

REGIONAL POLICY AND EU ACCESSION: LEARNING FROM THE GAP EXPERIENCE

*Given its financial and institutional implications, Chapter 21 of the *acquis communautaire* on 'Regional Policy and the Co-ordination of Structural Instruments' will likely be one of the most controversial and protracted sections of Turkey's accession negotiations with the European Union. Surprisingly, the topic has so far received limited attention in policy and academic circles. This article attempts to highlight the potential challenges regarding negotiations on regional policy in light of the experience of the Southeastern Anatolia Project. The importance of establishing effective institutional structures with adequate administrative capacity at local and regional levels is particularly emphasized.*

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Regional policy has so far received surprisingly limited attention from Turkish policy analysts in their deliberations about the accession negotiations. Given its substantial consequences for economic development and disparities, expanding the scope of discussions on regional policy at all levels of government and civil society remains crucial. This article is an attempt to highlight the major challenges facing Turkey and the EU during the accession negotiations on regional policy in light of the lessons from the Southeastern Anatolia Project (GAP).

Why is Regional Policy Important?

The importance of regional policy during negotiations derives mainly from its financial implications, as it prepares candidate countries to utilize the Structural Funds and the Cohesion Fund for regional development following their accession. Together, these funds form the financial tools of the Community's cohesion policy for reducing economic and social disparities between richer and poorer regions.¹ These funds constitute about one third of the entire Community Budget, which is expected to add up to a total allocation of EUR 336.1 billion during the 2007-2013 period.²

As evidenced by the experiences of Central and Eastern European countries (CEECs), the importance of regional policy is certainly not limited to its financial implications. For most of the newest member states, the imperative to meet the institutional requirements of EU regional policies during the accession negotiations brought about a major reform of their local and regional governance structures.³ For some of them, these institutional reforms went as far as regional decentralization and the establishment of democratized regional governance structures.⁴

The scope of the institutional reforms in these countries that resulted from the negotiations on regional policy came as a surprise to most policy makers given the nature of the *acquis* under the chapter on 'Regional Policy and Co-ordination of Structural Instruments.' Chapter 21 on regional policy differs significantly from the rest of the *acquis communautaire*⁵ as it consists mostly of framework and implementing regulations, which define the rules for implementing Structural Funds, and does not require transposition into national legislation. In other words, the framework and regulations under Chapter 21 lack the formal conditionality

¹ Morris L. Sweet, *Regional Economic Development in the European Union and North America* (Westport: Praeger, 1999), p.92.

² E.C. Directorate-General for Regional Policy, "Cohesion Policy: the 2007 Watershed," Inforegio.

³ James Hughes, Gwendolyn Sasse and Claire Gordon, "Enlargement and Regionalization: the Europeanization of Local and Regional Governance in CEE States," in Hellen Wallace (ed.), *Interlocking Dimensions of European Integration* (Hampshire, GB: Palgrave, 2001), p.161.

⁴ Hughes, Sasse and Gordon provide a detailed and informative account of the regionalization process in Central and Eastern European members in their book titled *Europeanization and Regionalization in the EU's Enlargement to Central and Eastern Europe: The Myth of Conditionality* (Hampshire, GB: Palgrave Macmillan, 2004).

⁵ *Acquis communautaire* is the body of EU legislation that forms the framework of accession negotiations. It consists of 31 chapters. Accession negotiations are conducted chapter by chapter. 'Regional Policy and Co-ordination of Structural Instruments' is Chapter 21 of the *acquis communautaire*.

that characterizes most of the other chapters of the *acquis*. Consequently, the relative vagueness of the *acquis* on regional policy combined with its brevity caused most candidate countries' not to prioritize regional policy in their preparations for accession negotiations. To the surprise of most policy analysts, regional policy soon emerged as one of the most important and controversial issues in the accession negotiations and was one of the last chapters to be closed by the candidates.⁶

What Has Turkey Done So Far under Chapter 21?

Since 2000, the State Planning Organization (DPT) has been the leading organization for Turkey's efforts regarding Chapter 21 on 'Regional Policy and Co-ordination of Structural Instruments.' Particularly since 2002, the DPT has taken important steps regarding the *acquis* on regional policy. Most importantly, a new territorial classification for regional development was established based on the Commission's statistical requirements, which created 26 NUTS II regions. Furthermore, the DPT set up a new department dealing with EU pre-accession regional development programmes and another department specifically responsible for the monitoring and evaluation of regional development programmes. The General Secretariat for EU Affairs formed a working group responsible for carrying out systematic reviews of Turkish legislation in relation to the *acquis* under Chapter 21. Most recently, a draft law on the establishment of the regional development agencies was submitted to the Parliament in December 2004, which will likely be voted on during the upcoming legislative year. While the Commission welcomed these steps in its Regular Reports on Turkey's Progress Towards Accession, it continued to highlight the necessity of more substantial efforts towards establishing appropriate structures and adequate administrative capacity at national and regional levels to implement regional policy.

What Does the Commission Want?

The Commission's requirements regarding regional policy during accession negotiations with Turkey remain unclear at this point. The *acquis* on regional policy is directly related to the Structural Funds regulations and revisions of these regulations for the 2007-2013 period have not yet been finalized. The current *acquis* and the discussions within the Commission on the revision process, however, provide adequate information for predicting both the technical and the conceptual issues that are likely to arise during Turkey's negotiations on regional policy.

Most importantly, the current *acquis* on regional policy⁷ that formed the basis of negotiations with CEECs does not demonstrate the same level of clarity and

⁶ Hughes (2004), p.165.

⁷ The current *acquis* is based on the Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds.

formal conditionality as the rest of the *acquis*. To comply with the *acquis* under Chapter 21, the candidate countries were to have in place:

- a territorial organization based on a provisional NUTS classification,
- a legislative framework allowing for the implementation of the specific provisions,
- an institutional framework and administrative capacity whereby clear tasks and responsibilities of all bodies and institutions involved are defined and an effective inter-ministerial co-ordination is ensured,
- programming capacity whereby the country can design a development plan, has appropriate procedures for multi-annual programming of budgetary expenditure, and ensures the implementation of partnership principle at the different stages of programming, financing, monitoring and evaluation,
- financial and budgetary management to comply with the specific control provisions.⁸

At first sight, these mostly technical regulations and guidelines were interpreted to provide significant flexibility in terms of the institutional framework and means of implementation to be adopted by the candidate countries. In the case of CEE candidate countries, however, this apparent flexibility was tampered by the Commission's conceptual principles for regional policy. Particularly, the Commission principles of partnership and subsidiarity reflected the policy preferences within the Commission, whereby an institutional model of democratic and strong regional governance was strongly encouraged.⁹

Ongoing discussions within the Commission on the revision of the Structural Funds signal a continued preference for strong regional administrations. The Communication from the Commission on the strategic guidelines for cohesion policy published in July 2005¹⁰ underlines the importance of quality and productivity of the public sector for improving the implementation of EU cohesion policy and makes special reference to effective and transparent structures in regional administrations. Similarly, the importance of regions is highlighted for establishing strong partnerships between public and private sectors.

What Does the Experience of the GAP Say about Negotiations on Regional Policy?

The most ambitious regional development effort of the Republic of Turkey, the Southeastern Anatolia Project (GAP),¹¹ presents invaluable insight into the challenges awaiting Turkey and the EU during the negotiations on regional policy.

⁸ From the European Commission's website on Enlargement-Negotiations-Chapter 21, December 2004.

⁹ Hughes (2004), p.70.

¹⁰ Communication from the Commission, "Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-2013," COM (2005) 0299, Brussels, 05.07.2005.

¹¹ The GAP covers the administrative provinces of Adıyaman, Batman, Diyarbakır, Gaziantep, Kilis, Mardin, Siirt, Şanlıurfa and Tunceli, which corresponds to 9.5 percent of Turkey's total land area.

While this article will refrain from evaluating the impact of the GAP,¹² it will attempt to draw some lessons regarding effective regional development practices in the context of Turkey.

The GAP experience demonstrates that regional development efforts are significantly impaired by: (1) an over-centralized public administration structure; (2) a sectoral approach to public investment planning; (3) weakly linked processes of programming, budgeting and implementation; (4) top-down conventional planning practices; (5) limited concentration of public investments in less developed regions; (6) vaguely defined division of tasks and responsibilities among planning, implementing and coordinating institutions; (7) non-institutionalized co-ordination efforts; and (8) inadequate administrative capacity of local and regional planning and implementing institutions.

Institutional Framework for Public Investments

Understanding the peculiarities of the institutional aspects of the GAP necessitates a brief overview of the general institutional framework for public investments in Turkey. The planning of public investments in Turkey has been centered around the DPT since its foundation in 1960.¹³ The DPT prepares the five-year development plans that highlight the priorities and strategies of all public investment institutions, such as the Ministry of Transportation and the Ministry of Education. The development plans are then implemented through annual investment programs that detail out the sectoral and budgetary distribution of public investments. The annual investment programs are prepared by the DPT based on the project proposals from sectoral ministries, reviewed by the High Council of Planning (YPK), and finally approved by the Council of Ministers.

This institutional framework for public investments presents three major challenges with regards to regional policy and development. Firstly, almost all project proposals are sector-specific and a systematic approach to cross-sectoral integration of public investment planning is lacking. Although the DPT is responsible for regional planning, its organizational structure has not been conducive to incorporating a spatial aspect into its sectoral programming.¹⁴

¹² Any attempt to evaluate the overall socio-economic impact of the GAP is bound to be misleading given the absence of a proper monitoring and evaluation system. The financial realization of the project and the development ranking of the GAP provinces, however, can provide some indication regarding the project's socio-economic impact. According to 2004 current prices, GAP's sectoral financial realization based on GAP Master Plan predictions were as follows: agriculture (21.1 percent), energy (80.3 percent), transportation/communication (38.2 percent), and tourism (27.2). In terms of their socio-economic development ranking in 1996 and 2003, all GAP provinces, with the exception of Gaziantep, went down on average 5.4 places among 81 provinces. Taking into account the creation of five new provinces during this period, one can safely conclude that the level of socio-economic development among GAP provinces did not differ in a significant way from other provinces.

¹³ Other smaller public investments that fall outside of annual investment programs include public economic endeavors (KIT), institutions with revolving capital (döner sermayeli kuruluşlar), Municipalities, Bank of Provinces (İller Bankası), and fund investments (fon yatırımları), all of which have different planning and implementation processes.

¹⁴ İlhan Dülger, "Bölge Kalkınma Planlaması ve Uygulamaları için Yönetim Modeli Seçenekleri," in GAP-BK and TMMOB, *Her Yönüyle GAP: Neler Yapıldı, Neler Yapılmadı, Neler Yapılmalı Sempozyumu* (Ankara: GAP-BK, 2001), pp.385, 397.

Secondly, the link between programming and annual budgeting remains weak. While the project proposals that are prepared and approved have a multi-year duration, the funds are approved and released on an annual basis. Even when the DPT approves a multi-year public investment project, the investment institution has to re-submit a new funding proposal every year with a revised feasibility study and a re-calculated budget. As a consequence, investment institutions frequently experience problems in securing annual funds for an approved project and even in receiving the full sum of an approved annual budget.

Finally, structures for the horizontal and vertical co-ordination of public investments remain inadequate. In the absence of functioning co-ordination structures, the horizontal co-ordination efforts at provincial directorate level and at central ministerial level often take place on an *ad hoc* basis. Similarly, vertical co-ordination efforts between provincial and central structures are often hampered by the inefficiency of information flow and the centralized nature of decision making mechanisms.

Institutional Framework for the GAP

The GAP was the only major attempt to plan and implement a sectorally-integrated regional development project within this public administration structure. The DPT prepared several other regional development plans, none of which could be implemented beyond a few minor projects.

Partly in an effort to evade the structural challenges posed by the institutional framework of public investments without reforming the entire public administration structure, the Council of Ministers established a provisional administration under the Prime Ministry independent from the DPT. The GAP Regional Development Administration (GAP-RDA) was given the responsibility to plan, coordinate, and ensure implementation of all activities under the GAP.

The unique structure and position of the GAP-RDA indeed allowed for experimental programming and co-ordination efforts for regional development. In the absence of an overall reform of the public administration structure, however, the GAP-RDA remained an outsider institution with limited influence on the overall planning and implementation systems and structures. A legislative framework establishing the position of the GAP-RDA with respect to other state institutions was never approved. Consequently, most of its programming and co-ordination efforts were either short-lived or failed to create an overall impact on the programming of other investment institutions. Eventually, the GAP-RDA ended up prioritizing research and pilot project implementation over its responsibilities of co-ordination and monitoring.

Planning of the GAP

The origins of the GAP go back to a plan of the State Water Works (DSI) on hydraulic energy production and irrigation, which was prepared in 1977. The idea of preparing a sectorally integrated regional Master Plan was instigated by the Social Planning Directorate of the DPT on the grounds of increasing economic efficiency.¹⁵ Completed in 1989 by a consortium of contractors, the Master Plan attempted to link investments for the development of water and land resources to a time schedule; project changes in economic and social sectors, employment, population and its spatial distribution induced by this development; assess at macro level the needs for education, health, housing and urban infrastructure; and express the annual need for funds up to the completion year of 2005. Overall, the Master Plan mostly remained a technical advisory report for public investments in the region, which was seldom referred to by any of the investment institutions.¹⁶ Eventually, it lost its relevance to the social, economic and political realities on the ground.

The low financial realization and the limited economic impact of the GAP led to the 1998 decision of the Council of Ministers for revising the Master Plan. Although the GAP-RDA was assigned only with the task to 'revise' the Master Plan to ensure its completion by 2010, in reality it prepared an entirely new regional development plan based on its newly-adopted principles of sustainability, participation and integration. Funded mainly by the UNDP, the outcome of the three-year long planning process was a 300 page-long list of projects that received limited consideration from public investment institutions. GAP-RDA's planning process was unique in terms of its participatory methodology. Unfortunately, it failed to link the participatory methodology to the reality of the existing public planning and investment processes.

Concentration of Public Investments in the GAP Region

While official statements and five-year development plans have continuously prioritized the objective of overcoming regional disparities particularly with regards to Southeastern Anatolia, the public investment figures do not indicate a serious effort in this area in spite of the GAP. In fact, the total amount of public investments in the GAP region from 1990-2001 ranked the lowest among all seven regions of Turkey. During this period, the GAP region received a total of 2,914,619 billion TL, while Eastern Anatolia region received 3,103,405 billion TL and the Black Sea Region received 3,872,298 TL in 2001 prices.¹⁷ During the

¹⁵ Dülger (2001), p.397.

¹⁶ The only exception is probably the DSI, since the Master Plan was based on the original DSI project for the Euphrates-Tigris region.

¹⁷ DPT, *İlere ve Bölgelere Göre Çeşitli Göstergeler* (Ankara: DPT, August 2002), p.22. The figures exclude multi-provincial investments.

same period, the public investments in the GAP region, whose population constitutes 9.7 percent of Turkey's entire population,¹⁸ has been on average 7 percent of the total public investments.

In terms of the social investments, the figures have been even more striking. From 1994 to 2004, the GAP region, which has the lowest education indicators and second lowest health indicators, received on average 3.2 percent of all public investments in the education sector and 4.8 percent of all public investments in the health sector.

In terms of the territorial distribution of public investments within the GAP region, a similarly striking pattern has emerged. An analysis of public investments across the nine provinces of the GAP region from 1990 to 2001 shows that the total amount of public investments in the provinces of Diyarbakır, Gaziantep and Şanlıurfa constituted on average 88 percent of all public investments in the GAP region. The provinces of Mardin, Siirt and Fırat, on the other hand, each received less than 2 percent of the total public investments in the GAP region during the same period.

Administrative Capacity of the GAP-RDA

Central versus Regional Capacity: Despite being a regional development administration, the GAP-RDA has been a centralized institution with most of its decision-making power and human resources resting in the Ankara head office.

All programmatic and administrative decisions of the Administration require a final approval from the Ankara head office. Furthermore, the regional office does not have a separate accounting office and the regional director is not authorized to pass accounts, which translates into absolute financial dependence whereby the regional office can spend only through advances authorized by the Ankara head office.

Human Resources: More than fifteen years after its establishment, the GAP-RDA still does not have a basic institutional diagram indicating positions, responsibilities, authorities and qualifications. A departmentalized institutional diagram was prepared as late as 1997 but the staffing needs of each department was never identified. As part of a state-wide institutional reform attempt, the GAP-RDA went through an external organizational assessment in 2001, which resulted only in the revamping of some departments, renaming of positions and reshuffling of certain staff members. In practice, the absence of a basic institutional diagram has translated into a non-position based flexible hiring process that supports neither transparency nor meritocracy. When combined with low payment and limited benefits, this flexible hiring process has made it difficult for the Administration to attract and retain experienced staff with the appropriate expertise for regional development. As also stated in a GAP-RDA publication, the

¹⁸ According to State Institute of Statistics (DIE) figures from 2000 census, 6,604,205 people lived in Southeastern Anatolia, which constitutes 9.7 percent of Turkey's entire population of 67,844,903 people.

Administration has not been able to attract the appropriate number and quality of personnel that is necessary to fulfill its responsibilities.¹⁹ In 1998, for example, a total of 80 university-graduates were employed in the head and regional offices.²⁰ The GAP-RDA has had particular difficulty in attracting and retaining highly experienced experts in the regional office given its location and limited benefits. As of June 2005, there were less than 20 university-graduates working in the GAP-RDA regional office. Considering the scope of the Administration's responsibilities and its geographic coverage, these numbers remain miniscule. In comparison, for example, the 15th Regional Directorate of the DSI responsible for hydraulic energy and irrigation projects in Diyarbakir area employed 127 engineers as of February 2005.

Co-ordination Capacity: The GAP-RDA's most visible vertical and horizontal co-ordination efforts were through the bodies of the High Council and the Co-ordination Council. The High Council was established in 1989 both as the decision making body of the Administration and the platform for inter-ministerial co-ordination. Presided over by the Prime Minister or an appointed State Minister, the Council was composed of the State Minister in charge of the GAP, State Minister in charge of the DPT and the Minister of Public Works and Settlement, which is in charge of DSI, as well as other relevant ministers upon invitation.²¹ Although the High Council was designed to meet every two months, it held a total of only 13 meetings between 1989 and 1998. From 1998 to 2002, the High Council was non-functional with its primary responsibility of approving the plans, projects and programs of the GAP-RDA being transferred to the DPT. In 2002, the High Council started to have meetings for co-ordination purposes as a result of the personal initiatives of the State Minister who is in charge of both the GAP-RDA and the DPT. The impact of these co-ordination meetings, however, remains difficult to assess.

The Co-ordination Council, on the other hand, was initiated as an *ad hoc* body in 1988 for vertical and horizontal co-ordination between governmental and non-governmental stakeholders at national and local levels. A total of 27 meetings were organized from 1988 to 1998 in Ankara and the GAP provinces. Since 1998, the Co-ordination Council has not organized any meetings possibly as a result of the completion of the majority of the energy projects and the declining political interest in the GAP.

¹⁹ Emine Akın, *Bir Bölgesel Kalkınma Yönetimi Örnek Olayı: GAP Bölge Kalkınma Dairesi Başkanlığı* (Ankara: GAP-BKI, 1999), p.211.

²⁰ Akın (1998), p.161.

²¹ The Minister of Agriculture and Village Works became permanent members of the Council in 2002 with a declaration of the Prime Minister.

Conclusion

The most significant lesson from the GAP experience is that effective regional development cannot take place in the absence of an overall reform of the public administration structure and the public investment system. Simply creating additional institutions at the regional level with the immense task of regional programming, project co-ordination and monitoring will not be enough to overcome the regional disparities within Turkey and in relation to the EU. First and foremost, Turkey will need to establish stronger structural links between its planning mechanisms and its budgeting instruments. Similarly, the state planning institutions will have to transform both their conceptual and organizational frameworks from a central and sectoral planning approach to a multi-level and spatial planning approach. Finally, significant resources will have to be dedicated to build up the administrative capacity of institutions at local, regional and central levels.

Based on the experiences of CEECs and the ongoing discussions about the structural funds guidelines for 2007-2013, it would not be farfetched to predict that the institutional model of regional policy and the degree of autonomy assigned to regional and local institutions will be at the heart of Turkey-EU negotiations on regional policy. Similarly, issues related to the efficiency, accountability and transparency of public administration at national, regional and local levels are likely to occupy a significant place within the negotiations under Chapter 21. Given the political sensitivities in Turkey around regionalization and the daunting task of overcoming economic disparities,²² the negotiations on regional policy will certainly be controversial and protracted, which will become most visible with regards to the utilization of pre-accession instruments, such as PHARE. Therefore, the need to expand the scope of discussions on regional policy and governance particularly to governmental and non-governmental circles at the local level remains crucial for the overall success of the accession negotiations.

²² According to OECD figures (2001), the GDP per capita in terms of PPS of Turkey is 33.4 percent of the EU average. Furthermore, the least developed NUTS II region Van has a GDP per capita in terms of PPS that is 10 percent of the EU average (TÜSAD-DPT, *Türkiye'de Bölgesel Gelişme Politikaları: Sektör-Bölge Yorumları* (İstanbul: TÜSAD, September 2005), p.33.
