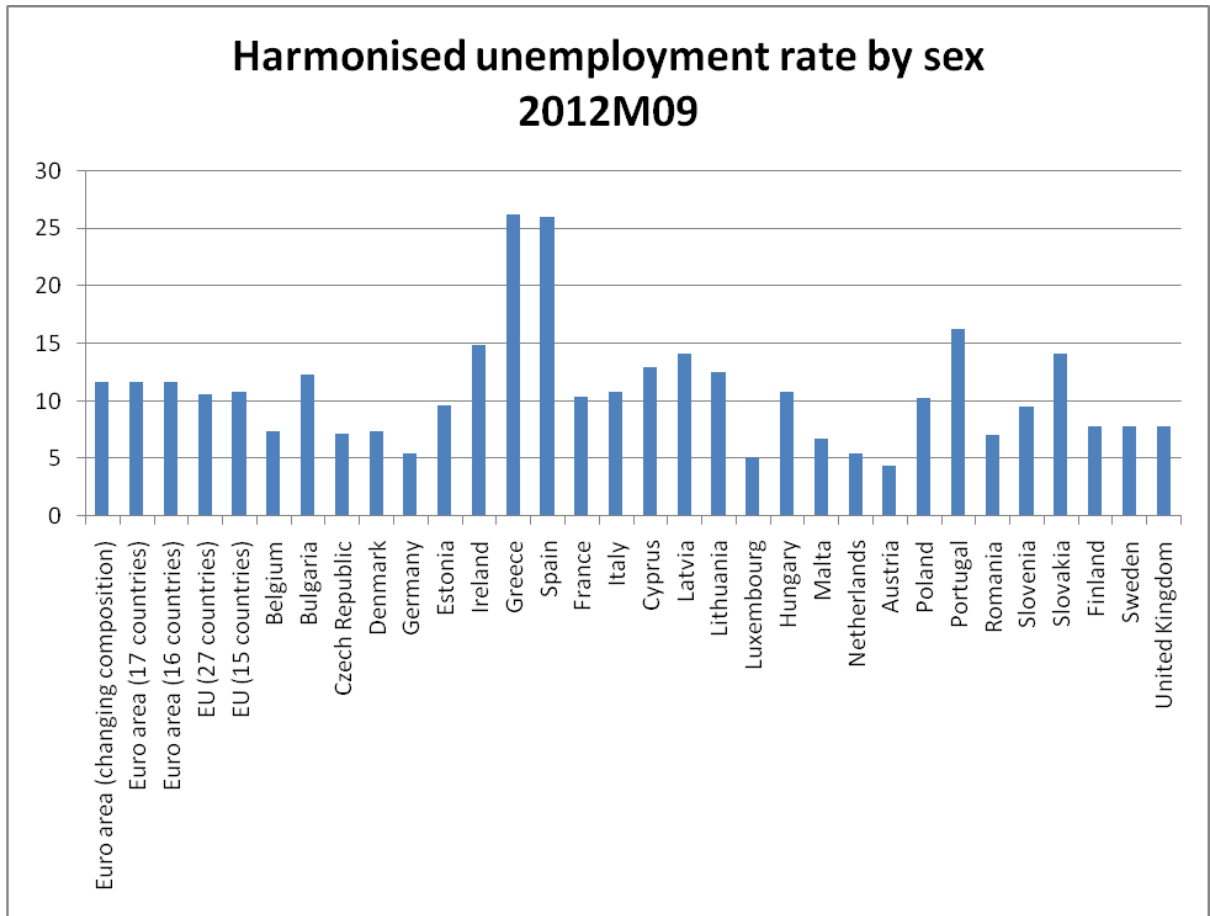
Graph-3.1: GDP per capita across European Countries in 2011



Adapted from Eurostat, 2013

²⁶ Eurostat website, Retrieved January 10, 2013 from <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00114>

Graph-3.2 Unemployment Levels across European Countries in September 2012



Adapted from Eurostat, 2013

By aiming the removal of these disparities between European regions for a cohesive Europe, the EU Regional Policy is analyzed in detail in order to understand its effectiveness on realization of this aim. The historical development of the policy is reviewed by phases (including the use of instruments, and objectives and principles defined in each phase) and the costs and benefits of the policy on development of regions in the EU are discussed in this chapter.

3.1. The Historical Evolution of EU Regional Policy

The policy has gone through numerous transformations since the beginning of the European Economic Community (EEC) until today's EU in relation to the changes

in global economic environment, political reformations and varying needs of regions in Europe.

3.1.1. The First Phase: 1957- 1972

The Regional Policy originates in the Rome Treaty establishing the European Economic Community (EEC) in 1957. The Article 2 of the Rome Treaty underlined “a harmonious development of economic activities” by reducing the differences among the regions of EEC.²⁷ Until 1975 there had been no specific and effective Community-wide structure for the accommodation of convergent regional development but there had been number of instruments created for the achievements of the aims highlighted in the Treaty such as the European Social Fund (ESF), the European Investment Bank (EIB) and the European Agricultural Guidance and Guarantee Fund (EAGGF).

- European Social Fund (ESF) was created to improve the mobility of the workers in the market via funding the training of labor force influenced from the restructuring processes after wars. The limit of the funding under ESF was up to 50% of the total cost of the projects and half of the initial funds were used for the unemployment in disadvantaged regions, especially in northern Italy and in the Federal Republic of Germany.²⁸
- European Investment Bank (EIB) was set up for bringing financial resources into the Community to support economic expansion without profit making purposes and separately from other EEC institutions. The EIB can be seen as a mechanism for the transfer of funds from rich to poor within the Community and from outside into the Community. In order to create financial resources for the

²⁷ Bache, 1998, p.31

²⁸ Bache, 1998, pp. 32-34

less advantaged regions' development, EIB provided loans to private and public authorities leading the development projects in those regions.²⁹

- European Agricultural Guidance and Guarantee Fund (EAGGF) as being a part of regional development plans, was created to provide assistance for investments on agricultural areas via its guidance section.³⁰

In addition to these instruments, the Directorate General for the Regional Policy (DG XVI) was established in 1968 which now works for effective structural policies, benefitting the citizens of Europe, adding onto the enlargement processes to be managed successfully and ensuring the accurate financial management. However, in this phase the responsibility to control the use of financial assistance on regions' development was in the hand of national governments that was one of the causes of divergence among regional development activities across Member States.³¹

At the beginning, the nonexistence of a comprehensive Community policy on regional development was not a big problem since the EEC before 1972 was quite a homogenous body with its six Member States; the Original Six (Belgium, Germany, France, Italy, Luxembourg and Netherlands) which had similarities in terms of their socio-economic situations. The first enlargement in 1973, whereby Denmark, UK and Ireland had joined the EEC, however, made the differences among Member States more noticeable with lower levels of GDP per capita of new members joined. In order to manage the increased disparities, a new fund was decided to be established in 1972 Paris Summit.³²

²⁹ Ibid.

³⁰ Ibid.

³¹ Retrieved from: http://ec.europa.eu/dgs/regional_policy/index_en.htm, on January 10, 2013

³² Mc Donald and Dearden, 2005, p.239

3.1.2. The Second Phase: 1973- 1979

As stated above because of increased disparities, and also the expected negative effects of the next enlargement on the imbalances and the reports saying that a Community action should be taken (Werner Report in 1970), the Community fund for regional development; the European Regional Development Fund (ERDF) was established in 1975 by the introduction of the Regulation 724/75. In addition to these factors, the influence of intergovernmental bargains among Member States were significant on decision making process, especially Italy and Ireland demanded a large regional development fund since their socio-economic conditions were low enough to make them beneficiaries of the fund.³³ In other words, the dominance of Member States' preferences on regional development dispute was salient in this phase, too.

The eligibility of regions for the ERDF usage was also decided according to the criteria defined by EC and national governments that made also national interests to become apparent. Thomson defined eligible regions as; regions with high levels of agricultural population, regions that are concentrated in coal, shipbuilding, steel and textiles industries, peripheral regions and regions with severe environmental problems and concentrated regions with low economies of scale in his report while national governments take the unemployment levels, poorly developed infrastructure and high level of out migration into consideration as measures of underdevelopment in regions.³⁴ Moreover, the inclusion of representatives in the DG XVI by national governments was another factor added on to the difficulties having a convergent Community-wide regional policy. Thus, the principles brought by the Thomson Report were accepted for

³³ Bache, 1998, pp.38-50

³⁴ Ibid.

better coordination of national regional policies in line with the Community perspective rather than national interests. These principles were;

- Additionality, requiring that Community regional funds not to be a substitute for national expenditure in the regions
- Coordination, requiring that the numerous common policies and financial instruments at Community level be brought together to improve their effectiveness in meeting regional objectives
- Concentration, requiring that Community funds be focused on regions in need of assistance most³⁵

The acceptance of these principles and the establishment of ERDF were signs of improvement through a comprehensive policy on regional development but the application of fixed national quotas and inefficiencies of Member States in use of financial assistance overweighed the progress. As a result of the variations of national governments' decisions on eligible regions and allocation of funds received from ERDF on reduction of national expenditures instead of development projects, the attempts to decrease regional disparities via financial instruments used in financing development projects were criticized to be insufficient. Therefore, more European wide definition for regions in need of assistance and a more comprehensive and efficient way of allocation were required.

3.1.3. The Third Phase: 1979- 1988

The reforms were made without losing much time to change the project based system of funding by the Commission which was already willing to take the control over Member States.

In 1979, the Council of Ministers provided guidelines for regional policy in the Official Journal, saying that;

³⁵ Ibid.

“The Regional Policy is an integral part of the economic policies of the Community and the Member States. It forms part of the various elements which contribute to the attainment of a high degree of convergence among the economic policies of the Member States”.³⁶

As the guidelines stated, the need for the convergence among national policies were emphasized. Moreover, the Greek membership was on stage at the same time and expected to add onto already existing income disparities within the Community. Consequently, the reformation of the ERDF had taken place for the preparation of the Community to the membership of Greece in 1979. The fixed national quota system was divided into a non-quota and a quota sections to ensure that larger proportion of the ERDF was allocated to the poorer regions.³⁷

Although, the Commission took a sort of control over the policy decisions, the influence of the Member States with various interests over the decision making process remained. The creation of the Integrated Mediterranean Programs (IMPs) was a good example for this fact. The subsequent enlargement by which Spain and Portugal joined the Community, led the way through IMPs, aimed to compensate the demands by Greece, France and Italy in exchange of their acceptance of the membership of Spain and Portugal. Along with the IMPs, more encompassing and large scale policy was targeted because the Community became more divergent with new Member States and the harmonization of the new comers needed more pursuit.³⁸

Aiming to ensure the economic integration among Member States, the Single European Act (SEA) launched in 1986, which also increased the rich countries' willingness to aid the poorer ones since SEA favored the industrialized core and believed to have side effects for the smaller Member States. The outcome was the Commission assumed the power for socio-economic configuration, and the “structural funding” was introduced. The insertion of the Title “Economic and Social Cohesion” into the Article 158 of EEC stated that *“the Community shall aim at reducing disparities between the levels of development of various regions and the backwardness of the least*

³⁶ Barnes & Barnes,1995, pp.273-274

³⁷ Ibid.

³⁸ Barnes & Barnes,1995, pp.273-274

favoured regions".³⁹ The importance of the Economic and Social Cohesion title was that it reformed the perception of the Commission on regional support from project based approach towards a more policy approach. The elements of this reform in 1988 were listed under four principles; programming, concentration, additionality and partnership.

- Programming: the programming of the structural funds was changed from a project basis granting into a comprehensive multi-annual development plans including all forms of supports for a region.
- Additionality: originated before 1988 reform and aimed to guarantee that EU funding increase total budget allocated to the structural projects.
- Partnership: as the most significant innovation of the 1988 reform, for the implementation of the regional policy at the European level cohesively, different levels of decision making authorities were required to take part in regional development projects. The principle emphasizes the coordination between;
 - Different Structural Funds
 - Structural Funds and the related financial instruments of the Community
 - Community structural policies and the non-spatial Community and national policies
 - Commission and the national authorities and bodies
- Concentration: the concentration of regional policy was focused on those regions of the Community in greatest need of support rather than all areas eligible for national support.⁴⁰

Another innovation came through the 1988 reform was that the priority objectives for funds to concentrate on which are shown by the table below:

³⁹ McDonald & Dearden, 22005, p.247

⁴⁰ McDonald & Dearden, 2005, pp. 240-246

Table-3.1: Objectives Revised with 1988 Reform

	Objective-1	Objective-2	Objective-3	Objective-4	Objective-5
Regions selected under	Regions with per capita GDP < 75% of the Community average	Regions affected by a significant industrial decline	Regions with long term high unemployment levels	Regions in need of programs to integrate young in the economy	Regions in need of adjustment for the agricultural sector and the promotion of rural areas
Funds used for	ERDF, ESF, EAGGF	ERDF, ESF	ESF	ESF	EAGGF

Adapted from Bache, 1998, p.71

Despite an increased role of the Commission, the activities under regional policy between 1979 and 1988 worked for again satisfying the diversified demands of national governments. The focus was primarily on the regions in need of assistance most via the four principles accepted but the targets for a comprehensive and efficient funding could not be obtained.⁴¹

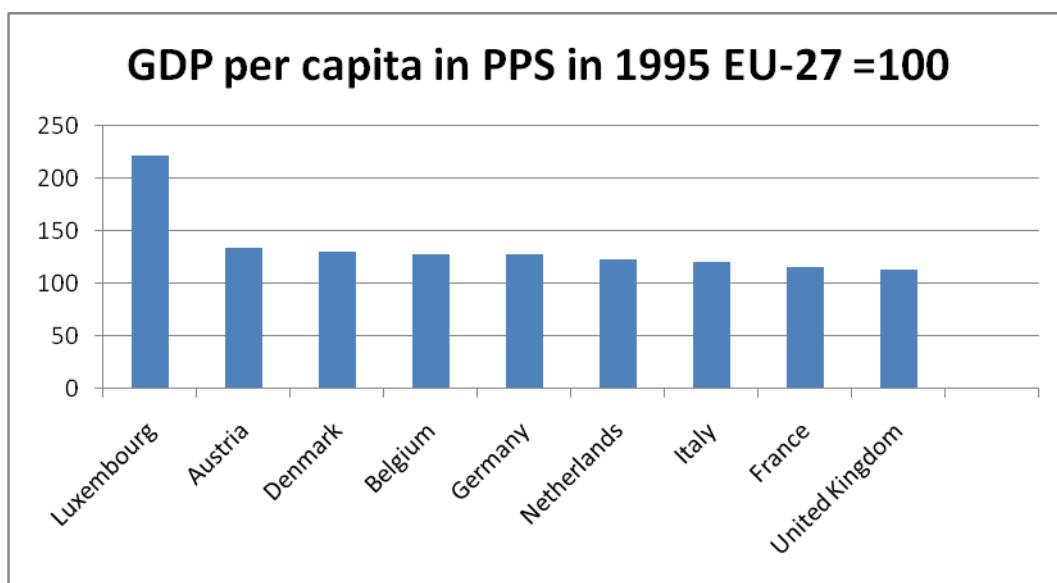
3.1.4. The Fourth Phase: 1989- 1993

In this phase, the efforts to strengthen the Commission's position in regional development were abandoned and the reforms made were proceeded with the national governments' demands.

⁴¹ Bache, 1998, pp.70-81

Not the enlargement with the memberships of Austria, Finland and Sweden but the introduction of Treaty on European Union (TEU) in 1993 was the turning point for the Community. Since the socio-economic situations were relatively prosperous as can be seen in the graph below, the new members did not change much for the Community unlike the TEU transformed the total structure of the Community.

Graph 3.3: GDP per capita Levels across European Countries in 1995



Adapted from Eurostat, 2013

TEU created the European Union (EU) consisted of three pillars: first pillar, European Communities (EC, ECSC that is now expired and Euratom), second pillar Common Foreign and Security Policy (CFSP) and third pillar, Cooperation in Justice and Home Affairs (JHA). The compilation of three pillars under the Union heading can be seen as the sign of the coherence between the future policy decisions. Additionally, TEU aimed to achieve Economic and Monetary Union (EMU) based on common currency (Euro), common monetary policies, compliance to the convergence criteria requirement for all Member States and the establishment of the European Central Bank (ECB).

These provisions of the TEU especially the acquisition of EMU was criticized to be favoring the industrialized and developed Member States despite being a burden on poorer countries so that poor Member States demanded compensation for the EMU

requirements such as additional structural funds for financing projects and also for helping them to meet the convergence criteria required for EMU.⁴²

As a consequence, the TEU created the Cohesion Fund (CF) for funding the environmental and transport infrastructure development projects (especially Trans European Networks (TENS)) in less developed Member States with GDP below the 90% of the EU-average. CF was used to finance up to 85% of the projects' total costs which was higher than any other structural fund limits provided before and it was provided not to the projects but directly to the national governments. These two criteria of the Cohesion Fund allocation upgraded its importance among other structural funds for national governments such as Ireland, Greece, Spain and Portugal which will be called later as the "Cohesion Four".⁴³

Despite not many changes made on four principles provided with the reform in 1988, a new Objective-6 was created under the concentration principle to support the development of sparsely populated areas within the Union especially after the membership of Sweden, that can be listed as another emphasis put on the ultimate aim of reducing differences among the regions of the Union.⁴⁴

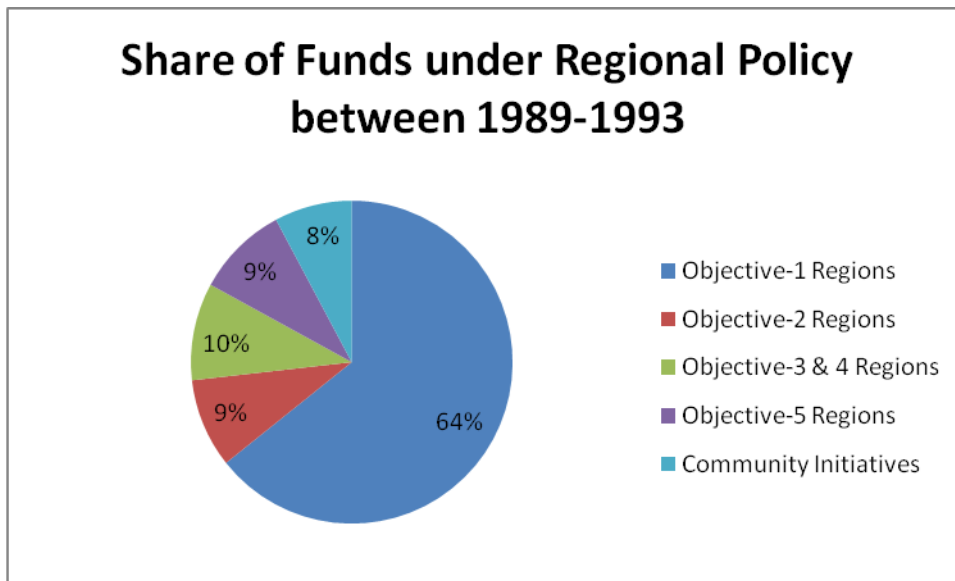
The largest proportion was allocated to the Objective-1 regions followed by Objectives-3&4 regions, Objective-5 regions, Objective-2 regions and Community Initiatives within a descending sort in this phase, as seen in graph below.

⁴² Official Journal of EU C 191, Titles A and B, 1992, Retrieved on January 10, 2012, from: <http://eur-lex.europa.eu/en/treaties/dat/11992M/htm/11992M.html>

⁴³ Barnes & Barnes, 1995, pp. 286-287

⁴⁴ Barnes & Barnes, 1995, p.282

Graph 3.4: Allocation of Funds under Regional Policy between 1989 -1993

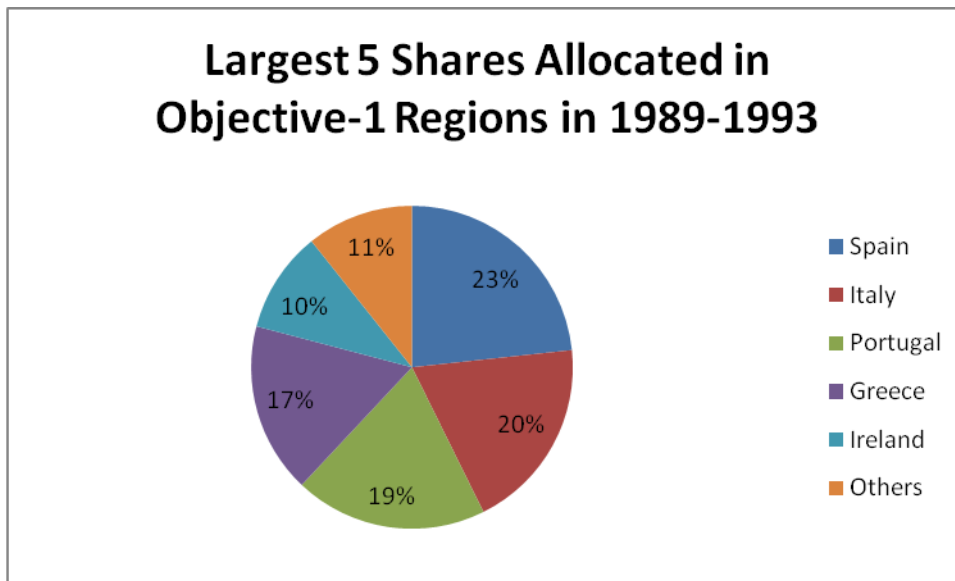


Adapted from DG for Regional Policy, 2008

The funding provided in this phase under Objective-1 was equal to the 64% of total budget for regional policy with allocation of ERDF, ESF and EAGGF. The major beneficiary countries were the Cohesion Four; Spain, 57.7% of the population was living under Objective-1 regions, got ECU 10.2 billion, followed by ECU 8.5 billion allocated to Italy which covered 36.4% of its total population, after comes Portugal in receipt of ECU 8.45 billion with 100% of its population covered, Greece received ECU 7.5 billion with total population covered and Ireland funded with ECU 4.46 billion and total population covered, like in Portugal and Greece, as seen in graph.⁴⁵

⁴⁵ DG for Regional Policy, 2008

Graph 3.5: Largest 5 Shares Allocated in Objective-1 Regions in 1989-1993



Adapted from DG for Regional Policy, 2008

Through large proportions allocated in Cohesion Four countries, big scale projects were financed in these countries. For example, a new cross-border road was constructed between Greece and Bulgaria. In Ireland, commuter train network in Dublin area was extended, an investment was made on a new motorway in Portugal and a bridge was built in Spain so that funds were functional in the area of improvement transportation under Objective-1 regions. The use of funds in Objective-1 regions seems that mostly spent for the improvements in transportation infrastructure in the Cohesion Four.

For the Objective-2 areas, the largest three shares allocated in this phase are illustrated in the table below:

Table-3.2: Objective-2 Regions Funded between 1989-1993

Objective-2 Regions	Amount of Funds Received (ERDF + ESF)	Share from the Total Funds Allocated (Total Objective-2 Regions Fund=6.1 billion)	Coverage (% of people living under the Objective-2 regions in total population of the country)
UK	ECU 2 billion	32%	35.5%
Spain	ECU 1.5 billion	24%	22.2%
France	ECU 1.2 billion	19%	18.3%

Adapted from DG for Regional Policy, 2008

In Objective-2 regions, 55.1% of the total fund was spent on the investments for productive environments supporting SMEs, 23.9% of the fund allocated to the projects on physical re-generation and environment, and human resources development projects got a share of 20.9% of the fund used between 1989 and 1993.⁴⁶

The division of funds among countries which received the largest three shares in Objectives-3 & 4 regions and Objective-5 regions were as follows in Table-3.3. Expenditures under Objective-5 regions were concerned about productive investment, new economic activities in rural, infrastructure and human resources, and environment while projects targeted labor market actions and social inclusion funded under Objectives-3 and 4 regions.⁴⁷

⁴⁶ Ibid.

⁴⁷ Ibid.

Table-3.3: Objective-3, 4 and 5 Regions Funded between 1989- 1993

Objective-3 and 4 Regions	Amount of Funds Received (ESF) (Total Objective-3&4 Regions Fund=6.67 billion)	Objective-5 Regions	Amount of Funds Received (Total Objective-5 Regions Fund=6.3 billion)
UK	ECU 1.5 billion (22%)	France	ECU 2.3 billion (36%)
France	ECU 1.44 billion (21%)	Germany	ECU 1.4 billion (22%)
Germany	ECU 1.05 billion (15%)	Italy	ECU 0.96 billion (15%)

Adapted from DG for Regional Policy, 2008

In addition to the funds allocated under five objective regions, Community Initiatives were also influential in financing projects in less developed regions in Europe during this time period:

- Inter-reg Initiative: projects on cross border cooperation between neighboring regions were funded with ECU 1.1 billion
- Euroform, Now and Horizon: projects focusing on vocational training and job creation were funded with an amount of ECU 764 million
- Leader: financed projects focusing on local and regional development with a fund of ECU 455 million
- Other initiatives financed various projects with different aims such as initiatives Resider, Rechar, Retex, Reneval, Konver focused on redeveloping industrial areas with a total fund of ECU 1.1 billion, initiatives Prisma, Envireg, Regen, Telematique, and

Stride focused on environmental protection, energy, information technologies and research with a total fund of ECU 1.6 billion⁴⁸

After the reform in 1993, the control mechanism seems to be shifted from the Commission to the national governments on the funding of the development projects in less developed regions. The meeting of demands by the Member States were underlined again with the creation of the Objective-6 and CF. By looking at the data provided by the DG for Regional Policy evaluation for this phase, use of the regional policy budget appears to be ineffective since the gap between Objective-1 regions and EU average in terms of GDP per capita was reduced by 3 points despite the ratio of the regional policy budget to the total EU budget was 25%. Through Structural Funds used in Cohesion Four, 600,000 jobs were created, through ESF 917,000 people in labor force were trained and in Objective-2 regions 470,000 SMEs received assistance.⁴⁹ Although improvements were made on national accounts, these numbers were not sufficient for eradicating the existed regional imbalances within a 345-million populated EU, then.

3.1.5. The Fifth Phase: 1993-1999

The most important change in this phase came into the picture with the effects of next enlargement to take place in 2004 and the completion of single market between Member States.

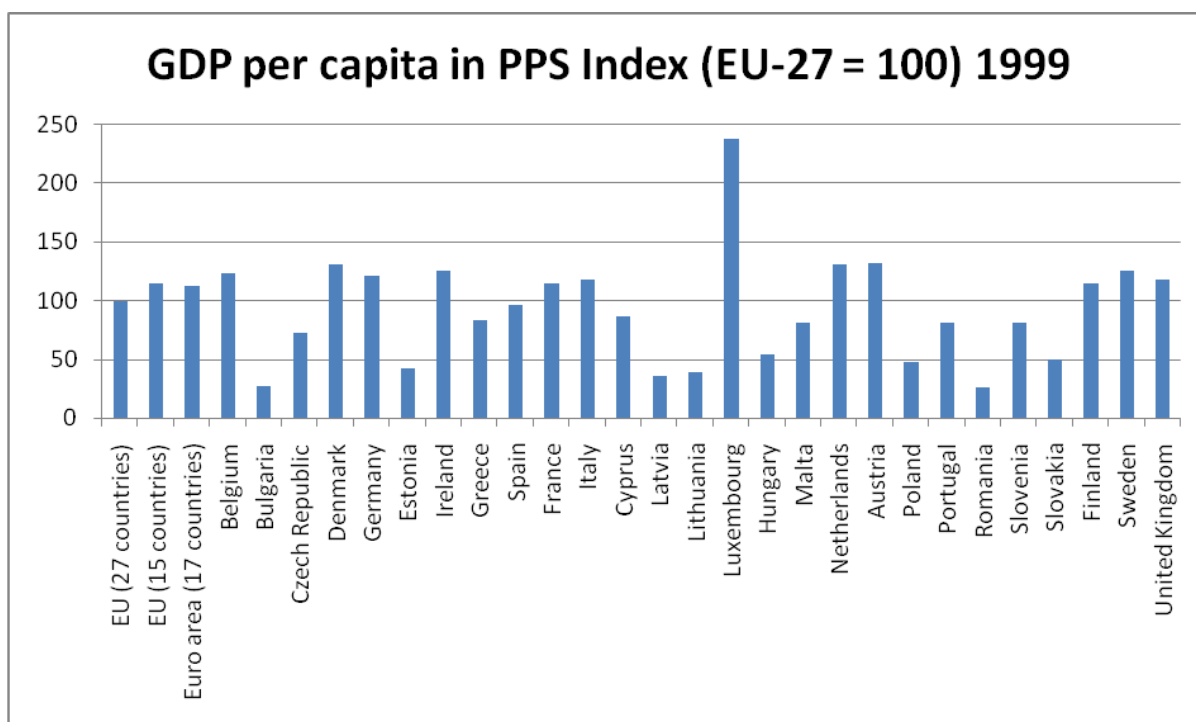
The memberships of ten new countries in the EU which were Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovakia and Slovenia were expected to have a significant effect in the EU finance like in the regional policy implementations. As a measurement of the economic situations of these new candidates, the GDP per capita levels of them were very low in comparison to the EU-15 countries' average that meant these countries would be eligible for the SFs provided

⁴⁸ Ibid.

⁴⁹ Ibid.

as a portion of total EU budget. Moreover, a high level of agricultural employment dominated in the labor market in these countries would necessitate a substantial amount of financial assistance for a structural change in their production systems, in other words agricultural regions in these countries would be eligible for the Objective-1 funds and the Cohesion Fund (CF) assistance by drawing from the funds allocated to existing members, as can be seen in Graph-3.6.⁵⁰

Graph 3.6: GDP per capita Levels across European Countries in 1999



Adapted from DG for Regional Policy, 2008

Thus, the allocation of the Structural Funds and the Cohesion Fund budgets would require a new arrangement to be shared among all Member States of the Union and ensuring that poor countries accept the new ten members. In addition to the decreases on their shares because of the enlargement, the requirements of the EMU were other source of difficulty for the poor Member States. Therefore, for the preparation of CEECs membership and further steps taken for the assurance of EMU, the reform in 1999 was realized.

⁵⁰ Alvarez-Plata et. al., 2003, p.6

For the period between the years 1994 and 1999, the European wide regional policy objectives were remained almost the same but a list of reform made on the objective areas under the concentration principle. Initially, the Objective-1 regions were limited to only the NUTS II regions, the Objective-2 regions were limited to 18% of the EU population and this ceiling was broken into sub-ceilings as; industrial and service areas with 10 %, rural areas to 5% and the areas depending on fisheries to 1%. The population coverage was determined by the Commission in cooperation with the national authorities to establish ceilings for each region for raising the policy impact on the regions.⁵¹

As being another reform, the “coordination regulations” were adopted in this phase for forcing Member States to provide detailed information about the implementation of the additionality principle in financial terms. Along with this requirement, the transparency concept was brought into the European level activities of the regional policy in Member States, too. Related with the programming principle, more detailed Operational Programmes (OPs) were required from regional and national authorities to simplify the implementation process and decentralize the management of the programmes via involving the lower level authorities into European level decision making.⁵²

By looking at the Commission evaluations for this phase, there was a substantial increase in the amounts of Structural Funds from ECU 64 billion between 1989 and 1993 to ECU 168 billion between 1994 and 1999 representing the one third of the total EU budget and 68% of these funds were allocated to Objective-1 regions for supporting enterprises, infrastructure on transportation and environment, mainly. The remaining of the funds were shared among other objective areas respectively; Objectives-3 &4 regions focusing on projects related with labor market actions and social inclusion, Community Initiatives focusing on cross border, transnational and innovative projects , Objective-5 regions focusing on projects related with economic activities in fisheries and rural areas, infrastructure and human resources and environment, and Objective-2

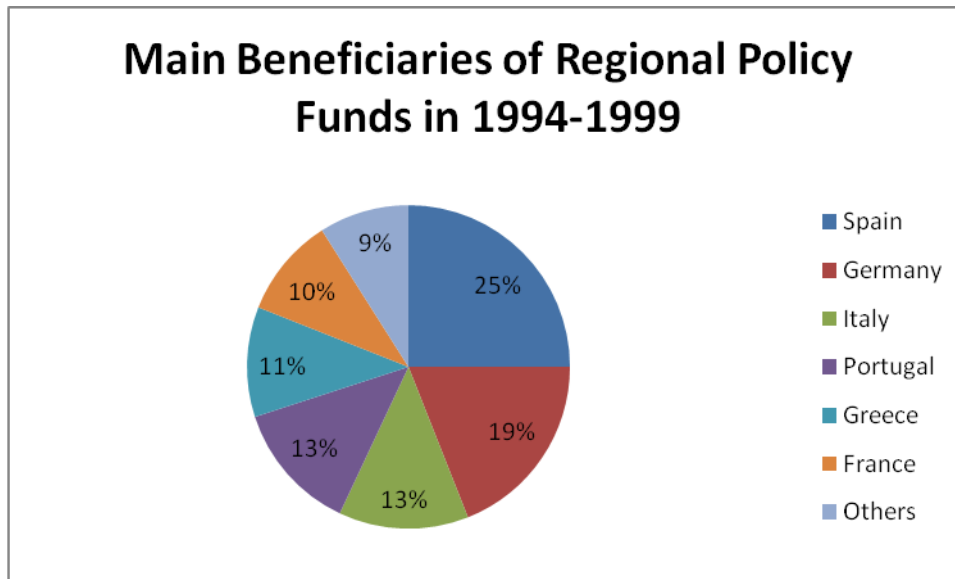
⁵¹ McDonald & Dearden, 2005, p.241- 247

⁵² Ibid.

regions supporting SMEs, physical regeneration and environment. Newly established Objective-6 regions were spent only in regions in Sweden and Finland.⁵³

Additional to the Cohesion Four, the main beneficiaries from the regional policy funds were Germany and France as the first 5 countries in receipt of funds, seen in Graph 3.7.

Graph-3.7: Share of Funds under Regional Policy between 1994 -1999



Adapted from DG for Regional Policy, 2008

As a depiction of regional policy applications in this phase, the statistics provided by the Commission are as follows;

- Objective-1 regions: 700 000 jobs were created, meaning almost 4 % to employment in Portugal, 2.5 % in Greece and between 1-2% in the new German Länder, the south of Italy and Spain.
- 800 000 SMEs received direct investment aids.
- 4,104 km of motorway and 31,844 km of roads were built or upgraded and investments on railways in Greece, Portugal, Spain and Ireland improved the railway transportation systems in there

⁵³ DG for Regional Policy, 2008

- Objective 2 regions: 567 000 jobs were created, unemployment rates fell from 11.3 % to 8.7 %, and a total of ECU 3.2 billion of ERDF funds was invested in developing 115.1 million square meters of new sites and premises.⁵⁴

In short, the EU Regional Policy between 1994 and 1999 seems to be more operative than the previous phase but again it is apt to say that the impact of the policy is not material enough to remove the regional disparities. The upcoming membership of CEECs (Central Eastern European Countries) and the targets for the completion of single market hastened the reforms on objective areas. An approach towards a more transparent, participative and timely implementation of the policy was taken by the Commission and a few new regulations were adopted to control Member States. However, the problem of regional gap did not look like successfully solved despite increased amount of funds allocated for the phase.

3.1.6. The Sixth Phase: 2000- 2006

The Agenda 2000 prepared by the Commission was an important resource to understand the reforms made in this phase stressing the integration of the new Member States from Central Eastern Europe with least problems and taking up the cost of the new members; the Union should establish a new balance of expenditures by reducing the seven objective regions to three and the coverage of these objective regions.⁵⁵ Three Objectives accepted for the period are;

- Objective-1: for development and structural adjustment of regions in need of assistance most, has a share of 71,6% of total SFs and CF with an amount of

⁵⁴ DG for Regional Policy, 2008

⁵⁵ Bache,1993, p.123

€149,2 billion via ERDF, ESF, EAGGF and FIFG (Financial Instrument for Fisheries Guidance)

- Objective-2: for social and economic conversion of regions facing structural difficulties, has a share of 9,6% of total SFs and CF with an amount of €22,5 billion via ESF and ERDF
- Objective-3: for adaption and modernization of policies and systems of education, training and employment, has a share of 10,3% of total SFs and CF with an amount of €24,1 billion via ESF only⁵⁶

The priorities for the objective areas were listed in the Table- 3.4 below:

Table- 3.4: Objectives Revised with Agenda 2000

New Objectives Defined for the Period between 2000 and 2006	Objective-1 (Combination of Objectives 1, 5a and 6)	Objective-2 (Combination of Objectives 2 and 5b)	Objective-3 (Combination of Objectives 3 and 4)
Regions selected under	Regions with GDP per capita < 75 % of EU average (only NUTS II regions)	Regions in need of restructuring on declining sectors	Regions not covered under Objective-1 and Objective-2, in need of help for adapting their systems of education and employment

The funds provided for Objective-1 regions were allocated on firstly the infrastructure projects on transportation and environment with 41% of the total budget under Objective-1 regions, secondly on projects creating productive

⁵⁶ DG for Regional Policy, 2008

environments for enterprises with a share of 33,8% and the remaining 25,5% of total funds were used on projects focused on human resources development.⁵⁷

The distribution of the funds under Objective-2 regions was as follows;

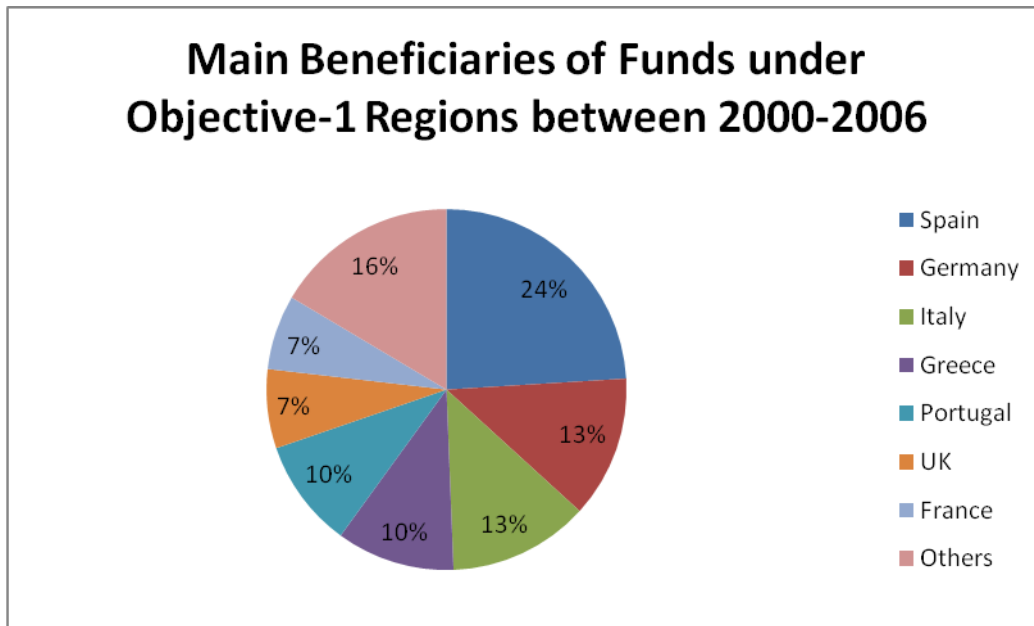
- 55,1% of total funds allocated to projects creating productive environments for SMEs
- 23,9% of total funds allocated to physical regeneration and environment projects
- 20,9% of total funds allocated to human resources development projects⁵⁸

Not as big as the previous period's budget, the total budget for regional policy was increased by 40% in this phase. The Commission was inclined to take precautions against possible damages caused by the big enlargement mostly by declining the territorial and population coverage of the regional policy funds and tried to redistribute the budget under the policy among the Member States wisely. As stated in Agenda 2000, more concentrated, simplified and a decentralized policy was needed for efficiency. However, the main beneficiaries of the policy budget were similar to the previous phase, as seen in the graph below:

⁵⁷ Ibid.

⁵⁸ Ibid.

Graph-3.8: Main Beneficiaries of Funds under Objective-1 Regions between 2000-2006



Adapted from DG for Regional Policy, 2008

Spain, Germany, Italy, Greece, Portugal, UK and France were the main beneficiaries of SFs and CF during the period for projects enhancing socio-economic cohesion. To give more information, the statistics provided by the Commission's evaluations are detailed:

- Objective 1 spending created around 570,000 jobs of which 160,000 were in new Member States.
- In Spain, the SFs around €4 billion were spent in R&D, innovation and information technologies for over 13,000 research projects involving nearly 100,000 researchers and provided co-financing for most of the present 64 Spanish technology parks.
- In Greece, continued investment in the Athens metro reduced traffic congestion and pollution. 8 new stations, including 4 transit stations, were financed together with 17 trains.
- In Spain, investments in the road system saved an estimated 1.2 million hours of travel time a year.
- In Objective 2 regions, 730,000 jobs had been created

- In Catalonia, the Objective 2 funds supported over 21 % of the region's researchers and amounted to €1.4 billion (37 %) of private sector investment in information society.
- In the United Kingdom, over 250,000 SMEs received support in Objective 1 and 2 regions.⁵⁹

Although, there are not many changes made on the programming, additionality and partnership principles; the redefinition of objective regions under concentration principles were the signs for the Commission's concerns about the regions listed under Objective-1. Thus, the proportion set aside for the development projects in these regions were increased in this phase more. Along with the infrastructure projects, social issues were getting used to be covered under the policy activities such as R&D, human resource development, innovation and information technologies. For effective implementation by members, the emphasis on the principles was re-expressed through different ways. For example, "OPEN DAYS European Week of Regions and Cities" was introduced which brought different layers in regional policy together in order to enhance exchange of knowledge experience among them. This invention provided a new dimension to the participative policy making mechanism within EU by involving the Commission, Committee of Regions, the European Parliament, regions from all over Europe, private and civil society organizations into it.

As another change in this phase, a new financial instrument was created in 2002; EU Solidarity Fund (EUSF) to aid regions suffering major catastrophes and natural disasters. EUSF is currently listed among the funds provided by the policy and as underlined special purpose of this fund is considered, the adequacy of the policy applications seems to be improved.

By considering all these changes, it can be said that the demands of the Commission and national governments drew a correspondence in this phase by taking part in the development process in regions together. Still, the regional imbalances were remaining, in fact increasing and expected to rise more with new enlargements.

⁵⁹ Ibid.

Therefore, the application of the EU Regional Policy was in need of steady progress in response to changing EU in the next in other words the current phase, too.

3.2. Recent Developments in EU Regional Policy from 2006 to Present

In Accordance with the recent changes in economy and the priority areas for the Union, the Regional Policy objectives, principles and budget are redefined for the period between 2007 and 2013.

In terms of financial measures, the total budget allocated for the regional policy activities is €347 billion for the period between 2007 and 2013 which is a substantial amount. The areas covered by the regional policy funds currently are; improvements on transport and internet connection, supports of small and medium sized enterprises (SMEs) in disadvantaged regions, improvements on environmental conditions and investments on human development such as education and training.⁶⁰

The most prominent change came in the phase is that the eligibility of regions to the regional policy funds is now decided by the national governments which can be regarded as the intergovernmental structure of the EU revitalizes itself after transformation into a 27-membered Union. Since, the memberships of Romania and Bulgaria have deepened the socio-economic disparities in the EU, especially at regional level. The level of population covered by the assistance under Convergence objective is risen that one third of EU citizens live in these regions. The richest region of EU in London is equal to 290% of the EU average in terms of GDP per capita while the poorest region in northern Romania has a level of 23% of the EU average.⁶¹ Thus, new alignment of policy funds and assistance to underdeveloped regions are reshaped by renovated principles and objective regions prioritized.

The Principles of EU Regional Policy for present phase are;

⁶⁰ EC Official Website, Retrieved January 10, 2013 from http://ec.europa.eu/regional_policy/what/index_en.cfm

⁶¹ DG for Regional Policy, 2008

- Concentration:
 - Concentration of resources; focus of funds over the development of regions in most need
 - Concentration of effort; focus of investments over certain regions with specific aspects (The knowledge economy is the target for the 2007-2013 period)
 - Concentration of spending; annual funding of each programme to be spent by the end of the second year after allocation (n+2 rule)
- Programming: funding of regional development projects is based on multi-annual national programmes in accordance with the EU objectives and priorities. The steps in programming period are decreased to simplify the implementation of projects.
- Partnership: all the programming process is carried out by the involvement of multi-parties; the European, regional and local level authorities, social partners and civil society organizations.
- Additionality: to assure the contribution of structural funds on the regional development, the European structural funds are not allowed to replace the national spending by a Member State.⁶²

The objective regions under the concentration principle are also redefined for the ongoing phase which are;

- Convergence: The regions covered under this objective are regions with GDP per capita level less than 75% of the EU average. The fund used under this objective are for mostly basic infrastructure, support of enterprises, water and waste treatment, internet connection, training of workers and job creation projects. The 81.5% of the total budget amounted €282.8 billion is allocated for the convergence objective that underlines the importance of the providing solidarity among the regions of EU.
- Regional Competitiveness and Employment: The support provided under this objective is spent for the projects concerning the competitiveness of the regions and their attractiveness to investments in order to create jobs in regions. The coverage of this objective is defined as all regions of the EU, except regions

⁶² Ibid.

covered under the convergence objective. The projects funded under this principle are related to obtaining clean transport, supporting research centers, universities and SMEs, training and job creation, amounts to 16% of the total policy budget which is equal to €54.9 billion.

- European Territorial Cooperation: The aim of the objective is to foster cooperation across borders via funding projects about management of national resources, improvements on transportation, network establishments among universities, and supporting the research centers, that are not possible to enable without this support. The share of the funds allocated under this objective is equal to 2.5% of total budget of the regional policy with an amount of €8.7 billion.⁶³

The funds used presently in the projects in objective regions are shown in the table below:

Table 3.5: Objectives defined for 2007-2013 Period

Objectives	Convergence	Regional Competitiveness and Employment	European Territorial Cooperation
Funds used for	ERDF, ESF, and CF	ERDF, ESF	ERDF

In addition to these funds, Special Support Instruments are created for strengthening capacity building in Member States to use financial resources provided with regional policy in a sound and efficient way; JASPERS, JEREMIE, JESSICA and JASMINE by the Commission cooperating with EIB and other related financial institutions. JEREMIE and JESSICA are created for the support of financial engineering instruments while, JASPERS and JASMINE being technical assistance instruments.

⁶³ European Commission, http://ec.europa.eu/index_en.htm

- JASPERS (Joint Assistance to Support Projects in European Regions): technical assistance for new 12 Member States joined in the EU in 2004 and 2007
- JEREMIE (Joint European Resources for Micro to Medium Enterprises): developed by EIB and the European Commission together for promoting financial engineering instruments to improve access to finance by SMEs through SF interventions
- JESSICA (Joint European Support for Sustainable Investment in City Areas): developed by the Commission and the Council of Europe Development Bank (CEB) to support sustainable urban development and regeneration through financial engineering instruments
- JASMINE (Joint Action to Support Micro-finance Institutions in Europe): developed for the non-bank microcredit providers to qualify, expand and sustain their operations through technical assistance and financial support provided

Moreover, the Instrument for Pre-Accession Assistance (IPA) by replacing the all previously used pre-accession funds in 2007 remained as the only fund for helping candidate countries during their preparation of accession including regional development purposes. Turkey is in receipt of financial assistance from the IPA currently which will be discussed in the next chapter.

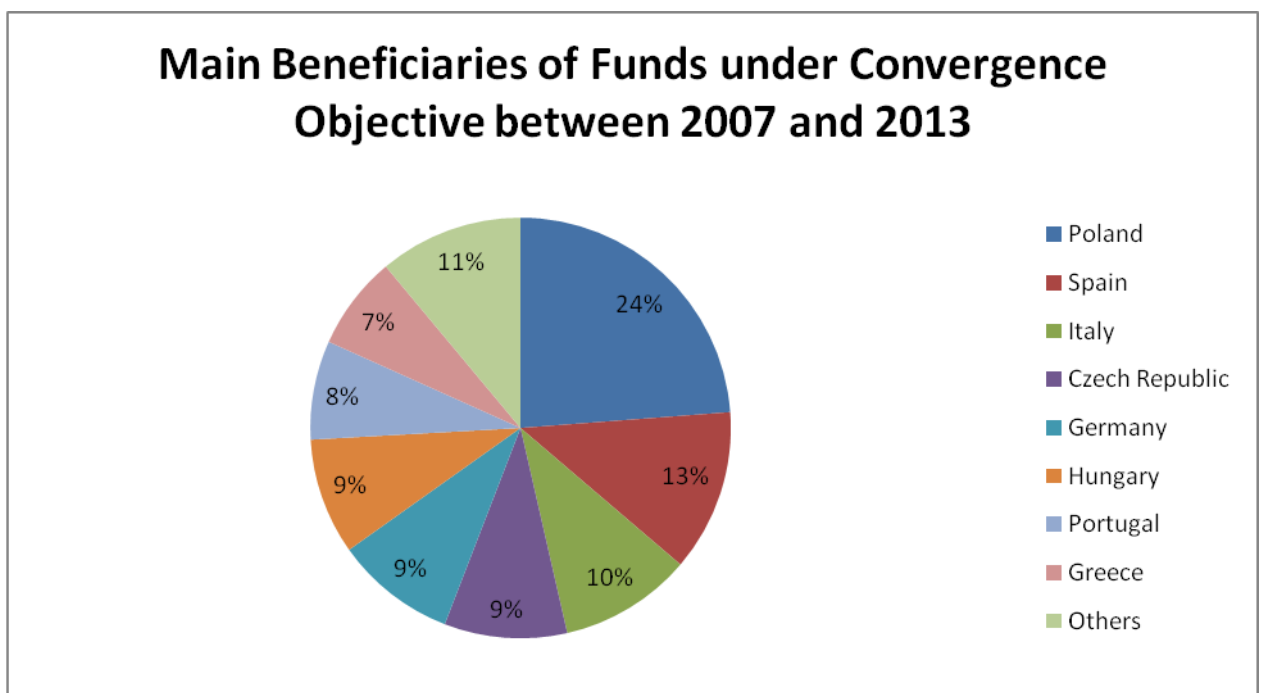
By looking at the data provided in the evaluation report of the Commission below more concrete results of the policy in this time period can be observed;

- Macro-economic models estimate that investment will add on around 6% to the GDP of new Member States under regional policy assistance, the Hermin model predicts an additional 9 % on GDP for Lithuania, the Czech Republic and Slovakia; 6 % for Bulgaria, Poland and Romania; 3.5 % for Greece and 1.5 % for Spain, the new German Länder and the Mezzogiorno.
- By 2015, SFs and CF could have created up to 2 million additional jobs.

- Based on ex ante assessments by a number of Member States, the strong focus on research and innovation will create an additional 40,000 jobs.
- EU Cohesion Policy investments supported the construction of new 25,000 km of roads and 7,700 km of rail.
- The development of low carbon economies as a priority area is included in Member States' programmes.⁶⁴

The statistics indicated that the majority of the funds again financed for projects carried out in regions of most need and the patterns of allocation changed with the new 12 members taking part in the shares of old members seen in Graph-3.9.

Graph-3.9: Main Beneficiaries of Funds under Convergence Objective in 2007-2013



Adapted from DG for Regional Policy, 2008

In a parallel way, the need for improvements on Convergence regions is highlighted in the 7th Progress Report of the Commission on economic, social and territorial cohesion under the regional and urban dimension of Europe 2020 Strategy in 2011.

⁶⁴ DG for Regional Policy, 2008

Moreover, the educational attainment, amount of resources allocated for R&D activities, patent applications, green house gas emissions, usage of renewable energy, employment and unemployment rates, number of people at risk of poverty and GDP per capita were the criteria for the measurement of the success of the regional policy actions before 2011 and these are the areas still in need of improvements for less divergences between regions, highlighted by the report.⁶⁵

For effective maintenance of the policy, the Commission published a press release about the proposals for the future regional policy actions. In short, it stresses the need for strengthening the impact of funds on regions' development by simplifying and harmonizing the rules applied for different funds. Moreover, an integrated approach on the various funds for serving coherent goals and strengthening each others' impact is emphasized. The priority areas are announced as social investment, empowering people to face challenges of labor market, fostering the competitiveness and sustainable growth with supports to SMEs, investments on innovation, and energy efficiency. The proposed budget for these areas to be improved in the phase between 2014 and 2020 is €336 billion which can be altered after the bargains among Member States are finished.⁶⁶

In order to render an opinion about ongoing EU Regional Policy implementation, again importance is given to the regions whose development is far behind the EU average with a new clause added under concentration principle: the concentration of resources meaning the Convergence regions allocated with an increased share of funds equal to the 81,5% of the total policy budget currently. The macroeconomic measures are getting better in Member States, especially in newly joined countries. The policy seems in continued evolution to create more jobs, to fund on projects related with not only infrastructure but also research, innovation and environment.

⁶⁵ European Commission, 2011, pp. 17-37

⁶⁶ European Commission IP /11/11159, 2011

3.3. The Costs and Benefits of the EU Regional Policy

A comprehensive EU Regional Policy has been operating since 1975 with large sums allocated for it in accordance with the changes in economic, political, social and cultural structures of enlarged EU. Despite changing objectives defined for the policy, the ultimate aim of the EU Regional Policy is to reduce existing income differences among European regions by concerning both economic and social factors affecting regional development. The funds provided for development projects in Member States are mostly used tools to realize the aims of the policy.

As discussed in the first chapter, there are varying approaches taken to find ways of reaching economic development at regional level. Similarly, the methods used for measuring the effects of regional development policies on Member States' regional development are also diversified, because of many factors such as diverse administrative structures and traditions, different national interests of national governments and local authorities involved in the process, and the capacities of national and regional institutions. The cost benefit analysis is one of these methods to evaluate the Regional Policy applications with an emphasis on its economic and financial returns.

According to Mairate and Angelini from DG for Regional Policy under the Commission, the public sector involvement in economy as a result of imperfectly functioning markets is seen in the shape of Regional Policy within the EU on development of regions⁶⁷. Through providing grants, EU tries to achieve cohesion among its regions however the point to be underlined is that how effective and efficient it is while allocating them. The Cost and Benefit Analysis (CBA) is beneficial for decision makers while making a rationale choice about public resources allocation concerning the redistributive effect of the funds, since only Operational Programmes (OPs) and national strategic plans are insufficient to draw a conclusion.

In CBA method, firstly the economic net present value (ENPV) is calculated for proposed project to convey its economic desirability. The positive ENPV is assumed to

⁶⁷ Mairate& Angelini, 2010

have a contributory effect on allocative efficiency of the regional development projects funded under the policy meaning the policy adding onto the regional development process. Then, for the economically desirable projects, the financial profitability is assessed to determine whether there is a need of financial assistance and to what extent; through which funding gap method is applied to measure the financial net present value (FNPV). The co-financing of regional development projects by the EU and national governments are managed by the regulations set by the Commission and for the current phase between 2007 and 2013 only co-financing of projects are provided with funding gap method which have both a leverage effect of grants and incentivizing the maximum use of public resources in project financing⁶⁸. However, with respect to case studies made about the impact of EU Regional Policy on regional development, it is stated that it has a crowding out effect.⁶⁹ For example, the estimated gross and net number of workplaces created by the projects funded under Objective-2 regions differs because of the crowding out effect of national supports for regions and non-supported companies and employees.⁷⁰ Still, it is not possible to know whether the employment rate would be same or higher in the absence of financial supports of the policy by the data provided within case studies.

By looking at increased levels of employment and GDP growth after projects are done in Member States stated in the previous parts in this chapter, it can be said that the Regional Policy has positive effects on regional development in financial terms despite its crowding out effect. Along with the efficiency of the funds used for policy aims to be realized, the effectiveness of the funds' usage on reaching the targets is also important to evaluate the policy appropriately. The problems faced in Regional Policy implementation process to reduce regional income gaps are specified as the rent seeking behaviors and moral hazard of national governments, the dependency on institutional capacity at regional and national level in Member States, weak coordination with national policies, and continuing agglomeration and accumulation effects of growth on

⁶⁸ Ibid.

⁶⁹ Tron, 2009, p. 160

⁷⁰ Ibid.

central regions impeding peripheral regions.⁷¹ By taking these continuing problems faced into consideration and the criticisms about the model simulations and econometric studies as lacking of subjectivity while measuring the contribution of the EU Regional Policy assistance on regional development (since they are prepared often upon the demand by the Commission), the effectiveness of the policy seems to be uncertain at first sight.

However, setting aside these problems faced, the uncertainty about the impact of financial assistance under the policy is partly due to the inadequate time to see the results of projects co-funded by the EU. The inclusion of multi-actors into decision making process on regional development in other words the principle of participation by all stakeholders is a sign of the constructive effect of the policy on its effectiveness in reaching of objectives. Moreover, by bridging between European level decisions and the national and regional level operations, the EU Regional Policy is an essential tool for the maintenance of the Union governed by coherent policies. The more importance given to the social consequences of policy implementation recently and abandoning of the insistence of growth approaches, the more convergence will be achieved in a balanced way across European regions, I believe. In conclusion, despite underlined obstacles in front of it, the EU Regional Policy has potential utilities to be more efficient and effective on the removal of regional imbalances by providing financial and technical assistance to nations especially after the long-term benefits are drawn from the already implemented projects.

⁷¹ Tron, 2009, pp. 177- 178

CHAPTER 4: THE REGIONAL POLICY IN TURKEY

The differences among regions in Turkey are significant in terms of both socio-economic and infrastructural development levels. According to Symposium on Regional Development and Governance organized by TEPAV (Economic Policy Research Foundation of Turkey) in 2006, Turkey is characterized by its considerable regional disparities unlike any other candidate country had been before. Not only in terms of economic indicators like income differences, but also the differences in social and human development indicators such as life expectancy, literacy rates, employment level, health services and infrastructural endowments vary prominently across regions, which constitute one of the major challenges obstructing its membership in the EU.⁷² Therefore, in the way of the membership to the EU, Turkey seems in need of further attempts to improve the development level of its regions through achieving convergence with the EU standards for easing its accession process. Although, there were operations conducted before by the State Planning Organization (SPO, which is now the Ministry of Development) on development at regional level substituting a comprehensive Turkish regional policy, the harmonization with the EU accelerated reforms and preparation of more effective and satisfactory policy to take place for meeting the demands from the regions better. In this chapter, the regional policy applications in Turkey are analyzed in the light of the EU impact affected its transformation.

⁷² TEPAV, 2006

4.1. The Development of Regional Policy in Turkey

The activities under Regional Policy in Turkey are analyzed in two periods as before the planned period and the planned period, in which the evolution of the national government's approach towards regional development issue is handled.

4.1.1. Regional Policy in Turkey before the Planned Period

As a result of the World War I and the global economic crisis in 1929, Turkey was suffering from the low per capita incomes, insufficient capital accumulation and infrastructure, as an underdeveloped nation in the years between 1923 and 1933. The liberal approach was adopted based on supporting private enterprises by the state through provision of incentives. The development in economy was believed to be achieved by the effective functioning of the market forces, in other words the neo-classical approach was in operation in the economy.⁷³

However, many factors such as insufficient national savings, lack of effective socio-economic infrastructures, not being able to deploy the private enterprises in economy as expected and the negative effects of the Great Depression impacted the markets unfavorably in Turkey like in other underdeveloped countries in the world. Thus, in replacement of liberal approach, Keynesian approach was put into use that emphasized the government intervention on imperfectly functioning markets. In the period between 1932 and 1960, the role of the state on economic policies was increased and this period is called as "étatist" period in the economic history of Turkey. Singer defines étatism in Turkey during 1930s as; the initial action in stimulating the advance of the nation's economy is taken by the state itself.⁷⁴ Pamuk stresses that the continuing

⁷³ <http://www.dpt.gov.tr>

⁷⁴ Singer, 1977, p.2

effects of the Great Depression (to decrease the prices of agricultural commodities and the bank loans from abroad) were the leading factors for the state to intervene in the economy and invest on industry with protectionist views in favor of the domestic enterprises.⁷⁵ Although, the support of the state over national industrialists created a new wealthy social class; Turkish-Muslim bourgeois and rise in industrial capacity, the expected welfare effect on the whole society could not achieved by the étatist approach.⁷⁶

In order to develop, state took the responsibility for the management of the industrialization process in Turkey also by preparing industry plans and investing on the industry in line with these plans. Still, those industry plans are not considered as the beginning of the planned period in development area since they were not institutionalized and regularly prepared.⁷⁷ The First Five-Year Industry Plan was prepared mainly for the purpose of increasing the production of consumer goods replacing the imports from abroad, called as “import substitution” in 1933. Along with the aim of import substitution, the enhancement of production, based on the use of domestic raw materials, the creation of new employment opportunities, and the utilization of potential in railways and maritime lines were the objectives of the first Industry Plan. Moreover, the plan determines the state of Turkey in global picture as a dependent, agriculture based, underdeveloped country which produce raw materials to industrialized countries. The Second Five Year Industry Plan was planned to take place in 1938 but did not because of the conditions resulted from the World War II. These industry plans aimed to force the use of potentials for industrialization and to bring the discipline to implementation process of spatial planning.⁷⁸

The continuity of state supports into national industries became impossible within the worsening economic circumstances of World War II years. Therefore, the state policies maneuvered from a feeding perspective into a more controlled approach

⁷⁵ Pamuk,2007, p.10

⁷⁶ Boratav, 2009, p. 73

⁷⁷ Ibid.

⁷⁸ Ibid.

and the étatist backing of national entrepreneurs were abandoned at war conditions because of the need for compensating the large spending in defense.

In addition to derogations in the supports in the economy influenced by war conditions, the introduction of the Wealth Levy in 1942 (Varlık Vergisi) put the state away from the principle of impartiality among social classes since it levied on mostly non-Muslim population.⁷⁹ Moreover, the agricultural products tax (Toprak Mahsulleri Vergisi) levied in between 1941 and 1944, was very similar to the tithe in the Ottoman period and aggravated the burden on the shoulders of the peasantry.⁸⁰ Although applied for the compensation of the war costs, these policies and heavy taxations resulted with the disengagement between the Republican People's Party (CHP) and the public and the multi-party system to emerge.

The eradication of the single party regime in 1946 came true as a result of high taxation and policies in favor of the wealthy classes decreased the income levels of working class and the peasantry. The involvement of multi-actors in political environment brought competitiveness in the economy, too. At the beginning, the Democratic Party (DP) elected in 1950 had planned to seek a balanced development through the growth of all sectors instead of specialization in sectors of comparative advantage on which Turkey had.⁸¹ However, the devaluation of Turkish Lira and the belief of the impossibility to develop without external aids prevented the DP government to materialize its plans. The Truman Doctrine and followed the Marshall Plan, Turkey became dependent on the foreign aids to grow and develop. The liberalization policies prioritized and the étatism was redefined as; the opening of domestic market to the foreign capital inflows. Moreover, by being member of international institutions such as IMF, World Bank, OEEC and NATO, Turkey's economy opened to world markets and liberated also in terms of trade policies.⁸² Albeit,

⁷⁹ Pamuk, 2007, p.12

⁸⁰ Singer, 1977, p.12

⁸¹ Boratav, 2009, p. 98

⁸² Kazgan, 2002, p. 80-81

the liberal approach, which amalgamated with lack of planning and coordination, brought along the rising budget deficits and balance of payment problems.⁸³

Thus, after 1950s, the return to liberal economy was found appropriate but the role of state especially on investments in total GNP was not decreased and infrastructure projects kept continuing. The investments on infrastructure and irrigation contributed the improvements on agricultural production. However, the dependence on external financial resources increased and in order to get out of the government deficit an economic stabilization program was put into use.

The dependency on foreign borrowings became chronic for Turkey and the national economy was unable to prosper with its own resources and needed more borrowings to maintain its functioning so that the economic dependency problem of Turkey turned into a vicious circle and became harder to payback the borrowings mounted. In order to overcome the insolvency problem, the government looked for a remedy via development plans and the planned period started with first 5-year development plan in the early 1960s.

4.1.2. The Regional Policy in Turkey in Planned Period

The establishment of the State Planning Organization (which is now the Ministry of Development) in 1960 enabled the preparation and implementation of Five Year Development Plans (Beş Yıllık Kalkınma Planları, BYKPs) for accelerating the social, economic and cultural development, accommodation of harmonized development policies, guiding the societal and cultural transformation cohesively, and providing rational state intervention in economy. The development plans between 1960 and 1980 are stated to be focused on integrated mixed economy, while the plans between 1980 and 2000 are portrayed as liberal and strategic by the Ministry of Development.⁸⁴

⁸³ SPO Presentation, 2005

⁸⁴ <http://www.dpt.gov.tr>

Hereby, to understand the background of the development operations in Turkey, the BYKPs are analyzed in a chronological way as indicators of government policies in development.

4.1.2.1. First Five Year Development Plan: 1963- 1967

The first plan is important since determined the principles for regional development this will be used as a base by subsequent plans. The plan concentrated on infrastructural investment, the solution of unemployment problem and structural reformations but the elusiveness and the weak scope of it were criticized. Although the plan stressed the selection of regions and sectors within this region to be invested most (Antalya as the center for tourism, Marmara as center for industry) for development, the ways of selection and investments were not specified which was another weakness of the first plan.⁸⁵

4.1.2.2. Second Five Year Development Plan: 1968- 1972

In the second plan, the principles set in the previous period's plan were also deployed along with an emphasis put on the advancements of underdeveloped regions. However, a regional planning for the targeted underdeveloped regions was not allowed independent from the national plans as a consequence of the centralized structure in administration. Instead, Growth Poles approach was taken by SPO for enhancing the regional development and the public investments were decided to concentrate on these defined centers for growth. The investments of private sector were planned to be gathered on these growth poles after infrastructure set up completed by the state. Moreover, the incentives for the attraction of private investments on these centers were

⁸⁵ Şen, 2004, p.44

introduced in the shape of providing tax reductions, increased credit options and establishment of organized industrialized zones (Organize Sanayi Bölgeleri, OSBs).⁸⁶ The OSBs will be functional instruments of regional development policy together with small industrial areas (Küçük Sanayi Sitesi, KSS) especially in 1990s.⁸⁷

4.1.2.3. Third Five Year Development Plan: 1973- 1977

The balanced growth principles accepted during the previous two terms were replaced in this period with the aim of using existing potentials of the regions for achieving development in these regions as asserted by Endogenous Growth Theory. The short termed approaches towards the removal of regional disparities were altered by more comprehensive and harmonized projects. The introduction of Priority Regions for Development (Kalkınmada Öncelikli Yörelere, KÖY) canalized the development projects on these regions having priority.⁸⁸

KÖY approach provided incentives for the prosperity of underdeveloped regions via increased remuneration to employees working in these regions, agricultural and vocational credit supports, financial supports from the Public Participation Fund, financial supports from SPO budget to projects managed by the local administrations in these regions.⁸⁹

⁸⁶ Ibid.

⁸⁷ DPT, 2008, p. 139

⁸⁸ Ibid.

⁸⁹ Ibid.

4.1.2.4. Fourth Five Year Development Plan: 1979- 1983

The fourth BYKP stressed the need for spatial reflections of regional development and the balanced distribution of infrastructure services among the society. Southeast Anatolia Project (GAP) is one of the projects held to realize these aims. As a way to approach the local level and understand the needs of the regions, the “Classification of the Centers of Population” was prepared for maximizing the use of economies of scale and the external economies in regional development as argued by Central Places Theory. The study introduced seven-level categorization for centers, the first of which are villages while, İstanbul is defined as the top level center. Hereby, the relationship between the population centers is depicted qualitatively and quantitatively.⁹⁰

4.1.2.5. Fifth Five Year Development Plan: 1985- 1989

In this period the need for the regional plans in achievement of regional development was underlined and taking the Classification of the Centers of Population as a base, 16 regions were defined as “Functional Regions” which attract investments first and then creates a spill-over effect around the region in terms of growth so that enhances growth at national level. However, in the following planning periods there were no effective applications regarding these functional regions performed.⁹¹

⁹⁰ DPT, 2008, p.140

⁹¹ Ibid.

4.1.2.6. Sixth Five Year Development Plan: 1990- 1994

The functional regions approach was abandoned in this term and the regional plans were focused on KÖY. In order to achieve a balance between population centers, to decrease the migration and industrial density in metropolitans, to control and coordinate the migrations among and between the regions, the creation of a new classification for population centers was envisaged.

In addition, the EU Regional Policy was seriously taken into consideration during the constitution of regional policy in Turkey in the sixth BYKP as a result of membership application of Turkey to EU requiring the adoption of “acquis communautaire”.

Another improvement on regional development area in this period was the establishment of Small and Medium Enterprises Development Organization (KOSGEB) in 1990. Later, the Institution of Regional Development will be established within KOSGEB for supporting SMEs and investors contributing the regional development.⁹²

4.1.2.7. Seventh Five Year Development Plan: 1996- 2000

A more comprehensive and clearly specified policy was prepared for decreasing the differences in regions with aims such as economically, politically, socially and culturally sustainable development and obtaining the national coherence. In line with

⁹² Ibid.

these aims, projects were proposed to be launched in underdeveloped regions especially in East and Southeast regions of Turkey.⁹³ In addition, to help sustaining their prosperity the developed regions were also anticipated to be supported with spatial planning and provincial development plans like EU Regional Policy sought in its operations.⁹⁴

4.1.2.8. Eighth Five Year Development Plan: 2001- 2005

The eighth BYKP stressed firstly the need for speeding up the works aiming cohesiveness with the EU policies in a period of EU convergence started since 2001. Moreover, the regional plans and provincial development plans consistent with the regional plans, continuance of OSB and KSS policies focalizing on sector specialization were announced to be prepared in the following periods. The sustainability, quality of life, equal opportunities and accession principles were stated as essential in regional development for changing preconceived mentality that favors central control over regions in this plan.

4.1.2.9. Ninth Five Year Development Plan: 2007- 2013

The cohesion with the EU is deepened in this period and the transformation of institutional and legal structure according to EU standards is accelerated not only in regional policy but also in other policies. To decrease regional differences; the

⁹³ Şen, 2004, p.46

⁹⁴ DPT, 2008, p.140

benefitting of regional policies at maximum level as possible, the diversification of instruments of regional policy and the coordination between them, the promotion of these instruments between all stakeholders in regions are the necessary innovations defined in this period. Moreover, the one fits all approaches are criticized as not efficient in meeting the diversified demands of regions so that not being beneficial in developments of these regions. The financial supports provided by the instruments of regional policy are not sufficient to foster innovative and creative development in regions. Along with the financial supports, the importance of the human development is underlined in better use of regional potentials and the economic growth as well.⁹⁵ Thus, Endogenous Growth Models are prioritized currently in regional development policy. (More details about the Each Planned Period in Tablo-1: Beş Yıllık Kalkınma Planlarında Bölgesel Yaklaşımların Bütünleşik Değerlendirilmesi in Appendix)

4.2. The Instruments of Regional Policy in Turkey

The Regional Policy in Turkey incorporates various instruments to achieve its targets. The instruments of Regional Policy are discussed under two titles: the institutional and economic regional development instruments.

⁹⁵ DPT, 2008, p. 60

4.2.1. Institutional Instruments for Regional Development

4.2.1.1. Regional Development Agencies (RDAs)

The establishment of RDAs dates back to 1990s when national development plans were failed to make out the estimated targets, the regional imbalances were increased, the convergence process with the EU was accelerated, and the perceptions of regional development were changed. The initial examples of RDAs in Turkey are İZKA (İzmir Development Agency), Çukurova Development Agency and OKA (Middle Black Sea Development Agency) as a result of the efforts made by the chambers of commerce, associations and foundations functioning in trade in these regions. In 2006, the Law on the Establishment and Duties of Development Agencies was adopted and now 26 RDAs are operating in 26 NUTS II regions which is required by the EU.⁹⁶

The organizational and financial structure of RDAs will be reviewed in detail in the next chapter by taking İSTKA as an example; hereby the targets and the importance of RDAs are discussed.

The targets of RDAs in Turkey are; the recognition of the regions' potential for enhancing socio-economic development and deployment of these potentials with respect to the strategic national and regional plans with involvement of all layers in the society. The guidance of all stakeholders in decision making process about the regions is considered as having positive impact on regional development in accordance with the needs of the knowledge oriented and technologically advancing global environment, and sustainability in achievement of the policy targets. There are obstacles affecting the functioning of RDAs in line with these targets such as administrative and financial problems, lack of coordination between institutions, conflicts among regional development policy implementations and absence of qualified labor force, however; the

⁹⁶ DPT, 2008, p.18

EU accession process has a contributive effect on the RDAs' increasing role in regional development issue. In addition, RDAs are the responsible bodies that manage the funds to regional development projects provided by the EU which adds on the importance of RDAs in Turkey.⁹⁷

4.2.1.2. Investment Support Offices

The Investment Support Offices are established within the organizational structure of RDAs in Turkey as the most innovative reforms in regional development. Their role in regional development is to support the SMEs via providing consultancy and financial assistance while establishing their firms or renovating existing firms so that contributes the economic growth in the regions. According to Articles 15-17 of the Law on Establishment and Duties of Development Agencies, the offices help investors in works related to duties imposed by the public authorities to accomplish the processes in a quick and effective way.⁹⁸

Moreover, the investment support offices aim to promote the regional potentials to national and international markets along in a parallel way to the works of Undersecretariat of Treasury and the Investment Promotion Agency⁹⁹. Thus, via attraction of funds from outside of the region and helping enterprises to evolve, the offices are pivotal for regional growth.

⁹⁷ DPT, 2008, p.23

⁹⁸ Ibid.

⁹⁹ Ibid.

4.2.1.3. Regional Development Plans and Regional SWOT Analyses

The Regional Development Plans are prepared by RDAs in NUTS II level regions for the formulation of priority areas to be focused in development and systematization of the regional development consistent with National Development Plans, which are prepared by the Ministry of Development. These plans represent the ways of doing, implementing, monitoring and evaluating a project in EU norms. These plans form a platform to the Structural Funds which Turkey will receive in the case of membership in the EU. During the preparation of Regional Development Plans, SWOT analyses are done with the participation of all stakeholders as a pre-evaluation of the situation of the regions. By analyzing the strengths and weaknesses of the regions, the opportunities that regions can make use of and the threats to the regions, these analyses constitute a ground for strategic regional plans.¹⁰⁰

¹⁰⁰ DPT, 2008, pp.24-25

4.2.2. Economic Instruments for Regional Development in Turkey

4.2.2.1. Organized Industrial Zones

Although being tools for economic development in post-fordist age in the world, in Turkey the Organized Industrial Zones (Organize Sanayi Bölgeleri, OSBs) are continued to be used for achieving regional development because of their potential to create employment, supports and externalities. The OSBs are influential to spread the growth outside of metropolitans with decreasing the negative effects of industry to the environment. Moreover, OSBs provide economies of scale for the firms and ease the production via giving chances to use infrastructure at lower costs. The innovation in firms is supported also by OSBs to make industry localized and distributed in a balanced way within the regions.¹⁰¹

4.2.2.2. Regional Aid Schemes

The Priority Regions for Development (Kalkınmada Öncelikli Yöreler, KÖY) are examples for regional aid schemes in Turkey which are relatively less developed regions in need of assistance to prosper. In addition to KÖY, a law was adopted to incentivize provinces with a per capita income less than \$1,500 defined by the Turkish Statistical Institute (TÜİK). The existing Regional Aid Schemes in Turkey stated to be

¹⁰¹ DPT, 2008, p. 26

insufficient in the 9th Development Plan prepared by the Ministry of Development and expected to be improved further specific to each regions defined.¹⁰²

4.2.2.3. Venture Capitals

The sector of venture capital is not an ingrained concept in Turkey but is evolving rapidly since 1980s. The reasons behind the venture capitals to be established in Turkey are the high rate of interests applied by the private banks and the insufficiency of financial resources provided by them to the enterprises. Although getting increasingly recognized by the enterprises as another way of support, the accessibility of venture capitals by SMEs is stressed as in need of improvement, still.¹⁰³

4.3. The Relationship between Turkey and the EU

The relationship between the EU and Turkey started in 1959 with Turkey's application to EEC to join which was responded with the suggestion of establishing an association until its circumstances permitted its accession by the EEC. After a period of negotiations with EEC, the Agreement Creating an Association between the Republic of Turkey and the EEC (Ankara Agreement) was signed in 1963 to secure the full membership of Turkey in the EEC through establishment of Customs Union as a tool of economic integration between them.¹⁰⁴ Although Turkey was not entitled with a right to take part in decision making processes, the Customs Union envisaged convergence

¹⁰² DPT, 2008, p.27

¹⁰³ Ibid.

¹⁰⁴ <http://www.abgs.gov.tr>

between Turkey and the EEC by enabling free movement of goods, services and people between the two and providing financial support to Turkey, to exemplify; the import from the EEC increased to 42% of total imports of Turkey in 1972 from 29% in 1963.¹⁰⁵ In addition to Ankara Agreement, the Additional Protocol, signed in 1970, specified the ways to establish the Customs Union as removal of all barriers on trade between the EEC and Turkey. As a result of the Additional Protocol, the trade between them increased more; Turkey became one of the largest exporters to the EEC in 1971.¹⁰⁶

Later on Turkey's application for full membership had taken place in 1987 which was responded by a Commission Opinion in 1990, acknowledging Turkey's eligibility for membership that deferred the consideration of its application because of EC's unavailability of a new enlargement during the completion of the Single Market at that time. Then, the period full of works to complete Customs Union on industrial and processed agricultural goods was followed until 1997 via Association Councils held. In 1997, the last Association Council of the EU reconfirmed the Turkey's eligibility for full membership but recommendations to deepen the relations were asked from the Commission. However, the Commission excluded Turkey from enlargement process with its Agenda 2000 prepared in 1997 and a European Strategy in 1998, requiring high amount of financial resources. As a natural consequence, the Strategy was not effective in improving relations with the EU.¹⁰⁷

A new turning point for Turkey-EU relations was the Helsinki Summit held in 1999 which recognized Turkey as a candidate country without any preconditions stated. This step enabled the provision of pre-accession funds into Turkey within the pre-accession strategy including the adoption of *acquis communautaire* of the EU. Following, the Accession Partnership was started to be prepared by the Commission for Turkey in 2001. The National Program for Adoption of the EU *Acquis* was announced in the same

¹⁰⁵ Ibid.

¹⁰⁶ Ibid.

¹⁰⁷ Ibid.

year by the Turkish government and has been continuing to prepare for the membership.¹⁰⁸

The Copenhagen Summit held in 2004 was proposed the opening of accession negotiations with Turkey and negotiations started in 2005 on a number of chapters including Regional Development, but due to domestic and external problems such as Greece, Cyprus, human rights violations and restrictions on freedoms, the negotiations have been stalled. The president of the Commission also stressed that the accession process at least will last until 2021.

4.4. The Costs and the Benefits of the EU Impact over the Regional Policy in Turkey

In related with the Regional Development issue within the accession process, Turkey needs further improvements to implement EU Regional Policy at national level. Now, the path of Turkey on regional development area is examined by looking at relevant documents provided by the EU authorities.

Although there is no specific regulation on the issue, each national government is responsible for the implementation of the EU Regional Policy via adopting necessary reforms on systems and capacity to use the EU funds which would be provided in the case of full membership. In 2001, the Accession Partnership Document (Katılım Ortaklığı Belgesi, KOB) was prepared involving the necessary actions to be taken for speeding up and supporting the reforms needed to meet Copenhagen criteria, convergence with the *acquis communautaire*, pre-accession financial supports, and short and medium term objectives to be a member country within the EU. The first KOB was focused on improving the institutional capacity in the shape of;

- Adoption of NUTS II classification for regional categorization

¹⁰⁸ Ibid.

- Collection of data about these NUTS II regions
- Conduct of national plan for reduction of regional differences
- Establishment of structures for coordination at regional level¹⁰⁹

The second KOB was required;

- Preparation of national development plan and designation of a national policy to decrease regional disparities
- Preparation of regional development plans at NUTS II level¹¹⁰

By looking at the current position of Turkey, the adoption of NUTS II classification for 26 regions in Turkey, collection of data about these regions and setting of a database including collected data about NUTS II regions, preparation of national development plan in regional development area and the establishment of 26 RDAs in 26 different NUTS II regions are the indicators of progress in regional development, consistent with the EU acquis.

In addition to KOB, EU gives advices to candidate countries for better preparation to membership via Progress Reports annually, too. The Progress Reports on Turkey between 2009 and 2012 are now examined to understand the Turkey's position in the late of accession process of EU.

¹⁰⁹ DPT, 2008, p.142

¹¹⁰ DPT, 2008, p.143

4.4.1. The Progress Report on Turkey in 2009

In 2009, there were not many changes made except improvements on institutional framework via success achieved in the establishment of RDAs and other institutions those involved in IPA implementation. The changes under six titles are:

- Legislative Framework: after the introduction of IPA Framework Agreement, not many changes were adopted, official appointments of institutions involved IPA implementation have not completed yet.
- Institutional Framework: institutional set up and procedures were successfully completed under components III and IV of IPA and enabled the financial agreements to be signed for all programmes except transport, because of lack of mature projects. SPO established a technical committee including representatives of operating structures (OS) and horizontal institutions responsible for the management of IPA funds under four operational programmes (OPs). RDAs were established in all NUTS II regions with a budget of €125 million allocated from 2009 national budget. Despite involving stakeholders in the decision making processes of RDAs, the selection of provinces to host RDAs is not involved stakeholders' participation which contradicts with the transparency principle accepted within regional development.
- Administrative Capacity: strengthening of central institutions involved in IPA implementation was continued via provision of technical assistance and trainings by the EU. National Authorizing Office (NAO) was reorganized in accordance with the Commission recommendations and new staff was hired. In addition, the need for more efficient coordination between Central Finance and Contracting Unit (CFCU) and ministries was not satisfied.

- Programming: project pipeline was built up for environment OP, and calls for proposals for human development and regional competitiveness OP provided absorption capacity for funds available under these OPs and also enhanced participation of stakeholders. The transport OP was not improved and the preparations for implementation under transportation OP were not sufficient due to delays of immature projects.
- Monitoring and Evaluation: working groups continued developing the integrated Management Information System (MIS)
- Financial Management and Control: temporarily managed by CFCU, although units in each ministry related with the issue have been established. Capacity building actions were needed within Operating Structures to take over the responsibility from CFCU.¹¹¹

4.4.2. The Progress Report on Turkey in 2010

In 2010, Turkey was found active in improving the institutional and legislative framework for IPA implementation. The establishment of RDAs in NUTS II level and involvement of stakeholders in decision making process were indicated as enhancement on the transparency of regional policy implementations. However, still need of improvements on administrative capacity to use funds and on strengthening project pipelines on four OPs were remarked.

- Legislative Framework: official appointments of institutions under IPA were completed
- Institutional Framework: IPA strategic coordinator was appointed by the SPO to support implementation of four Operation Programmes (OPs). SPO started to

¹¹¹ EC, 2009, pp.67-69

work on the establishment of a regional development committee to ensure coordination among central institutions and between local authorities.

- Administrative Capacity: trainings and technical assistance has continued and setting up of management and control systems has been improved. However, the capacity of institutions to use IPA funds effectively was restated as a big concern due to factors such as high staff turnover, lack of coordination among institutions, and delays in preparation of operating structures in line ministries to take over the duties from CFCU. The adjustment of CFCU was recommended for efficient use of IPA funds along with the supervision of NAO. The establishment of the regional development committee (RDC) had been envisaged to be completed in 2010 but was not. In order to strengthen the administrative capacity at local level, RDC was stated to be established and coordinate policy implementation at local level.
- Programming: the project pipelines for IPA were improved especially on environment, regional competitiveness and employment OPs
- Monitoring and Evaluation: working groups between IPA operating structures and the SPO was active and improvements made on integrated MIS.
- Financial Management and Control: capacity building and preparations within operating structures were lagging behind and the takeover of duties from CFCU has been delayed to 2011.¹¹²

4.4.3. The Progress Report on Turkey in 2011

Although there were improvements highlighted in institutional framework, the coordination between institutions and the prevention of delays in tendering process are the issues to be dealt with.

¹¹² EC, 2010, pp.73-74

- Legislative Framework: the Law on Instrument for Pre-Accession Assistance was not adopted yet. Further horizontal legislation consistent with the acquis is needed to prepare Turkey's use of Structural Funds.
- Institutional Framework: the establishment of High Council of Regional Development and RDC ensured the coordination regional development policies among central institutions and local authorities. Secretaries General have been appointed to all 26 RDAs and new staff hired in them and also Regional Plans were prepared for 24 of 26 NUTS II regions by RDAs. Further advancements made for the accreditation of all Operating Structures in line Ministries to manage IPA components.
- Administrative Capacity: improvements on contracting from CFCU for human development, transport and regional competitiveness were lagging behind. The progress on environment was relatively faster with the Commission adopted a decision to confer the management powers of IPA implementation to the Coordination Center of Ministry of Environment and Forestry. The Ministry of EU Affairs hired new staff for the monitoring of financial assistance under IPA provided to Turkey. NAO has been reorganized and new staff hired. However, the concerns about the coordination between CFCU and the operations structures in line ministries were remained.
- Programming: good progress was made in identification, preparation and appraisal of projects under IPA component III unlikely that of component IV. However, further improvements were needed for tendering process.
- Monitoring and Evaluation: monitoring of programmes under IPA components III and IV were at the beginning and limited implementation was made. IMIS was operational in coordination between institutions involved in IPA implementation.
- Financial Management and Control: a comprehensive action plan was prepared addressing weaknesses of management and control systems which is in need of implementation.¹¹³

¹¹³ EC, 2011, pp. 82-84

4.4.4. The Progress Report on Turkey in 2012

The accreditations of operating structures on regional competitiveness, environment and human resources development underlined as improvements in the institutional framework in IPA implementation but the administrative capacity of IPA institutions was stated to remain weak and preparations were found insufficient.

- Legislative Framework: several by-laws were adopted for restructuring in Ministry of Transport, the Ministry of Environment and Forestry, the Ministry of Industry and Trade, and the Ministry of Labor and Social Security to enable the establishments of units for coordination and programming, budgeting, tendering, contracting, execution, financial management and supervision of EU co-funded projects.
- Institutional Framework: the responsibilities of operating structures in line ministries were taken over newly established ministries; the Ministry of Environment and Urbanization and the Ministry of Science, Industry and Technology.
- Administrative Capacity: the restructuring of public administration involved improvements on remuneration of staff employed in IPA projects. The Ministry of Labor and Social Security and the Ministry of Science, Industry and Technology were qualified to take-over the duties from CFCU for human resources development and regional competitiveness OPs. The preparations for the Ministry of Transport, Maritime Affairs and Communication to take over the duties from CFCU were speeded up for transport OP.
- Programming: a pipeline of projects on environment and transport was introduced. The Regional Plans for all 26 NUTS II regions were prepared by RDAs.

- Monitoring and Evaluation: the IMIS has been further improved and partially operational. A number of interim evaluations were prepared but still in need of improvements for accountability to be achieved.
- Financial Management and Control: trainings were provided by CFCU to the related ministries about the reporting methodology to be used in IPA implementation. The Audit Authority was entitled to audit EU co-funded project through a by-law adopted in 2011 but the implementation was in need of advancements.¹¹⁴

Turkey made significant progress in its legislative and institutional framework with reference to the Progress Reports on Turkey prepared by the Commission in last four years. However, there is a long to do list for Turkey to harmonize itself with the EU acquis in the way of full membership. The administrative capacity remains weak to efficiently use SFs and CF, the programming of preparations are still lagging behind the time tables that the EU estimated, there is not significant control mechanisms to monitor the implementation of regional development projects despite newly operational IMIS, the necessary bodies for managing funds provided by the EU have not been prepared to be qualified for their duties. Therefore, Turkey should strengthen its administrative capacity, make greater efforts to be in line with the timetables set by the EU, incorporate the sense of transparency and accountability in its implementation process rather than existing clientelism, patronage, double standardization which are the main problems obstructing the reforms to be made.

Currently, Turkey seems not ready for efficient use of structural funds provided by the EU, although the Turkish authorities are complaining the amounts of per capita funds allocated to Turkey are less than the funds provided to any other candidate countries, illustrated in the table below:

¹¹⁴ EC, 2012, pp.69-70

Table-4.1: Allocation of IPA Funds across Candidate Countries to the EU

Country	Fund (2007-2013)	Population(2006)	Per capita	Percentage
Croatia	1.071.123.001	4.443.000	241	11,7%
Macedonia	622.496.001	2.039.000	305	6,8%
Turkey	4.908.900.000	72.520.000	67	48,5%
Albania	594.396.001	3.149.000	189	6,5%
Bosnia and Herzegovina	660.096.001	3.843.000	172	7,2%
Montenegro	235.175.200	624.000	377	2,6%
Serbia	1.395.868.923	7.425.000	188	15,2%
Kosovo	638.800.000	2.070.000	309	7%
TOTAL	10.126.855.127	96.113.000	105	100%

Adapted from <http://www.abgs.gov.tr/>

4.4.5. The Presumptions for Turkey's Membership in the EU

In the case of all requirements are met demanded by the EU and Turkey becomes a Member State in the EU, there would be significant shift from the current position. Most importantly, the country is estimated to be one of the main beneficiaries of SFs and CF by looking at its socio-economic indicators. Flam argues that Turkey

would be the largest recipient from EU funds because of its size, low level income per capita and its dependence on agriculture in economy.¹¹⁵

In addition, the regional disparities are stated as great; the southeast region having less than half of the national average income and large rural population.¹¹⁶ Comparing the GDP per capita level of Turkey with the EU-15 and EU-27, Turkey's GDP per capita level is only 47,2% of the EU-15 average and slightly above the half of the EU-27 average, which means Turkey would be eligible for the financial assistance provided under the Convergence Objective requiring lower GDP per capita levels of 75% of the EU average. The ESF, ERDF and CF are the financial assistance provided under Convergence Objective with a budget of €282,8 billion equal to 81,5% of total budget allocated to Regional Policy implementations for the period between 2007-2013 which is a substantial amount.

Moreover, the share of agriculture in total employment in 2003 was 33,9% while it was 4% for EU-15 and 5% for EU-25.¹¹⁷ In a parallel way to these findings, the report prepared by the DPT in 2008 argues that all regions in Turkey would be eligible to financial assistance under Convergence Objective.

By looking at the history between Turkey and the EU, the progress made by Turkey for adapting the EU standards to become a member country and the possible result estimated in the case of Turkish membership, the Regional Policy of the EU has been an important part of the accession of Turkey in the EU in which financial assistance will be allocated to Turkey affecting the old Member States' shares from the funds provided. Therefore, it is needed to say that Turkey should pay more attention to the improvements under the Chapter 22: Regional Development, in order to be accepted as the twenty eighth Member State in the EU since there are many criticisms about the progress made so far by the Commission.

Most of the progress was made on the institutional framework necessary for the Regional Policy implementation, especially with the RDAs put into use. The

¹¹⁵ Flam, 2003, p. 9

¹¹⁶ Ibid.

¹¹⁷ Quaisser&Wood, 2004, p.23

establishment of RDAs is a breakthrough for regional development in Turkey under the EU impact since RDAs enabled decentralization of Turkish administration and opened a way to better response to the regions' demands with their regional plans, novel organizational and financial structures and operations at regional level.

Now, İstanbul Development Agency (İSTKA) will be analyzed as being one of 26 RDAs established in Turkey in the convergence process with the EU.

CHAPTER 5: İSTANBUL DEVELOPMENT AGENCY

5.1. General Information about İSTKA

5.1.1. Mission and Vision of İSTKA

İSTKA defined its mission as to bring multi-actors together who are involved in the process of economic and social development in İstanbul, manage the development potential of the region at national and international level strategically and encourage effective use of natural resources in the region, while pursuing a vision of making İstanbul a brand city and leader at sustainable development area¹¹⁸.

¹¹⁸ İSTKA, 2012, p.9

5.1.2. Goals and Objectives of İSTKA

İSTKA prioritizes the policy and strategies intended for the implementation of the 2010-2013 İstanbul Regional Plan, which is constituted by the participation of all stakeholders in the region. The principles of participation, communion, integration, accountability and transparency are sought for effective applications of the strategic plans for development of the region so that the objectives and goals stated below are highlighted for İSTKA activities in 2011;

- development and management of regional, thematic and sector strategies in coordination,
- the protection of natural and cultural properties, the efficient and effective use of human capital and financial resources of the region in a sustainable manner, supporting the activities concerned about the improvements on investment environment, employment and competitiveness,
- provision of center actors' partnership and cooperation for urban and regional competitiveness at international level
- solution for problems affecting business environment, quality of life and competitiveness negatively
- attraction and monitoring of big scale foreign direct investments into the region
- upgrading of quality of life and employment level and fostering the sustainable socio-economic development through bringing into cultural, historical, economic and geo-strategic features of İstanbul¹¹⁹

¹¹⁹ Ibid, p. 26

5.1.3. Authorities, Duties and Responsibilities of İSTKA

The authorities of development agencies (DAs) are defined in accordance with the Law No. 5449 “Law on the Establishment and Duties of Development Agencies” and İSTKA is one of these 26 Regional Development Agencies (RDAs) in Turkey subjected to it. The duties and authorities of agencies listed under the Article 5 of the Law No. 5449 which are:

- to provide technical support to the planning studies of local authorities
- to support the activities and projects ensuring the implementation of regional plan and programmes; to monitor and evaluate the implementation process of activities and projects supported within this context and to present results to the Undersecretariat of State Planning Organization (now transformed into the Ministry of Development)
- to contribute into the improvement of the capacity of the region concerning the rural and local development in accordance with the regional plans and programmes and support the projects within this extent
- to monitor other projects implemented by public sector, private sector and non-governmental organizations in the region and considered as important in terms of regional plan and programmes
- to improve cooperation in between public sector, private sector and non-governmental organizations to achieve regional development objectives
- to use or have them used the resources allocated to agency in pursuant to Article 4 (c) of this Law, in conformity with regional plan and programmes
- to carry out researches, or to have them carried out, concerning the determination of resources and opportunities of the region, acceleration of economic and social development and enhancement of competitiveness, and to support other researches carried out by other persons, organizations and institutions

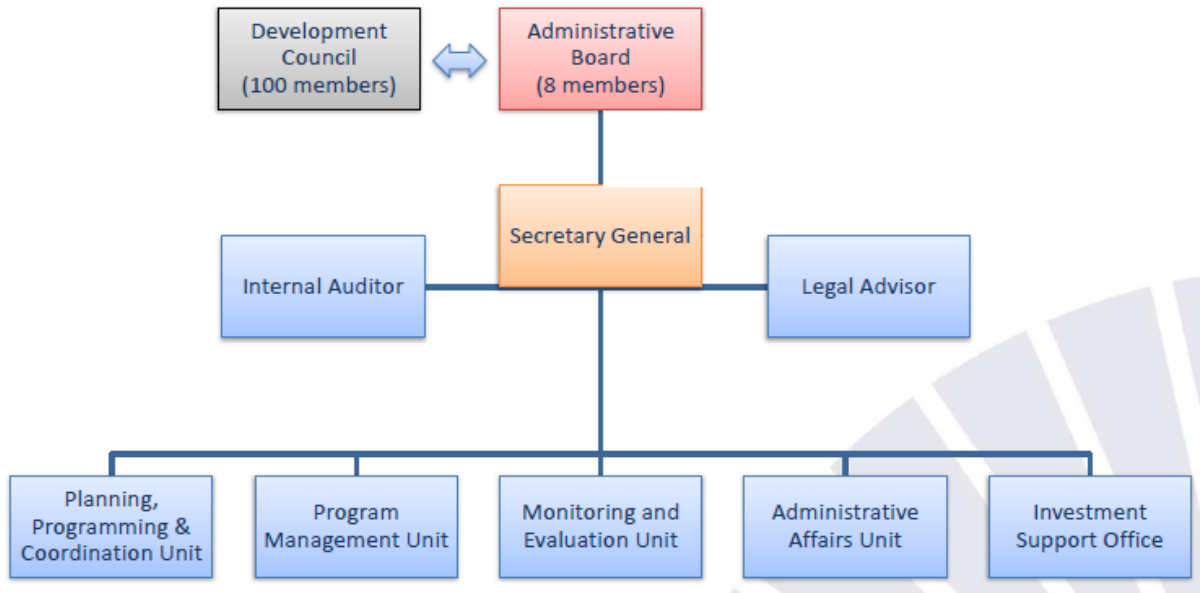
- to promote, or have them promoted, business and investment facilities of the region at national and international level, in close cooperation with other related institutions
- to follow and coordinate centrally the permission and license transactions and other administrative transactions of the investors in regional provinces within the extent of the duties and authorities of public institutions and organizations, in order to finalize them within the time stated in the related legislation
- to support small and medium-size enterprises and new entrepreneurs in the fields such as management, production, promotion, marketing, technology, financing, organization and labor force training, by ensuring cooperation with other related institutions
- to promote activities related to bilateral or multilateral international programmes to which Turkey has participated in the region and to contribute to the development of projects within the context of these programmes
- to prepare a web-site to broadcast updated activities and financial structure of the agency and other matters concerning the agency¹²⁰

5.2. Organizational Structure of İSTKA

The Article 7 of the Law No. 5449 underlines the structural body of development agencies that is composed of; Development Council, Administrative Board, General Secretariat and the Investment Support Offices.

¹²⁰ Retrieved from: <http://www.izka.org.tr/en/kurumsal/mevzuat/kanun/> on January 12, 2013

Figure-5.1: Organizational Structure of İSTKA



Adopted from İSTKA, 2011

5.2.1. Development Council

The Development Council is established to develop cooperation between public institutions, private sector, non-governmental organizations, universities, and local governments in the region and to guide İSTKA in line with the regional development objective. The Development Council is an important element of İSTKA since the composition of it enables the representation of different societal actors in İstanbul and satisfies the need for participative decision making mechanism for the development of İstanbul.

The Establishment Decree determines the number of representatives to be sent by the private sector and non-governmental organizations, the duration of their duty and

other matters. There are 100 members of Development Council of İSTKA, majority of which is composed of representatives from non-governmental organizations and private sector.

The duties and authorities of Development Council are listed under the Article 9 of the Law No. 5449 as follows;

- to select respectively the representatives of private sector and/or non-governmental organizations and their doubled associate members who shall take place in Administrative Board in the regions composed of a single province
- to discuss and evaluate annual activity and internal audit reports of the agency and to make recommendations to Administrative Board
- to make recommendations to Administrative Board regarding problems and solution proposals, promotion, potential and priorities of the region
- to report the results of the meeting to the Undersecretariat of State Planning Organization (Ministry of Development) and publish conclusion notice of meeting¹²¹

The last meeting of Development Council of İSTKA was held in December 2012 to inform the members about the activities of the agency. (For more information see appendix Tablo2: İstanbul Kalkınma Ajansı Kalkınma Kurulu)

5.2.2. Administrative Board

The Administrative Board is the decision making body of İSTKA and composed of 8 members; governor of İstanbul who is also the chair of the Administrative Board, mayor of İstanbul Metropolitan Municipality, Chairman of the Provincial Council, Chairman of the Chamber of Industry, Chairman of the Chamber of Commerce and three representatives of private sector and/or NGOs who are selected by Development

¹²¹ Retrieved from: <http://www.izka.org.tr/en/kurumsal/mevzuat/kanun/> on January 12, 2013

Council. The Fifth Development Council elected the representatives of Turkish Exporters' Assembly (Türkiye İhracatçılar Meclisi), Independent Industrialists and Businessmen Association (MÜSİAD), and Confederation of Turkish Industrialists and Businessmen (TUSKON) for two years term for the Administrative Board in 2010. The selection of all three representatives from the industrial organizations can be seen as a sign of the emphasis on the global competitiveness of the region which substantially depends on the development of its industry as stated in the İstanbul Regional Plan for 2010-2013.

The duties and authorities of Administrative Board are listed under the Article 11 of the Law No. 5449 as follows:

- to accept the annual work programme and submit it to The Undersecretariat of State Planning Organization (Ministry of Development) for approval
- to revise the budget according to the needs during the year
- to approve annual financial report and the results of final budget
- to decide purchase, sale and rent of movable and immovable properties and purchase of service
- to submit six-month interim report and annual activity report to the Undersecretariat of State Planning Organization (Ministry of Development)
- to approve the budget of the Agency and submit it to Undersecretariat of State Planning Organization (Ministry of Development)
- to approve the proposals concerning giving support to the programmes, projects and activities submitted by the General Secretariat and the aids to individuals and organizations
- to accept donations and grants extended to the Agency
- to decide recruiting and dismissing of the personnel
- to approve the service units determined by Secretary General and the division of labor among them
- to identify the Secretary General and submit to the Undersecretariat of State Planning Organization (Ministry of Development) for approval
- to determine the limit of authority of secretary general about the issues concerning purchase, sale and rent of the movable properties except vehicles, and purchase of service

- Determining the limits clearly, Administrative Board may delegate some of its duties and authorities to Secretary General where necessary¹²²

The requirement to prepare reports for the Ministry of Development by Development Council and Administrative Board of RDAs is an example of the unique character of the RDAs in Turkey. RDAs in Turkey are tools for the implementation of the subsidiarity principle but at the same time they are responsible for the central authority; the Ministry of Development that needs further consideration in the context of the EU harmonization process.

5.2.3. General Secretariat

The General Secretariat is the executive organ of the agency and is the superior Chief of Secretariat General and investment support offices. Secretary General is responsible to the Administrative Board of the agency. The duties and responsibilities of Secretary General are listed under Article 14 Law No. 5449 as follows:

- to implement the decisions of Administrative Board
- to prepare annual work plan and budget, and submit them to Administrative Board
- to collect revenues of the Agency, to make the expenditures in accordance with the procedures and principles to be determined by the Article 4, and according to the budget and decisions of Administrative Board
- to decide on the purchase, sale and rent of moveable properties except for vehicles, and purchase of service according to the limits to be determined by Administrative Board
- to engage in/organize activities for improving project generation and implementation capacity of people, institutions and organizations in the region

¹²² Ibid.

- to assess project and activity proposals of private sector, non-governmental organizations and local administrations and make suggestions to Administrative Board for providing financial support
- to monitor, evaluate, audit the supported projects and activities; and prepare reports
- to cooperate and develop joint projects with domestic and foreign institutions and agencies related to regional development
- to provide technical assistance to planning studies of local authorities
- to determine the performance criteria of personnel and evaluate their performance
- to make proposals to the Administrative Board related to personnel's recruitment and termination of contracts
- to attend the national and international meetings about regional development on behalf of the Secretariat General of the agency and carry out foreign contacts
- to perform secretarial works and other services within the sphere of duties of the agency
- to use authorities delegated by Administrative Board¹²³

Prof. Dr. Abdülmecit Karataş took the office in 2009 and continues to chair the Secretariat General of İSTKA presently.

¹²³ Ibid.

5.2.3.1. Activities of Units responsible to Secretariat General

5.2.3.1.1. Activities of Units

The five units functioning under the Secretariat General of İSTKA in line with the objectives and goals determined for the agency.

5.2.3.1.1.1. Planning, Programming and Coordination Unit

The activities of the unit in 2011 are:

- promotion of the agency; visits from international universities, publications of brochures about İSTKA, provision of İstanbul Regional Plan 2010-2013
- preparing reports, researches and regional analysis; “Research about the Obstacles in front of the Investment in İstanbul Region”, sector analyses, “Analytic Hierarchy Method and İstanbul Regional Plan 2010-2013”, “Corporate Network Analysis”, and “Corporate Communication Strategy and Action Plan”
- establishing the partnership relations between İSTKA and other development agencies, universities, regional stakeholders, Investment Support and Promotion Agency and taking part in the İstanbul

International Finance Center Project, multi-party projects, and Seventh Framework Programme of EU

- programming the activities of İSTKA; “Environment and Energy Workshop”
- visiting the stakeholders in İstanbul region
- attending the meetings, summits and forums for exchange of information, keeping track of current developments and establishment of new partnerships and cooperation
- attending the trainings related with the development of İstanbul region
- investment support activities by promoting the investment potential of İstanbul region, providing information upon request, acting as a mediator between partners for cooperation to be established in the region ¹²⁴

By looking at the activities of the unit, it serves for the management of the public relations of İSTKA and for the connection of İSTKA with all regional actors from different layers so that ensures the integrated approach, social responsibility and impartiality of the institution towards the society.

5.2.3.1.1.2. Program Management Unit

The activities of the unit in 2011 are:

- providing financial support to businesses and not for profit organizations through Financial Support Programs specified for each year with priority objective areas

The provision of supports is a step by step process which includes;

1. Announcement of the call for proposals is done through media,

¹²⁴ İSTKA, 2012, pp.30- 66

2. Applicants of call for proposals are trained to prepare projects in appropriate format
3. Independent assessors are selected for the evaluation of projects, then, the committee for evaluation is established
4. The project proposals are collected, evaluated and selected to be supported
5. The announcement of selected projects is made and the parties signs the agreements
 - providing direct supports to activities having effect on improvements of innovation and entrepreneurship capacity of the region with researches and feasibility studies¹²⁵

The activity of this unit is the core of İSTKA functions through supporting the establishment of investments, improvements on sectors which have substantial impact on the increase of regional wealth. By providing consulting and financial support to the projects, the unit envisages regional growth through improvements on the industrial sector. In this perspective, the grants are the main elements for implementation of projects of SMEs, the accession of which is limited to other type of assistance.

5.2.3.1.1.3. Monitoring and Evaluation Unit

The unit works for the monitoring of the projects supported by İSTKA funds. To do so, the activities made by this unit are followed;

- Previewing the applicants in order to evaluate the situations of the applicants before the agreement is signed
- Analyzing the risk potential of the applicant and determining the pre-payment for the projects
- Signing of agreements
- Training the applicants about project implementations

¹²⁵ İSTKA, 2012, pp.67- 78

- Visits of first sight are made and performance indicators set for the projects are compared with the practices
- Remitting of pre-payments¹²⁶

The unit observes the implementation process of the projects and function to make the projects work as planned, through the use of performance indicators set for each projects. By evaluating the performance results, the projects are monitored to be aware of whether the planned map of the project is followed or not by the project owners. Thus, the unit is material for achieving transparency, reliability and efficiency in projects İSTKA supported.

5.2.4. Investment Support Office

Investment Support Office is composed of five experts and established with the decision of Administrative Board. Investment Support Offices are responsible to Secretariat General for their duties. The duties and responsibilities of Investment Support Offices are listed under Article 16 of Law No. 5449 as follows:

- to follow and coordinate centrally the permission and license transactions of investors in private sector within duties and authorities of public institutions and organizations and other administrative works and transactions on time specified in the related legislation or, if no specific time was given, urgently on behalf of the Administrative Board in the provinces of the region; and to monitor the investments
- to inform and guide the investor in accordance with the application conditions and required documents within the framework of the related legislation
- to carry out pre-examination about the applications

¹²⁶ İSTKA, 2012, pp. 78- 85

- to carry out the transactions stated in the regulations to be enacted under the Article 4
- to inform the Governorship and Secretariat General about the works and transactions¹²⁷

The organizational structure of İSTKA consists of hierarchical layers on top of which places the Ministry of Development like for other RDAs in Turkey. While incorporating a participatory decision making structure in its organization, being accountable for the central authority creates a dilemma for future strategies of the agency to be set.

5.3. Financial Structure of İSTKA

5.3.1. Revenues

The Article 19 of Law No. 5449 states the revenues of the agency and the funds to be controlled by the agency as follows:

- Appropriation to be determined by High Planning Council according to the population, development level and performance measures of each Agency from the residual fund after the shares transferred to local administrations and funds by tax refunds are deducted from the general budget and tax revenue of the previous year, and from the transfer allowance to be allocated five per thousand each year

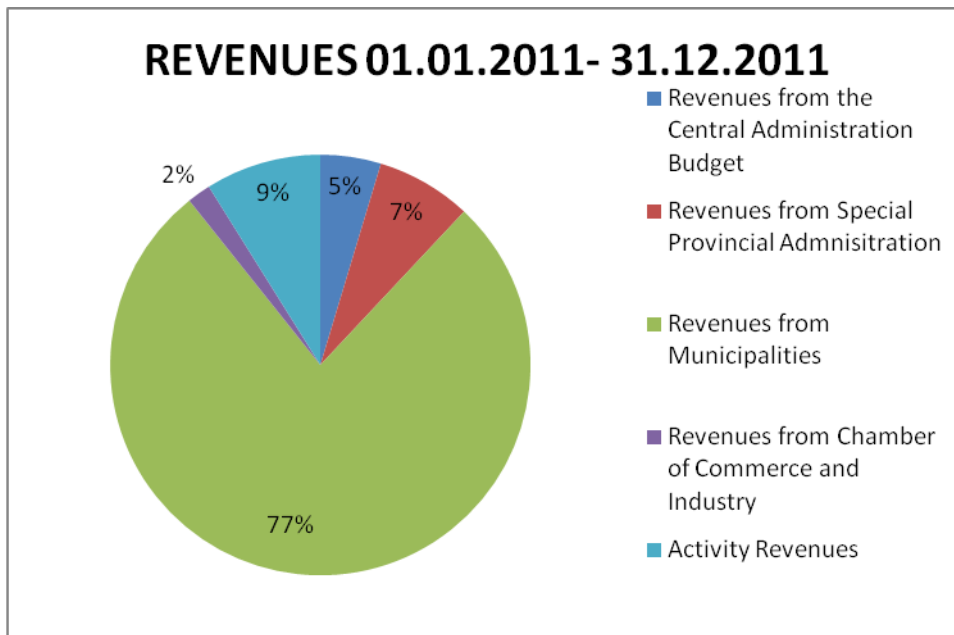
¹²⁷ Ibid.

- Financial sources provided from European Union and other international funds
- Activity revenues
- Over the budget revenues of the previous year, appropriation to be transferred from the current year budget at the rate of 1% for special provincial administrations excluding getting into debt, allocated revenues and aid items received from the organizations having general, additional and private budgets; for municipalities; appropriation to be transferred from current year budget at the rate of 1% excluding getting into debt and allocated revenue items
- Appropriation transferred from the current year budget at the rate of 1% of previous year final budget revenues of the chambers of industry and commerce in the region
- Aids and grants provided by national and international institutions and organizations
- Revenues turning over from the previous year¹²⁸

As can be seen clearly from the graph below, the majority of the budget is generated from the revenues contributed by municipalities. The share of revenues from the municipalities is followed by the revenues from Activity Revenues and Special Provincial Administration with insignificant proportions in comparison to the revenues from municipalities. This leads another confusion about the functioning of İSTKA that is; while being responsible to the central government body; the Ministry of Development, İSTKA is not financed by the central budget evenly with constituting 5% of the total İSTKA revenues.(For more information see appendix, Tablo-3: 2011 Yılı Bütçe Gelirleri)

¹²⁸ Retrieved from: <http://www.izka.org.tr/en/kurumsal/mevzuat/kanun/> on January 12, 2013

Graph 5.1: Revenues of İSTKA in 2011



Adapted from İSTKA, 2012

5.3.2. Expenditures

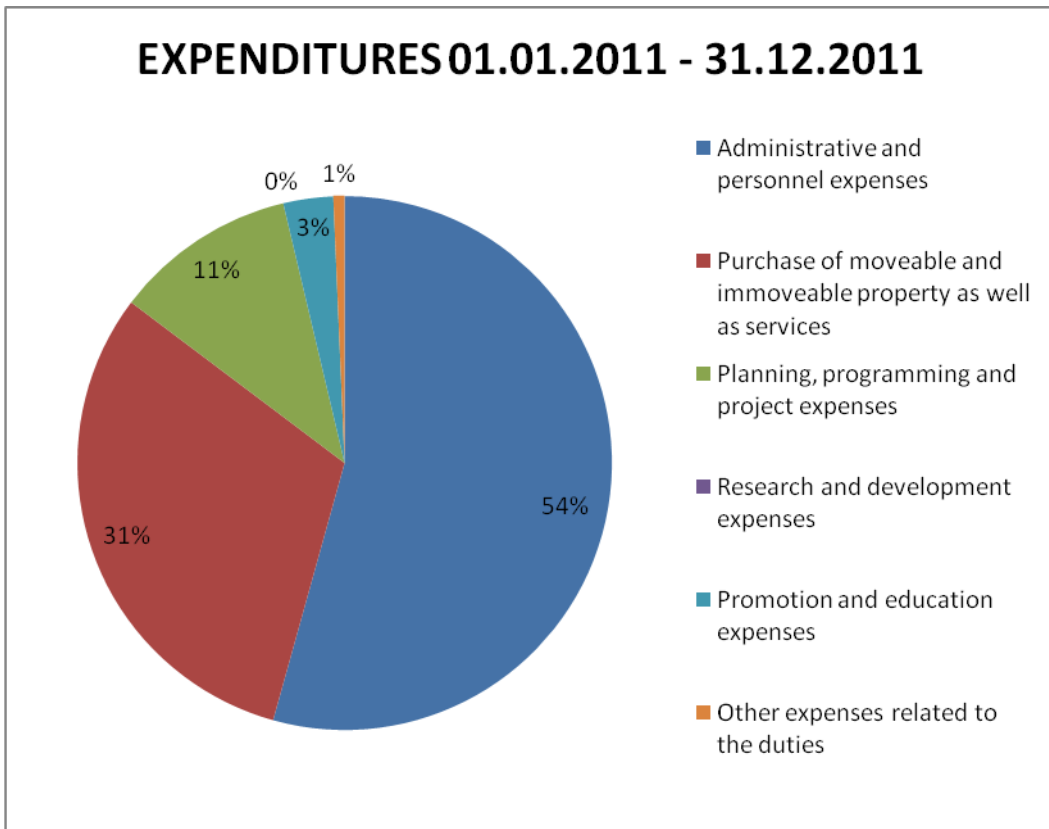
The expenditures of the agency are defined under the Article 20 of Law No. 5449 as follows:

- Planning, programming and project expenses
- Expenses for supporting projects and activities
- Research and development expenses
- Promotion and education expenses
- Purchase of moveable and immovable property as well as services
- Administrative and personnel expenses
- Other expenses related to the duties

Moreover, the Article 20 stresses that the personnel expenses shall not exceed 15% of the revenues of the previous year's final budget.¹²⁹

As can be seen from the graph below, the majority of the spending is allocated on the administrative and personnel expenses in 2011 term, followed by purchase of moveable and immovable property as well as services with a share of 31% in total expenditures. However, there are any funds spent on the research and development item which should be taken into consideration under the issue of the renovation of the agency. The needs of the region change as a result of the increasing globalization and the agency should evolve according to the changing patterns of development for the region to meet its needs.(For more information see appendix Tablo-4: 2011 Yılı Bütçe Giderleri)

Graph 5.2: Expenditures of İSTKA in 2011



Adapted from İSTKA, 2012

¹²⁹ Retrieved from: <http://www.izka.org.tr/en/kurumsal/mevzuat/kanun/> on January 12, 2013

The activities of İSTKA in 2010 focused on the institutionalization of the agency mostly because of the harmonization process with the EU. In 2011, the institutionalization oriented activities were maintained since structural body has not built up yet in accordance with the EU standards.

Along with the institutionalization activities, the activities intended the realization of İstanbul Regional Plan 2010-2013 are started to be placed. The research and analyses revealing the problems and the potential of the region were done in 2011 and became helpful for increasing the responsibility of İSTKA for the solution of those problems and effective use of the potential of the region. The cooperation and partnership relations with stakeholders in the region, also, contributed the initiator role of the agency on the strategies set for the region's development in the future. İSTKA is now regarded as one of the leader actors having weight on the decision making mechanism in İstanbul region.

The financial support programs of İSTKA are the most important tools making İSTKA indispensable for realization of the objectives for İstanbul in development plan. Through providing support to businesses and non-profit organizations, İSTKA put on projects stimulating the regional potentials. Although the number of applications to the support programs was less than expected, they are introduced as strategic for the regional prosperity.

As the weaknesses of İSTKA, the agency and its functions are not still well known by the society. The promotion of the agency seems in need of improvements. In addition, a communication strategy should be defined for leaving a better impression on the stakeholders in İstanbul region.

All in all, İSTKA, with young, well qualified and dynamic personnel and significant financial resources, is a non-negligible institution in İstanbul. In accordance with the requirements to be met under the EU harmonization process, İSTKA can be defined as constructive by looking at its evolution in the short time period after its establishment with its preparing regional plans, determining regional strategies, increasing participation and transparency in regional strategic operations such as involving representatives from the society in decision making and reports to central authority, supporting innovation oriented development projects via provision of financial and technical assistance. Thus, regarding the eradication of regional economic differences in

İstanbul region, İSTKA, despite being in transformation process, is material and I believe will have more considerable role in development of İstanbul region, as higher amounts of financial resources and more authority are provided for it in the near future. The subsidiarity and the decentralization of the local governments are accelerated with the EU impact which gives İSTKA chances to take greater part in development issue in İstanbul.

CHAPTER 6: CONCLUSION

After reviewing the theories about the regional development and internationally applied economic models in regional development in the second chapter, analyzing the Regional Policy of EU in the third chapter and Turkey in the fourth chapter and giving information about the İSTKA as a RDA in Turkey in the fifth chapter, the concluding remarks are put in place in this last chapter.

The reasons behind the differences emerged in regional economies vary and thus the approaches toward the regional development also vary as stated in the theoretical part of the thesis. Although remedies for the regional development problem in the world diverges across countries, there is a successful application of the theories in practice in the EU; the Regional Policy. The historical evolution of the EU Regional Policy is covered by emphasizing the objectives, principles and funds of the policy in successive periods. Although, the EU Regional Policy is criticized by some Member States as being not efficient, the policy is needed for the removal of increasing regional disparities within the Union to sustain itself. By observing an integrative approach, the Regional Policy functions according to the needs of enlarged and changing Union along with other EU policies. The increased budget for the policy in each period also stresses its importance in the EU politics and it seems to remain as influential too in the future because of its targeting improvements in Convergence regions without ignoring the innovation and competition oriented growth helps the realization of European dream; the coherent and integrated Europe.

Then, the Regional Policy in Turkey is analyzed with a beginning of historical development of Turkish economic policies. Afterwards, the relationship between the EU and Turkey are reviewed so that the EU impact over the regional development process in Turkey is to be observed. Despite the long history among two parties had a discouraging effect on Turkish side, the progress continued in terms of reformations in its legislation, institutions and administration consistent with its counterparts in the EU. According to the Progress Reports prepared by the European Commission between 2009 and 2012, the majority of the progress made by Turkey in the path of full membership within the EU were the adoption of NUTS II classification of regions in Turkey as 26 NUTS II regions, the establishment of RDAs in all of these 26 regions and the preparation of regional development plans for these regions' economic development. However, there are still areas in need of improvement stated by the Commission which Turkey is currently making major efforts to fit with the EU criteria like the administrative capacity of institutions in relation with the regional development strategies, the timing of the implementation of the decisions to be made in practice, the monitoring and evaluation of the practices, and the management and financially controlling of these practices. There are many critiques also about the centralized structure of the Turkish local administration which needs to be decentralized for further incorporation of the regional stakeholders in decisions made about these regions which corresponds to the participation, democracy, transparency principles of the EU. Although, RDAs are responsible to the central authority, the Ministry of Development, they brought decentralization by involving the regional stakeholders into their decision making processes one of which is the İSTKA.

In the fifth chapter, İSTKA is exemplified as the tool of Turkish Regional Policy in line with the EU's by giving information about its goals, objectives, duties and functions in detail. İSTKA, taken as an example since it constitutes a suitable example for the economy of Turkey and for the appropriate implementation of the EU Regional Policy at national level, is found to be contributive on the development of İstanbul region especially its provision of financial assistance to development projects focusing on innovation, technological advancements and competition in global markets.

As a result, the list of duties is long for Turkey to be a Member State in the EU even by looking at one policy area; regional development in this work. Although, there is significant progress made in institutional and legislative structure, the administrative capacity and the necessary bodies to program, monitor and control the implementation of Regional Policy of EU at national level are remained to be weak. The allocation of the majority of funds provided under Pre-Accession Assistance (IPA), the fund per capita is lower than any other candidate countries which decreases the willingness of Turkish authorities to meet the requirements set by the EU but the readiness of Turkey to use the Structural Funds and the Cohesion Fund in the case of membership is still a debatable issue. Thus, in my opinion Turkey should continue to make greater effort for harmonizing itself to the EU standards for accession in the area of regional development. I think, there needs to be more concrete results to be achieved by Turkey to show its readiness and willingness to be a part of the EU if it regards the EU as the exemplary pattern of modernity, civilization and development for itself.

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APPENDIX

Tablo-1: Beş Yıllık Kalkınma Planlarında Bölgesel Yaklaşımların Bütünleşik Değerlendirilmesi

TABLO 1: BEŞ YILLIK KALKINMA PLANLARINDA BÖLGESEL YAKLAŞIMLARIN BÜTÜNLEŞİK DEĞERLENDİRMESİ

Kalkınma Planı	İlkeler	Yaklaşım ve Politikalar	Hedefler	Araçlar
I. Plan (1962-1967)	-Bölgelere ekonomik kalkınmanın nüfuz etmesi -Bölgesel Ekonomik bütünleşme	-Bölgesel Planlama -Büyüme kutupları (örneğin Doğu Marmara, Çukurova, Antalya, Zonguldak)	-Dengeli kentleşme -Bölgeler arasında denge (kamu hizmetleri ve gelir dağılımında) - Yatırım etkinliği	-Finansal teşvikler -Az gelişmiş bölgelere yönelik yatırım temelli önlem alternatifleri
II. Plan (1967-1972)	-Hızlı kentleşmeden kaynaklanan nüfus sorunlarına odaklanma	-Bölge ve il planlaması -Dolaylı bölgesel planlama	-Dengeli bölgeler arası gelişme -Sosyal eşitlik açısından bölgeler arasında dengeli dağılım - Yatırım etkinliği	-Vergi indirimleri -Özel sektör yatırımlarına yönelik finansal teşvikler -Pilot projeler -Keban
III. Plan (1972-1977)	-Bölgesel farkların giderilmesi -Belirli az gelişmiş bölgelerin kalkınması	-Sektör ve il planlaması	-İkinci planın ayısı	- Finansal teşvikler -Az gelişmiş bölgeler için sanayileşme programları -Erişim çalışmaları -İl planlaması -Sektörel planlama -Paket projeler -Kalkınmada öncelikli iller
IV. Plan (1977-1982)	-Bölgesel sorunlara yönelik kaynakların mobilizasyonu	-Sektörler ve bölgeler arasındaki bağları güçlendirilmesi	-Az gelişmiş illerin kalkınması -Sektörel ve bölgesel karşılıklı bağımlılık -Mekânsal organizasyon	-Yatırımlar için faiz indirimleri -Çeşitli finansal yardımlar -Paket projeler -İl ve bölge düzeyinde yatırımlar -Çukurova Kentel Kalkınma Projesi -GAP (DPT-JICA)

TABLO 1: BEŞ YILLIK KALKINMA PLANLARINDA BÖLGESEL YAKLAŞIMLARIN BÜTÜNLEŞİK DEĞERLENDİRMESİ (DEVAM)

Kalkınma Planı	İlkeler	Yaklaşım ve Politikalar	Hedefler	Araçlar
V. Plan (1985-1989)	-Az gelişmiş ve sektörel olarak potansiyelle sahip bölgelerde kaynak kullanımını rasyonelleştirerek kalkınmanın hızlandırılması	-Projelerin bölgesel etkisini de içeren doğrudan bölgesel planlama (16 fonksiyonel bölge önerisi)	-Sosyal eşitliği dikkate alan dengeli bölgesel kalkınma	-Potansiyel kaynakların belirlenmesi için bölgesel gelişme programlarının hazırlanması -Bu programlar doğrultusunda ilgili yatırımların seçilmesi -Öncelikli bölge ve sektörlerdeki altyapının sanayileşme projeleri için geliştirilmesi -Kalkınmada Öncelikli illerdeki yatırımlar için finansal yardımlar
VI. Plan (1990-1994)	-Uygulama için sosyal, idari ve finansal boyutların bütün olarak ele alınması -Uluslararası standartlara uygun istatistiksel sistemin uyandırılması (özellikle AB bağlamında)	-Bölge ve bölge altı düzeyde planlama	-Bölgelerde dengeli kalkınma -İlçelerin köylerden kente göçün engellenmesi için desteklenmesi	- Kalkınmada öncelikli yörelere yönelik finansal kaynakların artırılması -Kalkınmada öncelikli illere yönelik teşvikler ve bu amaca yönelik özel bir fon oluşturulması -Sanayi bölgeleri
VII. Plan (1996-2000)	-Sektörel ve mekânsal çalışmaların bütünleştirilmesi -İllerin sektörel uzmanlaşması -Şehir planlaması -Bölgesel Farkların giderilmesi -Rekabet gücünün artırılması	-Bölge ve bölge altı projeler -Bölgesel yeteneklerin mobilizasyonu -Sürdürülebilir kalkınma	-Göç ve demografik değişimin rasyonelasyonu -Metropol bölgelerin sorunlarının aynı bir kategoride ele alınması -Konut sorunu için politika geliştirme çalışmaları -Bölgesel farklar	- Kalkınmada öncelikli yörelere politikasına devam edilmesi -Doğu ve Güneydoğu Anadolu için acil destek programı -GAP -Yasal düzenlemeler -Konut projeleri - Kalkınmada öncelikli illerdeki KOBİ'lerin desteklenmesi -ZBK, DOKAP, DAP
VIII. Plan (2001-2005)	-Katılımcı planlama -Sürdürülebilirlik -Kaynak kullanımının etkinleştirilmesi -AB bölgesel politikalarına uyum	-Stratejik bölgesel planlama -Kümeleme -İl Gelişme planları	-Rekabet edebilirliğin geliştirilmesi -Yerel girişimcilik ve yerel kaynakların mobilizasyonu -Bölgesel farklar	-KOBİ destekleri -AB fonları -İlk kapsamlı bölgesel planlar -Beşeri sermaye -Yeşilimlak Havzası Gelişme Projesi -Bölgesel operasyonel programlar

Kaynak: (Çeşitli Beş Yıllık Kalkınma Planları; OECD, 1986)

Tablo2: İstanbul Kalkınma Ajansı Kalkınma Kurulu

Tablo 1: İstanbul Kalkınma Ajansı Kalkınma Kurulu

NO	TEMSİL EDECEK KURULUŞ	TEMSİLCİ SAYISI	TEMSİLCİ
1	İSTANBUL İL ÖZEL İDARESİ	2	SABRİ KAYA SEDAT TUNÇ
2	İSTANBUL BÜYÜKŞEHİR BELEDİYESİ	3	ALİ ALTINTAŞ HÜSEYİN EREN KÖKSAL TANDIROĞLU
3	DENİZCİLİK MÜSTEŞARLIĞI BÖLGE MÜDÜRLÜĞÜ	1	CEMALETTİN ŞEVLİ
4	TÜRKİYE İSTATİSTİK KURUMU BÖLGE MÜDÜRLÜĞÜ	1	ZEKİ BOSTANCI
5	TÜRKİYE İŞ KURUMU İSTANBUL BÖLGE MÜDÜRLÜĞÜ	1	MUAMMER COŞKUN
6	ULAŞTIRMA BÖLGE MÜDÜRLÜĞÜ	1	AYŞE KÜÇÜKKONYALI

7	VAKIFLAR BÖLGE MÜDÜRLÜĞÜ	1	İBRAHİM ÖZEKİNCİ
8	İL PLANLAMA VE KOORDİNASYON MÜDÜRLÜĞÜ	1	ÜZEYİR YILMAZ
9	İL DEFTERDARLIĞI	1	BEKİR BAYRAKDAR
10	ÇEVRE VE ORMAN İL MÜDÜRLÜĞÜ	1	ERKAN KAYAÖZ
11	GENÇLİK VE SPOR İL MÜDÜRLÜĞÜ	1	TAMER TAŞPINAR
12	KÜLTÜR VE TURİZM İL MÜDÜRLÜĞÜ	1	PROF. DR. AHMET EMRE BİLGİLİ
13	MİLLİ EĞİTİM İL MÜDÜRLÜĞÜ	1	DR. MUAMMER YILDIZ
14	SAĞLIK İL MÜDÜRLÜĞÜ	1	PROF. DR. ALİ İHSAN DOKUCU
15	SANAYİ VE TİCARET İL MÜDÜRLÜĞÜ	1	HİLMİ SEZER
16	SOSYAL HİZMETLER İL MÜDÜRLÜĞÜ	1	ÖNAL İNALTEKİN
17	KÜÇÜKÇEKMECE KAYMAKAMLIĞI	1	ORHAN ÖZTÜRK
18	TUZLA KAYMAKAMLIĞI	1	MÜMİN HEYBET
19	GAZİOSMANPAŞA BELEDİYESİ	1	AV. ARIF PARLAKKILIÇ
20	KADIKÖY BELEDİYESİ	1	BÜLENT TURAN
21	BOĞAZIÇI ÜNİVERSİTESİ	1	PROF. DR. GÜLAY BARBAROSOĞLU
22	İSTANBUL TEKNİK ÜNİVERSİTESİ	1	PROF. DR. ATILLA DİKBAŞ
23	İSTANBUL ÜNİVERSİTESİ	1	PROF. DR. MURAT ÖZLER
24	MARMARA ÜNİVERSİTESİ	1	PROF.DR. SUAT OKTAR
25	KÜÇÜK VE ORTA ÖLÇEKLİ SANAYİ GELİŞTİRME VE DESTEKLEME İDARESİ BAŞKANLIĞI İKİTELLİ İŞLETME GELİŞTİRME MÜDÜRLÜĞÜ	1	SELAHATTİN KAYA
26	MARMARA BELEDİYELER BİRLİĞİ	1	ZÜVER ÇETİNKAYA
27	TÜRKİYE YATIRIM DESTEK VE TANITIM AJANSI İSTANBUL İRTİBAT OFİSİ	1	ARDA ERMUT
28	TÜRKİYE İŞADAMLARI VE SANAYİCİLERİ KONFEDERASYONU	1	FUAT ÖZBEKLİ
29	MARMARA İŞ HAYATI DERNEKLERİ FEDERASYONU	1	AHMET CİĞER
30	DENİZ TİCARET ODASI	1	KORAY DENİZ
31	İSTANBUL SANAYİ ODASI	1	Z. GONCA ÜNDÜL
32	İSTANBUL TİCARET ODASI	1	ALİ RIZA YAPAR
33	İSTANBUL TİCARET BORSASI	1	KASIM ATILGAN
34	İSTANBUL MENKUL KIYMETLER BORSASI	1	ESİN Y. AKBULUT
35	İSTANBUL ESNAF VE SANATKARLAR ODALARI BİRLİĞİ	1	FAİK YILMAZ
36	TÜRKİYE SİGORTA VE REASÜRANS ŞİRKETLERİ BİRLİĞİ	1	MEHMET KALKAVAN
37	TÜRKİYE BANKALAR BİRLİĞİ	1	MELİKE MUMCU
38	TÜRKİYE KATILIM BANKALARI BİRLİĞİ	1	OSMAN AKYÜZ
39	TÜRKİYE SEYAHAT ASENTALARI BİRLİĞİ	1	GÜNNUR ÖZALP
40	TURİSTİK OTELCİLER, İŞLETMECİLER VE YATIRIMCILAR BİRLİĞİ	1	TİMUR BAYINDIR
41	RADYO TELEVİZYON YAYINCILARI MESLEK BİRLİĞİ	1	YUSUF GÜRSOY

42	İSTANBUL İHRACATÇI BİRLİKLERİ	1	ZEKERİYA METE
43	İKİTELLİ ORGANİZE SANAYİ BÖLGESİ	1	NIHAT TUNALI
44	BEYLİKDÜZÜ ORGANİZE SANAYİ BÖLGESİ	1	ADNAN KELEŞOĞLU
45	TUZLA ORGANİZE DERİ SANAYİ BÖLGESİ	1	EKREM BAYRAM
46	TÜM SANAYİCİ VE İŞADAMLARI DERNEĞİ	1	HALİT KANAK
47	AVRASYA SANAYİCİ VE İŞADAMLARI DERNEĞİ	1	ÖMER FARUK BAŞARAN
48	REKLAMCILAR DERNEĞİ	1	SELMA KARAASLAN
49	BİLİŞİM SANAYİCİLERİ DERNEĞİ	1	DEVİRİM SÖNMEZ
50	ANADOLU ASLANLARI İŞADAMLARI DERNEĞİ	1	MUSTAFA KOCA
51	HABİTAT İÇİN GENÇLİK DERNEĞİ	1	SEZAI HAZIR
52	TÜRKİYE DIŞ TİCARET DERNEĞİ	1	DR. SÜLEYMAN GEDİK
53	EKONOMİ MUHABİRLERİ DERNEĞİ	1	TURGAY TÜRKER
54	TÜRK SANAYİCİ VE İŞADAMLARI DERNEĞİ	1	MUHARREM YILMAZ
55	İKTİSADİ GİRİŞİM VE İŞ AHLAKI DERNEĞİ	1	ŞÜKRÜ ALKAN
56	ULUSLARARASI TAŞIMACILIK VE LOJİSTİK HİZMET ÜRETENLERİ DERNEĞİ	1	SELAHATTİN DOĞAN
57	TÜRKİYE GENÇ İŞADAMLARI DERNEĞİ	1	ENGÜR RUTKAY
58	MÜSTAKİL SANAYİCİ VE İŞADAMLARI DERNEĞİ	1	MEHMET NURİ GÖRENOĞLU
59	TÜKETİCİYİ KORUMA DERNEĞİ	1	HAŞMET ATAHAN
60	İŞ HAYATI DAYANIŞMA DERNEĞİ	1	HALİL İBRAHİM DEMİREL
61	RUMELİ YÖNETİCİ VE İŞADAMLARI DERNEĞİ	1	İDRİS KORALP
62	ULUSLARARASI YATIRIMCILAR DERNEĞİ	1	ÖZLEM ÖZYİĞİT
63	KADIN GİRİŞİMCİLER DERNEĞİ	1	YEŞİM MÜFTÜLER SEVİĞ
64	İSTANBUL AVRUPA BİRLİĞİ ÖNCÜLERİ DERNEĞİ	1	FİKRET KASAPOĞLU
65	ULUSLARARASI NAKLİYECİLER DERNEĞİ	1	RUHİ ENGİN ÖZMEN
66	GAYRİMENKUL YATIRIM ORTAKLIKLARI DERNEĞİ	1	FARUK GÖKSU
67	TÜRKİYE TURİZM YATIRIMCILARI DERNEĞİ	1	AND İLKATEŞ
68	EKONOMİ VE DIŞ POLİTİKA ARAŞTIRMALAR MERKEZİ	1	SİNAN ÜLGEN
69	İSLAM TARİH, SANAT VE KÜLTÜR ARAŞTIRMA MERKEZİ	1	MUSTAFA ŞAHİDİ ÖRNEK
70	İKTİSADİ KALKINMA VAKFI	1	ÇİSEL İLERİ
71	TÜRKİYE EKONOMİK VE SOSYAL ETÜDLER VAKFI	1	FİKRET TOKSÖZ
72	TÜRKİYE EĞİTİM GÖNÜLLÜLERİ VAKFI	1	NURDAN ŞAHİN
73	İSTANBUL KÜLTÜR VE SANAT VAKFI	1	AHMET BALTA
74	TÜRKİYE MİLLİ KÜLTÜR VAKFI	1	MEHMET TUNA SOMAY
75	İSTANBUL ÇOCUKLARI VAKFI	1	İLHAN KANTARCIOĞLU
76	İNSAN KAYNAĞINI GELİŞTİRME VAKFI	1	DR. MUHTAR ÇOKAR
77	ULUSLARARASI TEKNOLOJİK, EKONOMİK VE SOSYAL ARAŞTIRMALAR VAKFI	1	İSRAFİL KURALAY
78	TURİZM GELİŞTİRME VE EĞİTİM VAKFI	1	SEMA ADALILAR
79	TÜRK KÜLTÜRÜNE HİZMET VAKFI	1	AV.ŞERAFETTİN YILMAZ
80	İSTANBUL ŞEHİRİ KÜLTÜR TARİHİ ARAŞTIRMALARI MERKEZİ	1	SÜLEYMAN FARUK GÖNCÜOĞLU
81	TÜRKİYE GÖNÜLLÜ TEŞEKKÜLLER VAKFI	1	AYHAN OGAN
82	İŞ DÜNYASI VAKFI	1	İSMAİL YILDIZ

83	TÜRK EĞİTİM VAKFI	1	DAVUT ÖKÜTÇÜ
84	TÜRKİYE EROZYONLA MÜCADELE, AĞAÇLANDIRMA VE DOĞAL VARLIKLARI KORUMA VAKFI	1	PROF. DR. ORHAN DOĞAN
85	TÜRKİYE ÜÇÜNCÜ SEKTÖR VAKFI	1	NAMIK CEYLANOĞLU
86	DOĞAL HAYATI KORUMA VAKFI	1	ENGİN ŞENOL
87	DIŞ EKONOMİK İLİŞKİLER KURULU	1	BAHRİ CAN ÇALICIOĞLU
88	ULUSLARARASI REKABET ARAŞTIRMALARI KURUMU	1	DOÇ. DR. MELİH BULU
89	TÜRKİYE İHRACATÇILAR MECLİSİ	1	MUSTAFA ÇIKRIKÇIOĞLU
90	TÜRKİYE GAZETECİLER CEMİYETİ	1	SİBEL GÜNEŞ
91	İSTANBUL TOPTANCILAR ÇARŞISI	1	NAHİT KEMALBAY
92	ÇALIŞMA BAKANLIĞI BÖLGE MÜDÜRLÜĞÜ	1	ALİ KARATEKİN
93	GÜMRÜK VE MUHAFAZA BAŞ MÜDÜRLÜĞÜ	1	MUHARREM MURAT
94	İSTANBUL ALTIN BORSASI	1	A.CEVDET BAYHAN

Tablo 3: 2011 Yılı Bütçe Gelirleri

Tablo 3: T.C. İstanbul Kalkınma Ajansı 2011 Yılı Ocak-Haziran Dönemi Bütçe Gelirleri*

GERÇEKLEŞEN GELİRLER	01.01.2011 - 30.06.2011
MERKEZİ YÖNETİM BÜTÇESİNDEN AKTARILAN PAY	0,00 TL
İL ÖZEL İDARESİNDEN AKTARILAN PAY	6.599.781 TL
BELEDİYELERDEN AKTARILAN PAY	33.027.156 TL
SANAYİ VE TİCARET ODALARINDAN AKTARILAN PAYLAR	1.040.037 TL
FAALİYET GELİRLERİ	1.734.817 TL
TOPLAM	42.401.791 TL

*2010 yılından devredenler dahil

Tablo-4: 2011 Yılı Bütçe Giderleri

Tablo 4: T.C. İstanbul Kalkınma Ajansı 2011 Yılı Ocak-Haziran Dönemi Bütçe Giderleri

GERÇEKLEŞEN GİDERLER	01.01.2011 - 30.06.2011
HARCAMA KALEMLERİ	
01 GENEL HİZMETLER	1.540.470 TL
01 GENEL YÖNETİM HİZMETLERİ	1.304.613 TL
01 PERSONEL GİDERLERİ	815.275 TL
02 MAL VE HİZMET ALIM GİDERLERİ	489.338 TL
02 İZLEME DEĞERLENDİRME ve KOORDİNASYON HİZMETLERİ	3.823 TL
03 PLAN, PROGRAM ve PROJE HİZMETLERİ	218.504 TL
04 ARAŞTIRMA VE GELİŞTİRME HİZMETLERİ	0 TL
05 TANITIM VE EĞİTİM HİZMETLERİ	13.530 TL