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Development Agencies on the Way to Regional Development: Romania-Turkey Comparison

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Abstract: The levels of development disparities vary from region to region so many countries suffer from this problem established regional development agencies for minimizing these differences. Regional development agencies are established with the aim of invigorating regional economies and they aim to unearth regional internal dynamics and convert these dynamics into economic and socio-cultural values in both national and international arena. Thus, agencies can attract investments and contribute to the minimization of unemployment. Furthermore, they can invigorate regional economies and contribute correspondingly to the country's economic growth.

The purpose of this study is to examine the potential roles of regional development agencies in minimizing regional development disparities and their contributions on regional economies. Comparison of Turkish and Romanian development agencies is the sample case for this study.

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Key Words: Economic Development; Development Agencies; Development Disparities

1. Introduction

Regional development agencies [RDA] are established for detecting sectoral and general development problems and determining strategies for the solution of these problems.

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RDAs provide fund to local investors and coordinate development activities in the short term. Furthermore, RDAs function as key institutions in making development policies and play a supporting role in preparing annual development plans. They are also in charge of local distribution of the EU fund in the medium term. RDAs are highly important in the path to democratization since they incorporate people into the decision-making process. Indisputably, the road to national development is through regional development. Local problems are solved generally by regional agencies. Thus, the establishment of regional development is a crucial step to national development. Development agencies are brand-new agents that play important roles in the establishment of regional development. In this paper, we will compare Romania to Turkey and analyze the primary objectives, activities, sources of income and legal status of these agencies.

2. Concept of Regional Development

The concept of regional development dates back to the emergence of development economics in the 1940s. Regional development is defined as the reduction of national development efforts to regional level [Bildirir, 2005]. Furthermore, it points to alterations in socioeconomic structure that is affected by revenue growth in a region. The concept of regional development today includes a more various and complicated network of relations than national development. The applications including stimulation of enterprise, infrastructure improvement, education and/or environmental protection are assumed to be associated with development. The assumptions focus on the activities that will improve a region's economic and social welfare. Thus, regional development can be defined as stimulation of indigenous sources and enterprise for increasing the region's level of revenue and employment [Uzay, 2005].

The objective of regional development is to remove the development differences among the cities in a region and follow a balanced development policy over the removal of interregional economic, social and cultural differences among regions. Thus, governments attach special importance to regional development plans for encouraging underdeveloped regions [Gündüz, 2006].

3. Regional Development Agency

RDAs are independent of central governments and they aim to help a certain region develop by activating the region's primary development dynamics. These agencies are among the most important actors of regional development and can be defined in different ways according to their objectives and functions [Bandirma Institute of Economic Researches, 2007].

Based on a legal provision, development agencies aim at the economic development of a certain region by providing the cooperation between all private and public companies, local authorities and nongovernmental organizations [Kocberber, 2006]. Recent regional development paradigm defines development agencies as the instruments designed for the establishment of regional development. In other words, development agencies are regional strategy formulation organizations where the decisions and policies on regional development are determined by local inhabitants, particularly key actors and stakeholders, of the relevant region [DPT, 2008]. According to another definition, these agencies are development units with a public or semi-public mission that aims to provide

cooperation between all regional companies, nongovernmental organizations and local authorities [Yazkan, 2008].

3.1. Regional Development Agencies: Romania-Turkey Comparison

Many countries today use RDAs as instruments for the establishment of regional development. RDAs are considered important to sustainable development. RDA was first implemented with the establishment of Tennessee Valley Authority [TVA] in USA, 1993. Many countries have established RDAs for regional development since the 1950s. Most of the RDAs are today established in the EU because they are included in the scope of the EU's regional policies. The application of the EU fund launched for regional development is performed via the programs that describe the strategies and priorities determined by RDAs [Ozmen, 2008].

Romania separated regional development policies from general socioeconomic policies in 1996. European Commission and Romania prepared "The Green Book for Romania's Regional Development" in May 1997 for determining the framework of regional development and necessary administrative qualifications, precautions, instruments and organizations. The Green Book suggested organizing 8 development regions and establishing RDAs at NUTS 2 level. Romania organized 8 development regions in between September 1998 and May 1999 and established RDAs that would be in service in the 8 regions. The Regional Development Code no. 315/2004 decrees that RDAs be the parts of national system that has been organized for regional development [Cilavdaroglu, 2008].

Table 1 shows the RDAs in Romania that are classified according to level 1, 2 and 3.

Table 1: Classification of RDAs in Romania

| Administrative divisions of Romania | | | | | | | | |
|-------------------------------------|---|---|---|---|---|---|--|---|
| NUTS-1 | Macroregiunea 1 | | Macroregiunea 2 | | Macroregiunea 3 | | Macroregiunea 4 | |
| NUTS-II (Regions) | North-West | Center | North-East | South-East | South | Bucharest-Ilfov | South-West | West |
| NUTS-III (Counties) | Bihor Bistrița-Năsăud Cluj Maramureș Satu Mare Sălaj | Alba Brașov Covasna Harghita Mureș Sibiu | Bacău Botoșani Iași Neamț Suceava Vaslui | Brăila Buzău Constanța Galați Tulcea Vrancea | Argeș Călărași Dâmbovița Giurgiu Ialomița Prahova Teleorman | Bucharest (municipality and capital) Ilfov | Dolj Gorj Mehedinți Olt Vâlcea | Arad Caraș-Severin Hunedoara Timiș |

Source: [http://en.wikipedia.org/wiki/Nord-Est_\(development_region\)](http://en.wikipedia.org/wiki/Nord-Est_(development_region))

As is seen in Table 1, there are 8 development regions at level 2 and 42 cities at level 3.

The EU and Romania established 8 development regions in anticipation of economic and social collaboration in regional development. The relevant code states that the regions are non-areal administrative units with no legal status [Izmir Development Agency, 2008]. Figure 1 shows the 8 development regions of Romania.

In Turkey, regional development policies first appeared in development planning in the 1960s and were later incorporated in ten development plans. The policies on the actualization of development targets have failed to minimize the interregional differences and even deepened them. [Mac, 2006].

Turkey added the concept of RD to the agenda shortly after the registration of candidacy for the EU membership in the 1999 Helsinki Summit. The EU emphasizes that regional

planning be reconsidered from a fresh perspective via RDAs. Accession Partnership Document has dealt with the same point in the medium-term tasks in the EU full membership process. Thus, the EU membership process is the utmost driving force behind the establishment of RDAs in Turkey. Another underlying reason for the establishment of RDAs is to increase competitiveness and accelerate the overall development of the country through the potential of underdeveloped regions [Ağcakaya & Aydın, 2011].



Figure 1: Development Agencies in Romania

Source: <http://www.tepav.org.tr>

Table 2: Classification of Development Agencies in Turkey

| Development Agencies | Sub-regions |
|--|---|
| İstanbul Development Agency | İstanbul |
| Trakya Development Agency | Edirne, Kırklareli, Tekirdağ |
| Ankara Development Agency | Ankara |
| Southern Marmara Development Agency | Balıkesir, Çanakkale |
| Bursa, Eskişehir, Bilecik Development Agency | Bursa, Eskişehir, Bilecik |
| Eastern Marmara Development Agency | Bolu, Düzce, Kocaeli, Sakarya, Yalova |
| Western Black Sea Development Agency | Bartın, Karabük, Zonguldak |
| Northern Anatolia Development Agency | Çankırı, Kastamonu, Sinop |
| Central Black Sea Development Agency | Amasya, Çorum, Samsun, Tokat |
| Eastern Black Sea Development Agency | Artvin, Gümüşhane, Giresun, Ordu, Rize, Trabzon |
| Northeastern Anatolia Development Agency | Bayburt, Erzincan, Erzurum |
| Serhat Development Agency | Ağrı, Ardahan, Iğdır Kars |
| Ahiler Development Agency | Aksaray, Kırıkkale, Kırşehir, Niğde, Nevşehir |
| Central Anatolia Development Agency | Kayseri, Sivas, Yozgat |
| Firat Development Agency | Elazığ, Malatya, Bingöl, Tunceli |
| Eastern Anatolia Development Agency | Bitlis, Hakkari, Muş, Van |
| İzmir Development Agency | İzmir |
| Zafer Development Agency | Afyon, Kütahya, Manisa, Uşak |
| Southern Aegean Development Agency | Aydın, Denizli, Muğla |
| Western Mediterranean Development Agency | Antalya, Isparta, Burdur |
| Mevla Development Agency | Konya, Karaman |
| Çukurova Development Agency | Adana, Mersin |
| Eastern Mediterranean Development Agency | Hatay, Kahramanmaraş, Osmaniye |
| İpek Yolu Development Agency | Adıyaman, Gaziantep, Kilis |
| Karacadağ Development Agency | Diyarbakır, Şanlıurfa |
| Dicle Development Agency | Şırnak, Batman, Siirt, Mardin |

Source: [Prepared by the authors].

Turkey has established 12 1-level, 26 2-level and 81 3-level territorial units in 2012 with the aim of attaining development goals, taking advantage of the funds for candidate countries and adjusting regional policies to the EU standards and implemented the law no. 5449 regarding the establishment, coordination and duties of development agencies [Karaarslan, 2008].



Figure 2: Development Agencies in Territorial Units for Statistics

Source: [Karakoyun, 2011:7].

3.2. Objectives and Activities of Regional Development Agencies

The main objective of Turkish development agencies is to enliven the economy by adding new values to the relevant region. Furthermore, the agencies aim to increase employment and competitiveness, contribute to sustainable development, attract investments to the region, support enterprises, encourage vocational education and improve social and physical conditions [Cilavdaroglu, 2008]. We can categorize Turkish agencies' activities under 6 titles as follow [Yuceyilmaz, 2007]:

- Providing endogenous development,
- Attracting foreign investors,
- Servicing entrepreneurs,
- Servicing local and regional authorities,
- Educational services and
- International activities.

The objective and activities of Romanian development agencies are as follow [Izmir Development Agency, 2008]:

- Preparing regional development strategies, plans, programs and fund management plans and submitting them for the approval of Regional Development Committee,
- Planning fund management in accordance with the relevant legislation and decisions made by Regional Development Committee and assuring the execution of regional development plans and
- Finding fund for the execution of duties.

There are some differences between the objectives and activities of the Romanian and Turkish RDAs. Table 3 shows the comparison of these differences.

Table 3: General Purpose of Establishment and Activities

| Country | Purpose of Establishment and Activities |
|---------|--|
| Turkey | Supporting the determination and preparation of regional strategies, encouraging entrepreneurship, attracting investments to the region, providing cooperation between public and private organizations and CSOs and increasing project production capacity. |
| Romania | Minimizing interregional development differences, adjusting government's sectoral policies to the region and providing intraregional, interregional, international and cross-border cooperation. |

Source: [Izmir Development Agency, 2008:18-21].

Romanian RDAs focus basically on two issues. First, they pave the way for regional development plans that support National Development Plans of Romania. Second, they adjust national regional development investments that are financed annually by the Phare Program to the relevant regions [<http://www.tepav.org.tr>].

3.3. Sources of Income of Regional Development Agencies

Government provides RDAs with capital in the forms of cash and real estate. Agencies make use of various state funds for industrialization by producing projects on the application of the funds. Furthermore, the EU and World Bank provide loans for RDAs [Arslan, 2010:31].

States consult various sources for financing RDAs. For instance, France finances RDAs with incomes from local governments, private sector and agencies; Germany with national and local governments; Austria and Italy with national governments; Ireland and Singapore with national governments and agencies; Portugal with local governments; England with national and local governments and agencies; and Spain with national and local governments and the World Bank [<http://kamumakale.googlepages.com>]. Table 4 shows the sources of income of Romanian and Turkish RDAs.

Table 4: Sources of Income

| Country | Source of Income |
|---------|---|
| Turkey | Public finance [general budget and contributions of municipality, chambers of commerce and industry and special provincial administration], incomes from activities, EU funds |
| Romania | Share in national fund for regional development, contributions of provincial budgets, resources from private sector, banks, foreign investors, EU and other organizations. |

Source [Izmir Development Agency, 2008: 16-17].

3.4. Legal Status of Regional Development Agencies

Legal status of RDAs is different almost all European countries. RDAs are semi-autonomous public corporations in Germany; inter-municipality agencies in Spain; public-private sector corporations in Czech Republic, Estonia, Slovakia and Poland; private-law public organizations in France; public limited companies in Nederland, Italy, Ireland and Portugal; non-departmental public organizations in England; limited companies in Sweden; non-profit making organizations in Latvia; and municipal enterprises in Greece [Karaarslan, 2008]. Table 5 shows the legal status of the RDAs in Romania and Turkey.

Table 5: Legal Status of Regional Development Agencies

| Country | Legal Status of Regional Development Agencies |
|---------|---|
| Turkey | Private-law legal entity with enacted duties and authorities. |
| Romania | Non-profit making legal entity |

Source: [Izmir Development Agency, 2008: 14]

RDAs are classified according to their bureaucratic structure, autonomy, purpose of establishment and activities. However, the basic difference is whether government is included in core administrative structure. Many European RDAs are independent bodies that will exist necessarily with economic and political support. Thus, RDA activities undergo political interventions [Picak, 2008]. Furthermore, we can classify agencies by their founders and activities. By founders, we can categorize RDAs as a) RDAs founded by central government, b) RDAs answerable to local/regional government, c) RDAs founded by local/regional government and d) RDAs founded by public/private trusts. On the other hand, agencies by their activities are strategic agencies, global operational agencies, sectoral operational agencies and internal agencies [<http://www.savistay.gov.tr>].

4. Conclusion

Economic and social interregional differences today increase rapidly and cause many troubles. RDAs are important units that aim to minimize the differences. Turkey has prepared regional plans for minimizing regional differences. However, Turkey's policies on national development objectives have failed to reduce the differences and even expanded the interregional gap. Thus, RDAs have been established for reinvigorating the economy. There are some differences between the objectives, activities, duties, responsibilities, sources of income and legal status of Romanian and Turkish agencies. However, the common objective of the agencies in the two countries is to provide regional development.

RDAs have been established for regional economic recovery and will unearth regional internal dynamics and convert these dynamics into economic and sociocultural values in both national and international arena. Furthermore, agencies will attract investors and contribute to the minimization of unemployment and correspondingly to the country's economic growth. Regional development is an integral part of national development and RDAs are highly important units to regional economies.

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