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*The role of Regional Development Agencies in Turkey. From implementing EU directives to supporting regional business communities?*

*Paper submitted to European Urban and Regional Studies (Kathy Woods: [eurs.journal@durham.ac.uk](mailto:eurs.journal@durham.ac.uk))*

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**The role of Regional Development Agencies in Turkey. From implementing EU directives to supporting regional business communities?**

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## **Abstract**

Turkey's step-by-step embedding in the institutional and policy environment of the EU is currently compelling the country to establish a fitting structure of regional governance. Key element in this structure is the creation of regions at the NUTS II level that will be equipped with Regional Development Agencies. Yet, the present political and economic situation in Turkey throws some doubt on the scope and future for RDA development. To what extent will the central state be able and willing to devolve authority and resources to the local level? And to what extent do regional institutional and business settings hold fertile ground for RDA development? The paper will address these questions, first, by focusing on the broader political-institutional context of region and RDA formation, and, second, through a detailed case study of one regional setting, namely Istanbul. The outcomes indeed point at a fragile basis for RDA development both from a political and economic perspective. Yet, they also help identify certain areas where RDAs, in a more bottom up way, could help to fill serious gaps in the fabric of regional economic development, and may find external resources to do so.

## **Introduction**

Comparable to other ‘transition countries’, Turkey’s road towards the EU has confronted the country with the need to adopt a structure of regional governance. This has recently resulted in the establishment of 26 ‘statistical regions’ at the NUTS II level, which group together Turkey’s 81 provinces. Alongside, a programme is under way to establish RDAs, which are expected to play a critical role in mobilising support and funding for regional development projects. Regionalisation, however, poses major challenges and dilemmas to the Turkish state. Since its foundation the country has been characterised by a high level of centralisation and a virtual absence of regional forms of governance. The existing 81 provinces, for instance, have served primarily to implement centrally orchestrated policies. A key question thus is whether RDAs will genuinely be able to become strategically important organisations strengthening regional forms of governance and regional socio-economic development. Yet, as the literature on RDAs indicates, devolution is not the only lifeline for regional agencies. In Europe, many RDAs thrive on the basis of local engagement and external funding, the latter often acquired through EU funding programmes. Hence, the key question addressed in this paper is: what are the chances for the new RDAs in Turkey to settle as core developmental agencies, and to what extent will this be based on their embedding within a state system of multi-level governance and/or within regional socio-economic structure? Subsequently, we ask how effective RDAs can be in overcoming regional socio-economic problems through enabling cooperation and coordination among various organisations at the regional level.

The structure of the paper is as follows. In the first part, the multiple faces and types of RDAs are explained in general, with a specific interest in the role of links with state and non-state actors. This is followed by a discussion on the steps towards regionalisation before and after Turkey’s candidacy for EU membership. The next section will further explore the relation between the RDAs and the state, and current attempts to move towards a multi-level governance structure. The second part will further explore the role of the business community

and hence the scope for a regionally embedded agency, on the basis of an in-depth study on what we regard as a ‘critical case’, namely Istanbul. The last section will present our conclusions.

**Position of RDAs between state restructuring and supporting regional business communities.**

Regional development agencies can be characterised as semi-autonomous organisations that, in a multifunctional and integrated manner, support economic development primarily through ‘soft’ means of policy, such as the provision of advice to SMEs inducing networking and learning (Halkier et al., 1998). From a more strategic point of view, RDAs are generally expected to bridge the gap between regional economic policy and other fields of policy that impact upon regional development, building on their capacity to collectivise local interests (McMaster, 2006, Syrett and Silva, 2001). Through being territorially embedded, while at a (al least perceived) distance from state authorities, RDAs are generally better able to approach and involve local businesses and organisations. Hence, “RDAs can develop a degree of operational freedom and credibility that regional departments of government may lack” (Danson and Whittam, 1999). In this position, RDAs are also seen as the key vehicles to draw in major streams of funding (notably from the EU) and coordinate their spending, and to respond more in general to development in national and international policy frameworks.

While RDAs are generally associated with the rise of more integral and entrepreneurial orientations in regional economic policy-making, in practice they manifest a high degree of diversification in remits, organization, finance and activities (Halkier et al., 1998, EURADA, 1999). One critical factor is the degree and nature of autonomy with respect to central and local state authority. On one end of the spectrum, agencies may be full part of central state organisations with hardly any organisational or regional autonomy. On the other end, there are agencies that are established in a bottom-up fashion by local authorities or even (semi)private businesses. The first category is subjected to a high degree of political control,

but generally benefits from rather stable streams of income and a certain level of independence. The second category tends to be more independent but, as a result, relies more on the acquisition of funding and the (semi)commercial exploitation of service provision. Between these two extremes, a large variation of positions can be identified. A category that has become more prominent over the last decade is constituted by agencies directly established by local and regional authorities, which find themselves in a position where they can make quicker decisions and where they are less affected by political agendas and attitudes (EURADA, 1999). In practice, many RDAs operate at arm's lengths from sponsoring authorities, where the latter only interfere at the level of overall resources allocation and broad policy guideline. In such cases, both the strategic initiative and executing powers rest with the 'frontline' agency (Halkier et al., 1998). There are also cases where RDAs themselves have established other, dependent organization at arm's length, notably in the provision of financial services. A specific example is the initiation and management of venture capital for small (unquoted) private companies supplied by private investors, often called 'Business Angels'.

RDAs' organizational and financial standings are, in turn, closely associated with their functional and strategic positions. Because of a lack of a clear statutory position, RDAs generally have to carve out a role for themselves in a complex and dynamic environment, in which changes in political preferences and affiliations may cause rapid turns in the way RDAs are supported and how their role is seen (Syrett and Silva, 2001). For instance, increased emphasis on self-reliance, often induced by neoliberal agendas or, more pragmatically, enforced budgetary cutbacks, have pushed RDAs into a role of consultant or project applicant and coordinator living off (inter)national grants. In the UK, in particular, RDAs have transformed from more strategically oriented agencies to delivery organisations which even tended to contract out the writing of strategy documents to professional consultants (Benneworth, 2001). As detailed by Benneworth for the UK case, and McMaster (2006) for the Czech case, the position and role of RDAs can only be understood by analysing different

kind of influences and pressures at different levels, in terms of (relative) competencies, resources, policy orientations and other regional, national and international conditions. There is often a considerable distance, accordingly, between the theoretically infused image of the RDA as a pivotal body that helps to shape strategic and associative capacities in a region, and the daily reality of meeting ever more political and bureaucratic demands and the constant need for finding financial support.

Moreover, RDAs find themselves often wedged between process of state restructuring driven by 'high politics' and the necessity to embed themselves in a particular local institutional and business setting. They have to simultaneously meet 'top down' political-strategic and bureaucratic obligations and respond to local demands in terms of governance (partnering, strategy development), economic intelligence, and business needs. This delicate position, moreover, is institutionally and politically conditioned and circumscribed. Especially EU support programmes explicitly require, in a detailed way, regional agents to develop their projects on the basis of surveys of the local situation and the building of organisational and financial relationship with other local agents, including from the business community. Yet, besides this 'partnership', it also prescribes the basic principles of governance and accountability in a top-down manner. In doing so, the EU seeks to impose the favoured model of 'indigenous development' upon the region within a European regulatory context (De Bruijn and Lagendijk, 2005).

Despite the many hurdles to overcome, RDAs often manage to evolve as spiders in regional webs linking together public, private and societal organizations, thus contributing to a region's 'institutional thickness' and 'governance capacity' (McNaughton, 2000). Sometimes such an achievement results from a fortuitous coalescence of external (top-down) influences, resources and pressures. The move to 'institution' and 'capacity building' has been encouraged, in particular, through the way the EU has conditioned the implementation of regional policy and Structural Funds spending across the Union. After introducing the



principles of 'programmatic approaches', 'partnership', 'accountability' and 'subsidiarity' in the 1980s and 1990s, the EU Lisbon Agenda from 2000 gave a further push to nurturing participatory forms of territorial (especially regional) governance. As part of its commitment to 'better government', the EU considers local and regional authorities and agencies as vantage points for informing and engaging citizens, local businesses and other local groups and organizations (Gualini, 2004b). Yet, often such as strategic role stems from local drives, initiatives and finance in a more bottom-up fashion (Benneworth, 2001).

At a more operational level, RDAs have evolved, albeit in highly different forms, as services and intelligence centres for local business at an individual as well collective as (e.g. sectoral) level, and for local authorities and sectoral organisations. Although the state, particularly at the local level, may be involved in initiating, steering and financing such activities, a good business response may trigger a self-supporting follow-up. Business fees can play a role in this, but also the capability to bid for funding from a variety of sources, such as competitive programmes for business support, knowledge exchange or territorial assistance at the national or EU level. Indeed, the EU, with numerous 'calls' for a broad variety of support measures, has become an important lifeline for many regional agencies through project-based support. What RDAs face, in this respect, is rather convoluted configurations, at multiple levels, of funds, priorities and objectives (Benneworth, 2001). This is especially the case in more peripheral areas, which are characterised by a high density of policy initiatives and instruments.

Such a high policy density, moreover, tends to contrast with a weak operation of intermediate (business to business) markets, notably in business services. Extensive empirical analysis by Bennett et al (2001) indicates that in less developed regions RDAs tend to offer more direct support services because of a lack of more commercial supply. However, the research also shows that *overall* uptake of services, whether privately or publicly provided, is considerable lower. This illustrates the double faced position faced by RDAs in less

developed areas. On the one hand, they have more opportunities to gain a larger share in the supply of services because of the lack of other providers. On the other, they are confronted with less proclivity for using external services and hence a lower level of overall interest and demand.

This multifaceted picture of the position and role of RDAs does not only underscore the point of variety, but also the demanding environments in which many agencies operate. It is especially meeting different kinds of pressures that provides a challenge. For instance, institutional support, in the form of local, national and international subsidies, primarily calls for a role as strategic agencies that embark upon strategic analysis and planning, communication and partnership building, and upon the learning from 'good practices'. The requirement to become more self-supporting, however, points at a role as operational agencies that deliver business support and scoping studies, and that deal with the management of (European to local) projects. Moreover, as explained before, support provided by the EU is seeking to find a better integration between strategic and operational levels (Benneworth, 2001). This is not only a matter of the governance context (e.g. nature of vertical coordination, level and nature of autonomy), but also the division of labour between an RDA and other local agencies (horizontal coordination). Some regions, for instance, have separate agencies for training, the attraction of investors and specific forms of business support. More specific domains of action are sectoral activities, inspired, in particular, by the popularity of 'cluster' approaches and policies. Other agencies are involved in the promotion of foreign investment through the targeting of possible investors and negotiation of favourable investment packages. In the remainder of the paper, we will discuss the way such contextual variables impact upon the establishment, development and future roles of RDAs in Turkey, notably in the Istanbul region.

### **Regionalisation and RDA development in Turkey before the EU candidacy**

While suffering from stark levels of regional inequalities, until recently Turkey's political-economic system had not invested in a systematic approach to alleviate regional inequalities. Although the issue of regional disparity has always been addressed in the state development plans, the initiatives taken could not make up for the strong forces of agglomeration that underpinned the growth of core regions such as Istanbul or Ankara. Moreover, the issue has been compounded by the political sensitivities towards region formation and, in particular, regionalism. Like in other countries, the state has always been keen to prevent a move towards a multi-level governance structure from playing in the hands of separatist movements. A further complicating factor is that previous steps towards decentralisation and devolution have been thwarted by poor administrative competencies at the local level, as well as bottlenecks in vertical coordinating and control. There is a strong fear, in particular, for uncontrollable local spending drift (OECD, 2004). The state thus needs to strike a balance between different interests: economically, between the general support of economic development and the call for reducing spatial inequalities; politically, between the 'central' interests of the state and calls for more regional autonomy, and administratively, between political ambitions and administrative capacity. In this light, it is important to remember that the current territorial governance structure, based on a division into 81 provinces, primarily serves to carry out basic administrative tasks under central authority.

While, accordingly, the Turkish state has not made an attempt to establish systematic forms of regional governance before the EU candidacy, there have been several stand-alone initiatives of regional support. One example has been the launching of the *Güneydoğu Anadolu Projesi* (or South-eastern Anatolia Project, GAP) in 1989. Although GAP's role corresponds to that of an RDA, namely fostering regional development, in organisational and financial terms it is a full administrative arm of the central state. This is manifested, for instance, by the location of its central activities in Ankara.

The first initiatives towards the establishment of RDAs emerged in the beginning of 1990s. These developments generally stemmed from local initiatives taken by non-governmental actors, notably in the business sector. An exemplary NGO in the field is the Aegean Regional Development Foundation (EGEV, 1993). EGEV was established in 1992 by the provincial governor, municipality, chambers, industrialists and business organisations. The basic purpose of the organisation is improving the economic development of the Aegean Region through nurturing the region's endogenous potential. A key objective has been to attract local and foreign investors in co-operation and partnership with the other developmental organisations in the region. In 1993, significantly, EGEV initiated studies on the possibility of establishing an RDA under the name of the Aegean Region Development Agency (EBKA). The project could draw on financial resource worth 300.000 ECU from the EU MEDINVEST programme (EGEV, 2002). Since then, EBKA has evolved as an agency promoting technology transfer and developing trade co-operations between local SMEs and the EU, and also as a local centre for economic intelligence. EBKA's most evident activity was establishing a small database for Izmir (EGEV, 2002). To do so, it has engaged in the building of support networks with various European RDAs. Currently, EBKA functions as a joint stock company in the structure of EGEV.

Two other examples are the initiatives taken by the Izmir Chamber of Commerce (IZTO) and Mersin Chamber of Commerce and Industry (MTSO) (Yasar, 2003). In Izmir, IZTO has been working on the development of an RDA in the Aegean Region from 1999 onwards. This effort has been carried out in co-operation with a group of experts from the United Kingdom, i.e. from Trade Partners UK (now called UK Trade & Investment, a UK government organisation helping UK companies to expand abroad and overseas enterprises to invest or expand within the UK). IZTO and Trade Partners UK signed a contract for co-operation in 2001. In the same year, IZTO organised two meetings on the establishment of RDA with regional actors, municipalities and other local actors, the State Planning Organisation (DPT)

and the UK experts. This resulted in a plan to establish a proto-agency under its organisation in 2003. In the end, the plan did not come to fruition, most likely because of insufficient financial and bureaucratic support. In Mersin, the Mersin Chamber of Commerce and Industry (MTSO) initiated the formation of a Development Agency in June 2002. Aiming to foster the socio-economic and cultural development of the region, Development Agency's specific targets included the development of infrastructure, economic intelligence (through the collection of statistical data), business support through consultancy and promotional activities. Alongside the development agency, another agency was established in 2004 with the participation of governorship, municipalities, universities, chambers, under the label of the Mersin Development and Cooperation Council, to provide a broader basis for support and legitimisation for the Development Agency.

Like in other countries, national policy developments also have had spatially and regionally discriminatory effects, mostly implicitly but sometimes even explicitly.. While there was no dedicated authority or department for regional policy, since the 1960s the State Planning Organisation (DPT) has been responsible for making and implementing regional development plans (DPT, 2000), mainly through the Directorate General for Regional Development and Structural Adjustment. Yet, such plans were generally latched on sectoral plans serving the priority goal of national industrialisation (Loewendahl-Ertugal, 2005). Within the context of GAP, for instance, most regional assistance has been devoted to the energy sector, concentrating on specific places and primarily serving national developmental agendas. Another national initiative bearing on regional development has been the establishment, in 1998, of the Regional Development Institute of Small and Medium Size Industry Development Organisation (KOSGEB), with the aim to foster regional development through supporting small and medium-sized enterprises and investors. Yet, what binds all these organisations, from the stand-alone regional agency to the national organisations is the strong central hand in regional affairs. Even when it comes down to territorial planning at a local level (formally defined at the 1/25,000 scale), the responsibility primarily rests with a national

body, namely the Ministry of Public Works and Settlement (ABGS, 2000). On the whole, these development are in line with findings from other less developed areas in Europe characterised by weak regional structures, such as Portugal, Hungary and the Czech Republic (Syrett and Silva, 2001, Varró, 2008). But also elsewhere nation states retain considerable discretion and filtering capacity to determine what RDAs can and should (not) do (Gualini, 2004, McMaster, 2006).

### **Regionalisation under EU partnership arrangements**

The context for regional policy changed radically with the intensification of the collaboration between Turkey and the EU, fostered by the prospect of full accession. A final decision on the latter continues to be postponed, even after four decades of pre-accession agreements. Nevertheless, since 2001 Turkey has fully committed itself to conforming its governance structures and procedures to that of the EU (structural) policy framework, including that of regional policy (Bilen, 2005). In practical terms, this means that the state has to facilitate the development of structures of regional governance across the country, in line with the principles of good governance adopted by the EU as listed before. In a more structural sense, the EU is now forcing the state to somehow overlay a historically evolved vertically and sectorally organised planning and policy system with a more horizontal, territorially oriented structure (Loewendahl-Ertugal, 2005).

To accommodate the European agenda, the state, in agreement with the EU, introduced a new division of regions at the NUTS II level (Figure 1). In addition, a new legislation was passed on 25 January 2006 (Turkish Government, 2006) with the remit to facilitate and regulate the establishment of RDAs in the NUTS-II areas, which led to the recent establishment of two pioneer Regional Development Agencies in Izmir and Mersin-Adana NUTS II areas. In the so-called, “Law on the Establishment, Coordination and Tasks of Development Agencies”

law, RDAs are defined as semi-departmental agencies established by the central government, with strategic and general operational functions (Turkish Government, 2006). Yet, at a more detailed level, the tasks of RDAs are defined rather loosely. The law does not prescribe to what extent RDAs should be engaged in, for instance, the preparation of regional development strategies and regional plans. In the current law, the DPT is identified as the organisation responsible for the coordination of RDAs, and for the allocation of external funds. In other words, in a formal sense, RDAs are not granted the tasks of preparing regional development strategies, nor for project coordination or financial allocation. The only defined task is that of supporting the projects under regional plans implemented by other organisations, which, however, are not clearly specified. Nor does the legislation provide a basis for the way RDAs can provide direct support to SMEs and nurture collaboration amongst firms and other organisations. Because of the lack of strategic capacity and resources endowed to RDAs, this framework does not offer the opportunity for a more proactive role of RDAs as part of the adoption of EU regional policy guidelines.

According to the new legislation, the governance of the RDAs will rest with three bodies, a Development Board, a Management Board, and a General Secretariat. The Development Board is constituted of members from representatives of various public, private organisations, NGOs and universities and primarily plays an advisory role. The Board thus serves to gain broad regional support and legitimisation. What RDAs will need to overcome, in particular, is the image of Turkish state organisations as being overly bureaucratic and ineffective. Yet they will also need to overcome potential resistance from public bodies that might feel intimidated by organisations that include powerful non-public agents. The Management Board is composed of provincial governors, mayors from metropolitan municipalities, the chairmen of the Chambers of Commerce and Industry, and three representatives from NGOs or the private sector. The General Secretariat is the executive body in RDAs. Alongside, Investment Support Offices will be established, located in each province in related NUTS II regions.

[FIGURE 1 ABOUT HERE]

In terms of actual investments, a step-by-step process of RDA launches and grown is foreseen, starting with the establishment of pilot RDAs in those NUTS II regions where currently EU supported development projects are ongoing. Three development associations are already established in Turkey. These are the Orta Karadeniz Development Association, the Yesilirmak Watershed Area Development Association, and the Erzurum-Erzincan-Bayburt Provinces Development Association (see Figure 1). In other regions, MTSO in Cukurova region and other organizations, such as the Chambers of Commerce and Industry of Adapazari and Elazig are seeking to become an official pilot region for the establishment of a new RDA.

However, despite the formal steps taken and the welcoming response at the regional level, the regionalisation processes remain somewhat contentious. Within the state administration itself, sectoral ministries seem to be prepared to hand over certain responsibilities notably in the area of policy implementation. This basically involves a shift from the Ministries' local offices to regional agencies, thus also allowing for some horizontal coordination between sectoral policies. Such a decentralisation is not accompanied, however, by a move to more regional autonomy as advocated by the EU (Loewendahl-Ertugal, 2005). In terms of the typology presented before, current developments in Turkey point towards the adoption of a state-based model of RDAs. Given the actual relationship between state bodies, business and other, societal organisations, a critical question is to what extent such RDAs can play an effective role in the nurturing regional economic development. One may even wonder whether RDAs, lacking anchoring within the regional socio-economic structure, will be able gather sufficient momentum and support to secure a sustainable future. The next section will provide more insight into the local dimension of business development and the need and scope for more regional anchoring of RDAs.



## **Towards a more independent position for RDAs? The case of Istanbul.**

The potentially fragile 'state-based' basis for RDA development begs the question to what extent RDAs may (partly) move towards a more independent position. Can one envisage a future where, as semi-public bodies, RDAs become more self-reliant through a combination of providing (semi)commercial services to businesses, participation in a variety of joined-up projects and strategies at the regional level and the capacity to acquire external funding for instance from the EU? We cannot answer this question in full detail here, but with the help of a recent survey we are able to shed light on the potential role of the engagement of businesses and other local organisations. Not only the EU, but also the OECD and World Bank have identified higher levels of business engagement, from the local to national level, as a critical factor in improving the performance of public policy (OECD, 2004). Yet, at the national level, such a move is seriously hampered by a persistently low confidence in authorities and policy-making processes, which is due primarily to the pervasiveness of patronage and clientelist practices (OECD, 2004). In this section, we will explore the situation at the regional level.

The case area selected for this inquiry is Istanbul, which is the most economically developed and a highly promising region in Turkey. It is a primary centre of population (over 10 million) and economic activities, notably in key sectors such as clothing and textile, mechanical, metal, chemical, food industries, and of commerce and finance. Istanbul constitutes a single NUTS II level as a province. The main reason of selecting Istanbul as a case study is that, given its relatively advanced conditions, it is likely to be a region most inclined to public-private partnering. The survey was conducted in Istanbul in 2002, and involved a series of interviews and questionnaires with approximately 89 firms and 102 public and non-governmental organisations (Kayasu et al., 2003, Yasar, 2003). A two step survey was conducted in Istanbul. In the first stage, 900 questionnaires were circulated to SMEs by mail.

The sectors for the survey were selected by calculating sectoral weights from the Turkish Chambers and Stock Exchange Association( TOBB) database. The response rate was rather low (10%) but in terms of total number of forms the response is still substantial. A different questionnaire was sent to 102 organisations. This was actually the total number of relevant organisations in Istanbul. In this case, all questionnaires were completed and returned. At the second stage, after evaluating the replied surveys, a series of face-to-face interviews with firms and organisations were carried out. The survey included two types of inquiries: first an inquiry into the extent to which business needs are and can be met by the RDA provision of particular services; second, a more institutionally oriented inquiry into the roles regional organisations currently play in service delivery, networking, strategy making and attracting foreign investment, shedding light on the scope for future RDA formation and activity in the region. The establishment dates of surveyed firms include a long period from 1929 to 2002 in Istanbul. The results of the survey will be presented in two parts. The first part addresses the business side, focusing on service demand, current ways of obtaining financial, technological and marketing assistance, as well as support for information exchange and network formation. The second part examines what roles regional organizations play in service delivery, networking, strategy making, and the attraction of foreign investment.

### **Business needs for regional support**

The first part of the survey explores the business needs for local support, and the ways used to obtain support. A key question is to what extent firms liaise with either other firms or local consultants and business agencies for assistance, and, subsequently, what role can be envisaged for an RDA in fostering such linkages. The following items are explored: assistance to start-ups, financial assistance, technological and R&D support, information exchange, marketing support and help with the trading of intermediate goods and services.

At the € period of business development, a great majority of firms included in the survey, i.e. some 97%, indicated that they had not received any consultancy services for organisational structure, marketing, the targeting of potential client group and product development. Those firms that benefited such services are those that had entered newly emerging innovative industrial sectors. The significance of informal relations, particularly those centred on personal relations, were also pointed out by the majority of firms. Three different types of services were commissioned most intensively: legal services, communication and information services and administrative services. An overwhelming majority of these services are provided by specialised firms and persons (90%), followed by the services of Chambers of Commerce and Industry. While there is a range of organisations providing business support services (e.g. KOSGEB), the lack of information about these organisations and the apprehension of inflexible bureaucratic procedures impede the use of these services.

In Turkey, the central government provides a variety of *financial incentives* for SMEs under the management of different institutions and for different purposes, i.e. for investments, exports, research and development. Credits for SMEs, however, are provided on a selective basis by public and private banks, foreign finance institutions and private/venture capital firms. When the sources of financial support were questioned, most of the start-up respondents (93%) stated that they had primarily relied upon family loans or loans from other personal relations for initial investments. 26% of the firms indicated that they did not make use of external sources of credit for their firms, while 55% of the firms applied to private banks and 22% to public banks.

As for *technology monitoring*, the Technology Development Centres (TEKMERS), the Small Enterprise Development Centres (KUGEMs), the Scientific and Technical Research Council of Turkey (TUBITAK), and the Turkey Technology Development Foundation (TTGV) can be stated as being the organisations that support technological development. For example, while TEKMERs have a role in supporting information and communication firms, KUGEMs

provide services for technology dissemination. When asked about the need for, and sources of, technology absorption, nearly all firms in the survey (99%) stated that they could keep up with new technologies in their production areas. However, they also revealed that they did so primarily through their own efforts, notably through attending international business fairs and exhibitions, surfing internet and following publications. Another important source of technological information is embodied in personal relations and acquaintances. Once again the results point out the significance of informal, personal interaction networks.

*R&D activities* are closely related to technology transfers. In Turkey, TEKMERs, TUBITAK, Technology Assessment and Guidance Institution (TIDEB), DTM, TTGV, Turkish Patent Institute (TPE), IGEME and Science and Technical Research Foundation (BITAV) are the organisations that cater R&D services to firms in Turkey. KOSGEB, for instance, provides technical support, documentation and publication services towards R&D activities. Those organisations such as TIDEB and TTGV mostly provide financial support for the same purposes. According to the survey, 64% of the respondent firms accommodate R&D activities within the firm, while 27% of the firms stated that their businesses do not require R&D. However, it is not unusual for firms to perceive R&D activity as following new technologies in products and production processes as well as adapting their products to new technologies. In other words, many firms prefer product development with a minimum level of ‘new’ innovation. SMEs tend to engage in R&D through integrating absorbed technologies; whereas integrated firms establish their own R&D units. What the results also reveal, in line with previous findings, is there is little demand for R&D services that are provided by public organisations and specialised private firms.

More than half of the firms in the survey indicated that they produce for both foreign and local *markets* (55%). 22% of the respondent firms does not market their products overseas, while and 23% produce for export only. Nearly all firms endorse the importance of market research, notably for receiving information on new markets, methods of marketing and export

services. Most of the participant firms use more than one method for market research. 64% visit international business fairs and follow trade publications; 55% operate through their own marketing unit. Moreover, 63% use their personal relations for marketing purposes. Utilising the services provided by public organisations for market research clearly has the lowest share in the survey, despite the fact that several Turkish organisations provide services for foreign trade, marketing and export. For example, exporter unions in different localities exist for providing export aid to enterprises. IGEME and KOSGEB, the Chambers of Commerce and Industry for example supply market research services for exportation. Also the Confederation of Turkish Craftsmen and Tradesmen (TESK) provides services for marketing. This lack of uptake, once more, vindicates the need for locally based organisations that provide specialised services for marketing and export. Such services could include global and local market research, providing consultancy of product promotion and export aid particularly for SMEs that lack stable market shares. While, at present, there seems to be no effective demand for such services, this should be attributed to a lack of motivation and trust rather than to a lack of need. For nearly all SMEs, there is substantial scope for improvement in productivity and marketing to which external support could make a significant contribution.

As for sustaining *information exchange* between businesses, 24% of firms indicated the lack of information exchange among firms, while 76% of firms confirmed the existence of information exchange with other firms. It was also pointed out that, especially in the same sector and with respect to adapting new technologies, information exchange is limited due to competition among firms and the prevalence of small market share. On the other hand, some of the large firms with relatively stable market share uphold intense forms of information exchange especially in the new technologies, and primarily through established informal personal relations. Significant support for information exchange among firms is provided by the Chambers of Commerce and Industry. In fact, public organisations appear to have the weakest relation with firms among all organisations throughout the survey.

Another form of business interaction involves the *trading of intermediary products and services*. The survey reveals that 88% of the respondent firms have relations and establish networks with other firms. Subcontracting relations are mostly held with local firms, whereas licensing relations are with foreign firms. These relations are established primarily within informal personal networks. 28% of the firms, however, state that they establish formal relations through internet and international business fairs. The Chambers of Commerce and Industry negotiate among firms in forging contracts to a certain extent. Other organisations that function for the same purpose are the National Franchising Foundation, the Undersecretary of Treasury, TPE and Euro Turk Merchant Bank, which provides assistance for establishing joint ventures, franchising and licensing. Moreover, the Economic Development Foundation (IKV), DTM, KOSGEB (with Common Usage Laboratories/Workshops), the Turkish Foundation for Small and Medium Business (TOSYOY), and Turkish Co-operation and Development Institution (TIKA) foster co-operation among firms in a more general sense. Again, however, the uptake of these services is rather limited to less than one third of businesses that had been surveyed.

In spite of the fact that certain organisations aim to provide services for fostering business development and co-operation among firms, partly due to lack of effective demand and partly due to the lack of effective provision of such services by organisations, only a reasonably small proportion of firms benefit from these services. Aside from large firms, which maintain formal networks with other firms and organisations, a large proportion of small firms confine their knowledge acquisition to existing informal networks that are established through personal relations. Locally based RDAs with clearly defined goals for providing customised services for firms will certainly accelerate the formation of more effective formal and informal networks and enable effective provision of services.

## **The role of regional organisations in providing business services and regional development strategies**

The second part of the survey focused onto the role of public and private organisations in nurturing local economic development. These organisations include interest associations such as Chambers, voluntary organisations such as Associations of Industrialists and Businessmen (SIADs), sectoral based foundations and unions that constitute the core local economic actors of Istanbul. Mirroring the questions on the demand for business services raised in the first part, the prime question concerned the kind of services organisations claim to have on offer. Figure 2 shows the results in a decreasing order of frequency. The results indicate that vocational and entrepreneurial training, consultancy on legal procedures are the services most on offer, followed by services related to R&D and co-operation among firms inside and outside the regions. Remarkably, this pattern of supply does not match that of demand. Services most demanded by firms, such as legal services, communication support, actually rank bottom in Figure 2. The results corroborate the earlier finding that existing forms of relations and interaction between firms and organisations appear to be deficient. Those questions regarding service supply, moreover, endorse the fact that support organisations available in the region suffer from an overly bureaucratic image. This certainly applies to the public organisations but also bears upon the Chambers of Commerce and Industry. What may compound the difficult position for (semi) public organisations is that, as explained in the first part, they are generally part of national bodies, working under central coordination. This seems to result in poor customisation, and causing a lack of interest on both the supply and demand side of service provision. Interest associations and voluntary organisations such as chambers and foundations, e.g. SIADs, on the other hand, appear to maintain relations with certain firms that are relatively more dynamic in nature. However, most of these relations are based on personal relations rather than on the general reputation of the organisation involved.

[FIGURE 2 ABOUT HERE]

A key issue is what role future RDAs can play in nurturing endogenous development through facilitating and undertaking the debating and detailing of a shared development agenda. So first businesses and organisations were asked to what extent they engage in cooperation with public and private organisations to promote their interests in local economic development. The results indicate that 92% of the respondent organisations maintain cooperation with other organisations for this type of regional goal. However, the survey also revealed that the (national) bureaucracy faced, in particular, by public organisations seriously hampers the shaping and pursuit of collective aims and collaborative arrangements. This chimed with the preference found in the survey for collaboration with non-state foundations and associations, followed by chambers and unions following them. Public organisations rank bottom in this respect.

Subsequently, the survey asked respondent organisations to what extent they have been involved in the preparation of regional-economic development plans or strategies, the undertaking of (regional/sectoral) economic surveys (including location and investment studies), or the collection of statistical data. Some 67% of the respondent organisations stated that they often conduct such studies. More specifically, 42% indicated an involvement in studies for encouraging endogenous investments in the region, and 33% has provided information for the firms about the possible industrial locations in their regions. Direct engagement with the development of a regional strategy or plan is only confirmed by 25% of the respondents. What puts the latter figure in perspective is the fact that 58% of the respondents is representative of a nationally operating organisations, some of which, such as the DPT mentioned earlier, have a 'top down' responsibility for developing regional plans and development strategies. Overall, from a regional perspective, the data corroborates the lack of a comprehensive framework for preparing regional development plans. On the one hand, there are many local organisations that undertake various, largely unrelated, forms of gathering economic intelligence, while, on the other, more comprehensive strategic actions geared towards regional development are carried out by organisations at the national scale.



This raises the issue of a proactive role for an RDA. With the right institutional backing, an RDA could fill the gap by providing a bottom up, regionally tailored framework for economic strategy making.

After supporting endogenous investments, the survey finally explored activities targeting foreign investors. Less than half of the organisations in the survey stated that they conducted such promotional activities for their regions. When queried about the mode of the activity, what came out first was the co-operation with similar foreign organisations (50%). What proved entirely absent, furthermore, was something commonly supplied by RDAs and investment promotion agencies across the world, namely the provision of technical and financial incentives. This presents another issue which might be addressed by new RDAs. More in general, if RDAs were to become less associated with the top-down structures currently dominating both public and private support, moving closer to local business communities and networks, they could play a significant role in creating comprehensive frameworks of regional-economic strategy-making and support provision.

## **Conclusion**

What can be the role of Turkish RDAs in promoting regional development? Turkey's step-by-step alignment with EU regulation and practices have put the issue of regional development and 'institution building' prominently on the agenda. But what is, given the broader political-economic environment and the 'local' context, the scope for a proactive role of regional agencies? This paper has addressed the issue by first exploring the national context and setting for regionalisation agendas and initiatives, followed by an in-depth study of one critical case, namely Istanbul. We have examined, in particular, what roles RDAs are expected to play as part of the state's organisational structure and policy programmes, versus a role as a self-sustaining strategic and/or operational agent and broker in particular regional settings.

On part of the state, it is clear that there is some keenness for devolving certain, primary practical, issues and tasks to RDAs, but that the legal backing for devolution is fragile. In particular, what is lacking is a view of the state on the more strategic roles RDAs should play in fostering local economic development, and on the kind of services they are expected to deliver. Apart from broader political motives, this hesitance is understandable given the often poor performance of local state organisations, due to lacking competencies, and the perseverance of patronage and clientelist practices. On the other hand, as confirmed by the survey results, there is no organisation currently taking the responsibility for developing regional development strategies. So a key question remains whether RDAs could fill this gap. To what extent can RDAs function as vehicles for changing local state practices and for improving the delivery of economic policy at the local level? It is clear that both in legal and financial terms, such ambition will require further steps. At present, the proposed RDA formation will not be sufficient for overcoming the key problems the regions are facing. Without further change, there is a risk that key deficiencies from past programmes will simply be reproduced, and that the absence of proactive regional development strategies and sectoral guidance plans will persist.

The second part of the paper shed light on the potential role of RDAs as a catalyst of regional development and business growth in response to local needs and opportunities. The conclusions of the survey can be summarised in four points. First, the current state of network relations and interactions among firms and organisations is poor and largely ineffective, also as a result of a lacking interest from both firms and existing support organisations. Second, there is no coordination among the more general economic development activities and activities of service providers. Third, there is little exchange between firms and related organisations on what is on offer and what may be on demand. Finally, firms mostly rely on informal relations within rather enclosed business circles, resulting in insufficient network formation and cooperation at a broader level. Obviously, these outcomes suggest once more

that, from an optimistic standpoint, RDAs could fill various gaps by enabling effective network formation among firms and organisations. Effective information flows could be achieved between firms and related organisations along with more productive informal network formation with a potentially significant contribution to regional economic development. However, such a course of action will only be possible in a setting where an effective representation of all regional actors is achieved and the organisations are able to win the trust of all relevant public, private and non-governmental organisations.

There are, in sum, three issues where we feel the establishment of RDAs will be functional in encouraging and fostering the development of Istanbul and the other recently established NUTS II regions. This includes the drafting, discussing and implementation of regional development strategies and plans, the attraction of foreign investment, and expanding and aligning the provision of business services. On all these fronts, provided they can embed themselves in local institutional and business settings, there is scope for RDAs to make a substantial contribution, either as an state agency or in a more autonomous role. Also, given the prominence of RDA development across Europe, they represent a type of organisation well suited for the adaptation of the country to the EU standards and practices of regional and structural policies. Yet, in the end we have to realise that the development and competitiveness of regions depend on a number of factors that no single agency has the power to command (Kayasu and Yasar, 2003). The kind of regional development problems indicated by the survey can only be solved by improving, in a systematic way, local business, organisational and institutional networks. Therefore it would not be realistic to expect from RDAs to solve all problems. Nevertheless, RDAs can still be successful as intermediate agencies in making vital contributions and inducing change. But this will require more thinking and action on the organisation and institutional embedding of RDAs. A key issue is how and effective legitimisation of RDAs in their regions can be achieved.

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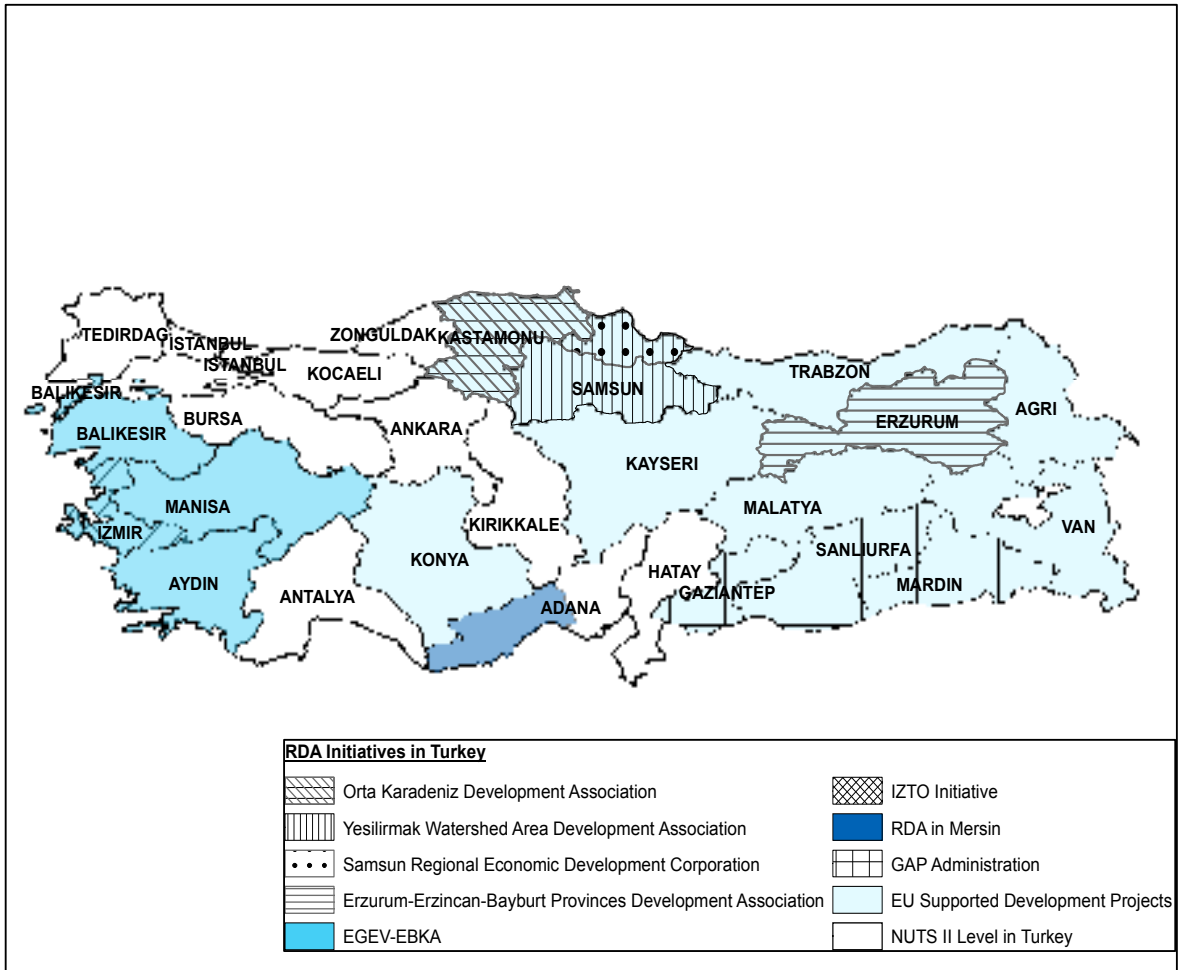


Figure 1: NUTS II Regions and RDA Initiatives in Turkey

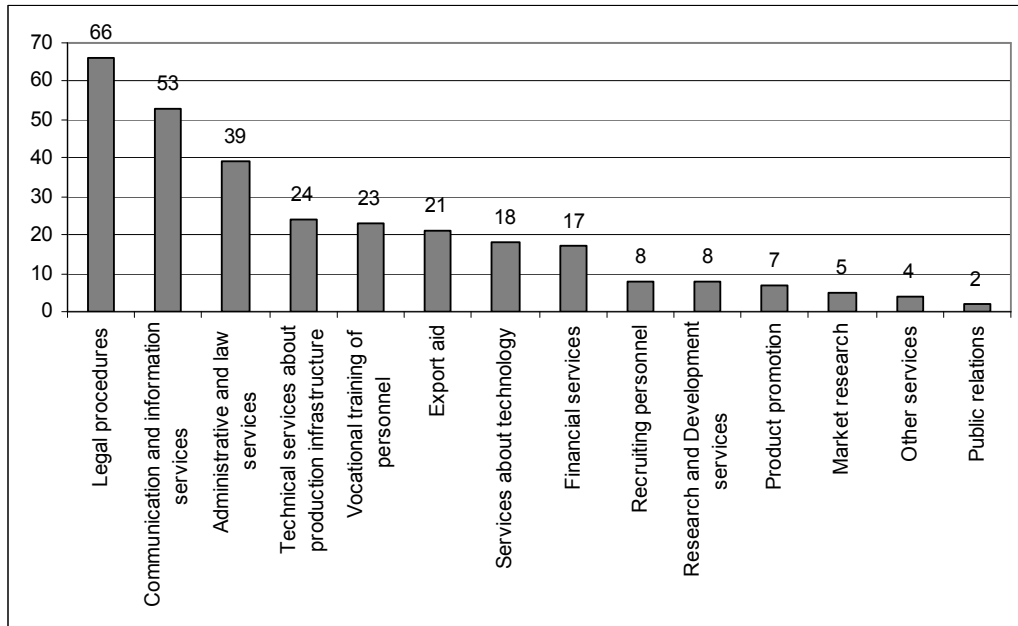


Figure 2: Services taken by firms (%). Source: own survey. Note: respondents could tick multiple answers.