

# Effects of Development Agencies in terms of Regional Competitive Power of Turkey: Example of East Marmara Development Agency

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**Abstract:** *The objective of this study is to discuss the contribution of regional development agencies which started to operate in Turkey in 1990s to the competitive power of regional economy, specific to East Marmara Development Agency. 26 development agencies which operate in Turkey are trying to eliminate the regional developmental differences and to increase the competitive power of their regions. In the study, the Central Regional Dispersion of Incomes belonging to East Marmara Development Agency from its foundation to the present and the Data Related to Support Programs which are being conducted by East Marmara Development Agency are examined within the frame of the time period between 2010 and 2014. Research analyses are performed over the data related to the mentioned time period. It can be concluded from the findings that Marmara Development Agency has a significant role and function in terms of the sustainable development of the region and increasing its competitive power.*

**Keywords:** *Development, regional development, development agency, Marmara Development Agency, competitive power*

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## Türkiye'nin Bölgesel Rekabet Gücü Açısından Kalkınma Ajansları: Doğu Marmara Kalkınma Ajansı Örneği

**Özet:** Bu çalışmanın amacı, Türkiye'de 1990'lı yıllarda faaliyette başlayan bölgesel kalkınma ajanslarının bölgesel ekonominin rekabet gücüne katkısını Doğu Marmara Kalkınma Ajansı özelinde ele almaktır. Türkiye'de faaliyet gösteren 26 adet kalkınma ajansı, bir taraftan bölgeler arası gelişmişlik farklılıklarını ortadan kaldırmaya çalışırken, diğer taraftan sorumluluk bölgesinin rekabet gücünü artırmaya çalışmaktadır. Çalışmada Doğu Marmara Kalkınma Ajansı'nın kuruluşundan bu güne kadar Gelirlerinin Merkezi-Yerel Dağılımı ve Doğu Marmara Kalkınma Ajansı tarafından yürütülen ve Destekleme Programlarına İlişkin veriler 2010-2014 yıllarını kapsayan süreç itibarıyla değerlendirilmiştir. Araştırmadaki analizler, söz konusu döneme ilişkin veriler üzerinden yapılmıştır. Bulgular bölgenin sürdürülebilir kalkınmasında ve rekabet gücünün artırılmasında Marmara Kalkınma Ajansı'nın önemli bir işlev gördüğünü ortaya koymaktadır.

**Anahtar Kelimeler:** Kalkınma, bölgesel kalkınma, kalkınma ajansı, Marmara Kalkınma Ajansı, rekabet gücü

### Introduction

Due to the forming effects of globalization especially after 1980s, on one hand countries began to think of increasing their competitive powers in global markets on the other hand the motto of "think global, act global" was commonly adopted and as a reflection of this adoption, 26 development agencies were established in Turkey. Still, they currently operate to increase the factorial incomes of the regions where they are located. Regional Development Agencies, like the ones located in European Union (EU) countries and some other countries, take it as a goal to determine the advantages and disadvantages of the regions where they operate and to promote the regional potential. During accession process of Turkey to the European Union the Model of Regional Development Agencies has begun to be applied in order to develop the relatively underdeveloped regions and to increase the competitive powers of other regions.

After a common sense spread that conventional development approaches were not sufficient for elimination of regional developmental differences and for increasing the regional competitive power of those regions, new regional development models have been prepared. Establishment of

regional development agencies in Turkey actually implies that there has been a change of paradigm in Turkey. Accordingly, instead of the conventional development approach which acts from top to bottom (from governmental level to local level), new innovative development politics and strategies which acts oppositely, from bottom to top (from local to government) have begun to be utilized. This gave a momentum to establishment processes of those agencies. Within the time period from their establishment to the present, the regional development agencies have been a driving force for development and improvement. The regional development agencies contribute to the regional investments and increasing the employment. Within the frame of the EU harmonization process Turkish Statistical Institute conducted a “Classification of Statistical Regional Units” study and paved the way for development agencies.

With its powerful transportation connections to Istanbul, the economical center of Turkey with its strategic position which covers the cities such as Kocaeli, Sakarya, Bolu, Düzce and Yalova and connects East and West, and to Ankara, the administrative center of Turkey; East Marmara Development Agency is in an international industry center thanks to their doors opening to the world over Black Sea and Marmara Sea. This Agency makes great contributions to the regional development with its planned industrial constructing, qualified labor force potential, collaboration infrastructure between scientific institutions and industry and its R&D power. With reference to the need of attracting the foreign investors to the region and to create collaborations with foreign development agencies, an upper corporation named EURADA (European Association of Regional Development Agencies) was established in 1991. Being a supreme board to the development agencies in Europe, EURADA consists of representatives from nearly 150 development agencies from more than 20 European countries. All the agencies of the EU member countries sustain their operations while being a member of EURADA. East Marmara Development Agency became a member of EURADA in 2010.

## **1. Regional Development Agencies**

The first regional development agency established in the world is Tennessee Valley Authority (TVA) which was established in United States of America in 1933. TVA is a regional development program established in order to develop the eight relatively poor southern states in the country (Dinler, 1994). It was taken as a goal to develop and use the natural sources of Tennessee and to develop the region in social and economic terms and it succeeded in accomplishing these goals. Additionally, Europe has been the continent where the agencies are established and become popular in today’s context. After the end of 2nd World War, the regionalism gained importance in terms of development. The destruction brought by the war caused the economy to

collapse and the regional differences became deeper. In order to eliminate the regional differences, the regional politics began to gain importance (Çakmak, 2006). At the beginning of 1990s with the effects of globalization, the development agencies in Turkey along with global economies began to influence the regions in the entire country and this fact increased the popularity and spreading speed of Regional Development Agencies (Çakmak, 2006). In this period, the agencies began to be popular through Central and Eastern European countries. In order to narrowing down the developmental gap with the other European countries and to increase the capital stock of the countries which underwent a politic and economic system change named Eastern Block. By the aid of influence of European Union, the development agencies began to be established (Dura, 2007). Transition from Fordism to Post-Fordism and from centralist structure to a decentralized structure underlies at the foundation of the corporate approach on which Regional Development Agencies are based. This process is formed around the small and medium enterprises in which equity capital and local entrepreneurship come to the forefront and which are regarded as the locomotive of the economic development (Güneşer, 2003).

The main reason for existence of regional development agencies in Turkey is to apply the regional strategies, to support the local and regional entrepreneurship, to help for supplying infrastructure services, to research local regional solutions for the near future of private sector, to search for monetary guarantees and solutions for producing new goods and services which can meet the regional demands and to increase the competitive power of the region in general terms. As it is known, the competitive power is the ability of a firm, industry, region or a country to compete with its opponents. It is the power and capacity to produce goods and services in compliance with the international conditions by providing long term sustainability. It is the condition that a producer corporation or a country to be superior to its opponents in terms of the elements such as prices and/or quality of the products, preciseness in delivery of goods and after sale services etc. (Feurer and Chaharbaghi, 1994). A Competitive power in industrial level is the ability to produce goods and services on the same or a better level than the opponents in compliance with the market conditions and to offer them with low costs in accordance with the international market standards and demands (Aktan and Vural, 2004). In short, the competitive power can be defined as the power to create employment and income by a sector on higher level than other sectors.

According to Porter, welfare in an economy depends on the competition superiority of the firms. The advantage of sustainable competition is closely related to the ability of the firms to create innovation. By displaying technological development and creating innovation, the firms can increase their competitive powers (Grant, 1991). In this sense, the competitive power on a

national level means productivity (Reinert, 1994). While the competitive power means productivity for some corporations, it might mean productivity per unit for some firms. Also it might mean cost reduction per unit for other corporations. The competitive power is directly related to the ability of a country to make innovation and to produce innovation and technical information during establishment process in international level. According to Landau, the competitive power is the level of the contribution made to reach the full employment rate and higher living standards (Landau, 1992) and this definition reflects the main objectives of the regional development agencies. The approach of regional development aims at benefiting from the local opportunities on a maximum level by utilization of local sources in the region (Arslan, 2005). With this purpose; local administrations, corporations, non-governmental organizations, local employment offices, social parties, educational institutions, local politicians and finance actors act in collaboration.

## **2. Establishment Objectives of Regional Development Agencies**

According to the Law 5449 dated 25.05.2006 Law on Establishment, Coordination and Duties of Development Agencies two development agencies were established in İzmir and Mersin-Adana regions—two pilot regions in 2008—and since 2010, 26 regional development agencies had been established in total and they began to operate throughout the country by the aid of EU membership process according to the definition by European Association of Regional Development Agencies (EURADA), development agencies are the units which detect the sectoral and general development problems, determine the opportunities and solutions towards these problems and support the projects which were developed through these solutions (Kayasü and Sanem, 2004).

The regional development agencies are the corporations which have an independent structure from central government in terms of its administration, which are established in order to develop the socio-economic conditions of a region—borders of which are determined—and financed partially by the public. These corporations are the management organizations which take the power of public decisions from the public and share it among the legal persons consisting of private sectors and non-governmental organizations (Maç, 2006). Regional Development Agencies are established basing on legal provision and aims at developing the region financially by making a collaboration among all public and private corporations, local authorities and non-governmental organizations within a certain geographical region in a country. Regional Development Agencies intend to develop the region, the borders of which are determined, in an independent administrative structure from the government. The regional development agencies are the organizations established in order to trigger the

inner dynamics of a regions and to support the small and medium enterprises in the fields like technology, information and resource. The regional development agencies have administrative and monetary autonomy, possess the quality of legal person and are established in a manner that they are subject to private legal provisions for all their actions.

The Regional Development Agencies in Turkey perform the following activities in order to provide economic and social growth and to institutionalize a sustainable development (Çakmak, 2006):

- Increase competitive power,
- Increase employment,
- Empower humane development and social collaboration,
- Provide regional development,
- Increase quality and efficiency in public services.

In terms of international development and main trends and considering the previous developments and current economic and social developments for Turkish economy, the development agencies operate within the scope of a strategy; “Turkey, a country which grows sustainably, shares its income fairly, has a competitive power on global level, turns into an information society and completes the process for EU membership”. Development agencies, among their several targets, are also established in order to minimize the regional developmental differences. In order to minimize or eliminate regional developmental differences, development agencies detect sectoral and general development problems, develop and apply the projects for solving these problems.

Besides goals towards to create economic development and innovation, improve business efficiency, investments and competition, support employees, provide improvement of related skills with working methods and performing support activities and training to small and medium enterprises; Regional Development Agencies primarily intend to conduct preparation, support and direction of development projects. On the other hand, they perform functions such as creating data banks, supporting the region on national and international platforms, supporting the small and medium enterprises and realizing the entrepreneurship potential (Özer, 2008). It is certain that the influences to be created by development agencies performing these functions will not remain restricted only within their own regions and also create macro-economic influences by expanding those effects to the entire country.

The activity fields of the regional development agencies in Turkey are as the following (Çakmak, 2006):

- Attracting foreign investments,
- Providing training services,
- Providing services to entrepreneurs,
- Providing service to local and regional authorities,
- International activities.

The regional development agencies were intended to provide benefit from local opportunities on a maximum level by utilizing natural, economic and cultural sources of their regions. For this purpose; local administrations, corporations, non-governmental organizations, local employment offices, social parties, educational institutions, local politicians and finance actors act collaboratively (DPT, 2004). Within this framework, three main features come to the forefront in structure of Regional development agencies: These (Koçberber, 2006); rely on public power, target to economic development and regional development.

Within this frame, these responsibilities are given to the regional development agencies (Danson and Whittam, 1999):

- Accountability,
- Sustainability,
- Conduciveness,
- Integrity and inclusion.

In order to define the key questions of the notion of regional development and to suggest successful studies in the future, the agenda of the development agencies should focus on these three issues:

- a. Establishing data banks/data-bases for production systems and developing analytic tools to be used by the related authorities,
- b. Defining basic problems towards the regional growth and employment,
- c. Solving the corporate problems towards the application of a common spatial development strategy (Özmen, 2008).

The development agencies provide information about regional and local managements, labor force structure and investment fields, transportation and infrastructure; they contribute to the renewal of regional image and to attract new investments to the region.

In parallel to establishment purposes of the agencies, these are their duties and powers stated in the related Law (DPT, 2004):

- Providing technical support to the planning studies of the local administrations,
- Supporting the activities and projects which help the applications of the regional plans and programs, tracking and evaluating the application processes of these supported activities and projects and to submit related findings to the Ministry of Development,
- Contributing to the development of the rural and local development capacity in accordance with the regional plans and programs and to provide support for related projects,
- Implementing other projects conducted by the public, private and non-governmental organizations and ones considered as important in terms of regional plans and programs,
- In order to realize the regional development targets; improving the collaborations among the public, private and non-governmental organizations,
- Making and having others made the researches to determine regional sources and opportunities, to accelerate the economic and social development and increase the competitive power; supporting the researches made by other people, corporations and institutions,
- Making or having it made the national and international introductions of the regional business and investment opportunities in collaborating with related corporations,
- Following and coordinating the investments in the regional cities, permission and license actions and other announcement actions and transactions within the scope of authority by public institutions and corporations in order to finalize them within the time period stated in the related legislation,
- Supporting the small and medium enterprises and new entrepreneurs by making collaborations with related corporations in the fields such as management, production, promotion, marketing, technology, finance, organization and labor force training,
- Making the regional promotion of the activities related to mutual or multilateral international programs in which Turkey participates and providing supports to the development of the projects,
- Establishing a web site on which the activities, structure and other related information about the Agency is published up-to-date.



### **3. The Influence of East Marmara Development Agency on Regional Development**

East Marmara Development Agency operates for purposes such as minimizing regional developmental differences, closing up development levels of EU member countries and of candidate countries, eliminating the differences between rural and urban development levels in related regions, increasing global competitive powers of the regions, evaluating regional potential by triggering local dynamics. Those agencies make effort in order to optimize employment, income, economic and social indicators. Operating in Eastern Marmara region, East Marmara Development Agency primarily aims at increasing the economic development of the region and increasing the total monetary amount of the services and goods that the Region produces annually (Altan, 2006). Similar to other Regional Development Agencies, the main objective of East Marmara Development Agency is to contribute to regional development with the help of foreign supports if it fails to arrange the fund requirements for inner development within its equity capital. In order to generate appropriate conditions for long term regional economic development it is taken as a goal to enhance the socio-cultural values of the region for increasing attraction towards the region (Akin, 2006). In order to provide regional development where it operates, East Marmara Development Agency provides support for all production units in its region within the scope of Financial Support Programs, Direct Activity Support Programs and Technical Support Programs. We can briefly describe the contents of these mentioned support programs:

**Financial Support Programs:** East Marmara Development Region, within the scope of the financial support programs, provides support to the projects, the frames of which are created by regional planning and which contributes to the realization of the priorities determined by the shareholders and approved by administrative bodies. The general objective of the Financial Support Programs is to increase the environmental sustainability of the existing and new entrepreneurs—which meet the definition of small and medium enterprise—and profit-oriented cooperatives by revising their production processes accordingly to increase their national and international competitive powers.

**Direct Activity Support:** Direct Activity Support Program provides financial supports to strategic research, research planning and feasibility studies which are intended to increase the application scope of the Regional Plan and to contribute to the local and regional development within the frame of National Plans and Programs. In case, there are significant opportunities to be benefited from development of the region, by using its competitive power and activities, urgent precautions are taken if necessary in order to prevent the threats and risks towards the regional economy. It also aims at accelerating the project support process for the beneficiary without calls for proposals by the agencies.

**Technical Support Programs:** The general purpose of the Technical Support Program is to provide technical support to the operations of local actors which have importance for the regional development in case of the difficulties that have been encountered during preliminary and implementation stages due to lack of institutional capacity. The priorities of the technical support to be provided by the agency are: Planning, modelling and drafting studies, applications of national and regional plans/programs, support and development oriented studies and other studies which might contribute to the local and regional development. We can list the context of the Technical Support Programs as: project preparation, business planning and methods, human resources management, feasibility preparation for historical art restorations, agricultural production and struggling with anti-crop agents, branding and patent, contribution to the mastership trainings and increasing the inter-cultural dialogue via trainings for increasing the communications skills for disabled people.

**Table 1. Central – Local Dispersion of Marmara Development Agency Income (Million TL)**

| Year | Central Shares | Local Shares  | Total         |
|------|----------------|---------------|---------------|
| 2010 | 14.215.201,00  | 13.312.042,64 | 27.527.243,64 |
| 2011 | 14.955.261,00  | 11.574.257,71 | 26.529.518,71 |
| 2012 | 16.664.000,00  | 8.290.219,29  | 24.954.219,29 |
| 2013 | 17.187.000,00  | 10.525.027,95 | 27.712.027,95 |
| 2014 | 17.263.021,00  | 11.255.352,34 | 28.518.373,34 |

**Table 2. Data Related to Marmara Development Agency Support Programs**

| Financial Support Programs |                            |                   |                             |                              |
|----------------------------|----------------------------|-------------------|-----------------------------|------------------------------|
| Year                       | Number of Proposal Request | Amount of Support | Number of Project Proposals | Number of Supported Projects |
| 2010                       | 1                          | 11699734,72       | 322                         | 63                           |
| 2011                       | 1                          | 13106964,07       | 311                         | 73                           |
| 2012                       | 0                          |                   |                             |                              |
| 2013                       | 1                          | 10179760,86       | 173                         | 36                           |
| 2014                       | 1                          | Still continue    | 214                         | 69                           |

| <b>Direct Activity Support Programs</b> |   |                |     |    |
|---|---|----------------|-----|----|
| 2010                                    | 0 |                |     |    |
| 2011                                    | 1 | 1454868,25     | 128 | 36 |
| 2012                                    | 1 | 1030116,67     | 69  | 22 |
| 2013                                    | 1 | 1052190,46     | 90  | 20 |
| 2014                                    | 1 | Still continue | 33  | 20 |
| <b>Technical Support Programs</b>       |   |                |     |    |
| 2010                                    | 1 | 765000         | 155 | 80 |
| 2011                                    | 1 | 400000         | 222 | 89 |
| 2012                                    | 1 | 650000         | 107 | 48 |
| 2013                                    | 1 | 650000         | 103 | 52 |
| 2014                                    | 1 | 450000         | 68  | 53 |

## **Conclusion**

Economic development and improvement is one of the most important subjects which can be regarded as critical in terms of comparison of the national and local economies to others and of social state development. Emergence of regional development and improvement notion resulted in that “regional economy” subject take place in the theory of economy. Especially the big destruction to occur after the two big world wars decreased the level of the related countries in terms of development and comparison with other national economies; in result unemployment and investment need gave a momentum to efforts towards development in regional level. The establishment of Regional Development Agencies in Turkey dates back to 1950s.

Regional Development Agencies aim at benefiting from any regional manufacturing factors on a maximum level by eliminating the regional developmental differences of the country economy both geographically and economically. On the other hand, contributing to the productive, economic, efficient and rational operations of the corporations established/to be established in the region is one of the significant functions of the regional development agencies. The figures stated in the above mentioned Table 1 and Table 2 present the increasing amounts of the support and contributions of the East Marmara Development Agency to the social and economic development of the region.

In the East Marmara Region, it is taken as a goal to trigger the regional potential by providing sources for manufacturing investments and benefiting from the internal dynamics of the region; and it is understood from the above listed tables that the increasing number of the projects is the evidence suggesting that the agency has accomplished this goal. It is obvious from the increasing interest to the proposal requests each year that East Marmara

Development Agency is believed to make great contributions to regional and national economy by using the potential in the region. Moreover, it would be helpful to underline that regional development agencies make positive contributions to prevent and eliminate paper work—which is one of the biggest problem of Turkish Bureaucracy.

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