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The Changes And Transformations in the Socio-Economic and Political Structure of Turkey Within the EU Negotiations

Editors

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ABSTRACT

Purpose: Although regional inequalities in Turkey have been mentioned in all Five Year Development Plans as a priority problem, regional disparities continue to deepen. However with the approval of Accession Partnership Document and Preliminary National Development Plan, regional policies have begun to shift to a new route whereas the regional and local dimensions became important. The very clear implementation of this shift can be seen in ongoing the EU co-financed regional programmes. When the *acquis* efforts and the Progress Reports are examined, obviously one can see that regional policy is regarded as an area which does not require transposition into national legislation. On the other hand the adaptation in the field of regional policy requires new arrangements both in the institutional framework of the SPO and in NUTS II regions. This paper aims to investigate the possible impacts, and problems and opportunities in field of regional policy within the negotiations process such as the law on the establishment of the RDA's.

Materials and Methods: In this study, firstly, by taking the Progress Reports into consideration, the situation and status of adaptation for the chapter of regional policy is examined. Additionally, from the point view of Turkey, the critical regulations of the Commission via Official Gazettes and Communications under the chapter of regional policy are analyzed. Correspondingly, this paper, by analyzing policy documents, assesses the adaptation under the chapter of the regional policy.

Results and Conclusion: Although the *acquis* under the chapter of regional policy does not require any rearrangements in the national legislations, it seems that there is a need for re-organization of regional actors and stakeholders. This situation leads to a sort of localization of the regional policies. Therefore, besides the arrangements in the SPO regarding to utilization of the Structural Funds, a set of arrangements is needed for NUTS II level actors and stakeholders in order to increase their awareness and capacity on this issue. Otherwise, Turkey would face with the threat of underutilization of available funds due to the lack of high calibre projects likewise some EU member countries.

Key Words: Regional Policy, Development Agencies, Regional Development Tools

Introduction: Regional Policy In Turkey

The regional dimension has always been in a central position in the development efforts of Turkey which can be obviously seen from the Five Year Development Plans

(FYDP) [30,31,32,33]. However the limited availability of public financial resources for regional development along with non-existence of regional strategic plans -prepared through a participatory approach and priority determination- and regional programmes depending on those strategic plans, caused to a limited regional support from the regional actors. Consequently we have observed poor performance in regional development which has been directed through centrally designed and implemented regional development tools.

Previous literature on regional development theory and policy, and tools used for the implementation of those policies assumed regions as a passive, pre-given and pre-defined territories [1,11]. Today, as continuing main trends, technological development and globalisation are transforming regions into dynamic, pro-active, entrepreneurial, continuing spatial network geographies [2]. Thus, understanding the impacts of those trends on the regions is a critical opportunity for the effectiveness of policy design in Turkey. On the other hand, there still remains an unsolved problem. That is how to evaluate and adapt the new regional policies and tools to Turkish economy. Because these new regional policies and tools seem more complex compared to the previous ones. In addition to co-implementation of regional policies along with some national scale policies, the shift from national scale to regional scale in particular policies increases the complexity problem.

Industry, Science and Technology, Employment, Agricultural, Poverty Alleviation, Tourism, SME's and many other national level policies have begun to shift to regional scale which correspondingly imposes new missions to regional policies and tools. Today, one of the critical transformation in regional policies which aimed at *balancing regional development* and *increasing competitiveness* is that instead of the assumption that states *"balanced regional development creates competitiveness"*, the assumption that states *"competitiveness can be used in decreasing regional disparities"* is finding more adherents [2,10,25,26,27]. The status gained by the regional scale makes regions as pro-active and active entities which led to a rise of a series of principles which would have meaning at the local level, such as sustainability, social inclusion, human resources development, and of course governance [44]. In other words, we speak of not only a kind of a social development directed by economic development, but also we witness a kind of a society based economic development with the involvement of various parts and classes of the society which also empowers the social state understanding. Thus, development has been begun to be identified by the spatially balanced distribution of income, and development criteria shift away from per capita (average) indicators.

In the period of 8th FYDP, Turkey's accession and adaptation process to the EU has accelerated. It is expected that accession will have direct impact on Turkish regional policies. Particularly when we look at the two latest census studies, there is an unacceptable level of regional disparities that confirms the future impact accession. According to the data of year 2001 there is a huge income differences among the provinces as much as eleven times: the most underdeveloped province, Ağrı has a per capita income of $568 while the most developed province Kocaeli has a per capita income of $6165. And according to the socio-economic development ordering study of the year 2003, we observe some worse findings for the certain provinces compared to the previous study in 1996. Ultimately these two studies along with accession efforts increased the re-organization and re-evaluation need of the regional policies and tools in Turkey [34,45,49].

In this regard, in order to increase the efficiency of regional development in creating value added to both regional and national economies, designing new tools seems inevitable. Moreover, for Turkey, it is important to adapt a similar approach in regional development

policy like the EU. This will lead to more effective exploitation of pre-accession financial assistance and eventually accelerate accession process. Following the Common Agricultural Policy (CAP), the regional policies of the EU is the second largest item of the EU budget. That means, although there is no compulsory directive or need about the transfer of the *acquis* on regional policy and structural instruments to internal legislation, regional policy will provide the largest financial assistance, and thus will contribute to national economic growth more than any other chapter of the *acquis*.

In this context a critical step was taken in the 8th FYDP period and the EU's regional statistical system, NUTS, is adapted. After approved by the EU, NUTS system was also approved by the Turkish cabinet on 28th August 2002. And in this approval the cabinet also agreed on that the NUTS will be the basis for regional policy [7]. Another important attempt in area of regional policy was the proposal of the establishment of the RDA's referring to both the Accession Partnership Document 2003 and the Preliminary National Development Plan 2004 prepared by the SPO. Both of these policy papers envisaged that RDA's would be the local oriented institutions for the implementation of regional policies [35,36]. The result was approval Development Agencies on 8th February 2006 and related Act No. 5449 was published in Official Gazette. This can obviously be regarded as the most significant step taken towards regionalization [9].

Interestingly, before the recent decision on the establishment of DA's, local actors from different regions had envisaged the necessity of a coherent, integrated participatory and holistic local planning in the process of accession and had established some quasi-RDA's even without a legislative regulation. Goods practices, in this framework are EGEV, IZTO, SABEK, RDA of Mersin Chamber of Commerce and the regional strategy of BAGEV [37,38,47,48,50,51,52,55]. That's why the concept of RDA's should be regarded as a consequence of natural socio-economic transformation of Turkey_ not only a legislative change.

It is important to mention a point before discussing other regional development tools apart from RDA's. The dominant role of industrialization policy in Turkey has avoided the development of alternative regional development tools. Ironically, the industrialization policy was unable to transcend traditional measures and disregarded or sufficiently did not regard the regional dimension of the industrialization. The ironical example is that KOSGEB's SME's definition does not include service sector companies and this definition based on only manufacturing sector [6].

This paper investigates fundamental trend of the transformation in the regional policy which Turkey has faced or will be soon facing the process of the EU membership. *First section* analyzes the regional policy in the EU with referring to adaptation problem Turkey to these policies. It also discusses the overview of the *acquis* in regional policy and investigates the potential returns and advantages for Turkey in the case of the full adaptation of the *acquis*, and also shows the existing adaptation level. In the *second section*, the acts and communications published by the Commission's Official Gazette and recent developments related to regional policy will be analysed. *Third section* consists of progresses made by the Turkish Governments towards the completion of the *acquis* during the past five years. The *last section* analyzes institutional changes regarding to regional policy.

1. Regional Policy in the EU and the Adaptation of Turkey to the Regional Policies of the EU

In the EU, regional disparities in terms of both development level and life standards have always regarded as a regional problem that should be dealt with, by member states. Although

there exist a certain focus on the problem of *"regional disparities"* at the EU level which led to significant progress in terms of alleviating disparities, the most prosperous 10 regions' per capita GDP is still three times higher than the least prosperous 10 regions' [46]. According to the EU balancing regional economies is crucial in order to benefit from single market opportunities and EMU. In this line Community spent some 213 billions on Regional policy issues particularly on the least developed regions for the Budget period 2000-2006 which is nearly equivalent to one third of the total budget [4].

21st chapter in the *acquis* (In the screening process it is re-defined as 23rd chapter) called as "Regional Policy and the Coordination of Structural Instruments". Under this chapter basically the procedures, methods, administration, documents, legislative regulations and related concepts and legislative framework about Structural Funds and Cohesion Fund are mentioned. It includes assistance types and methods for new members states and candidates as well. Moreover the eligibility of the regions, new assistance types and new initiatives are also mentioned in this chapter [8]. Although 21st chapter depends on the constitutional agreement of the Rome Treaty, the dynamic structure of this chapter causes a continuous evolution. Besides new and the unforeseen situations, creative ideas are also added to this chapter as the Community and global economy evolve.

1.1. General Framework of the *Acquis* on Regional Policy

The 2nd and 3rd articles of the constituting Treaty of Rome envisages that *"to develop social protection, employment level and economic activities in the Community through a coherent, harmonized balanced and sustainable manner…to increase life standard and life quality, and to realize economic and social cohesion…"*. In addition to this, articles from 158 to 162 which emphasis "economic and social cohesion" state the purpose of diminishing disparities among different regions (including rural areas, less developed regions and islands) in the Community. The EU realizes the aim of cohesion through the actions of the Structural Funds. In this regard the Commission evaluates the performance of actions for achieving economic and social cohesion through a report for every three year, and these reports also suggest new proposals for the future regional policy actions [4].

According to the Article no. 161 of the Rome Treaty, the Council, with approval of the Parliament and with the proposal of the Commission and by taking the opinions of Committee of Regions and Economic and Social Committee into consideration decides on issues about the Structural Funds and the Cohesion Fund; such as;

- Determination of organization, mission and priorities of the Funds
- Procedures and rules for the implementation
- Determination of rules in order to increase the efficiency of the funds and the coordination of other financial tools

Following the Nice Treaty in December 2000, these decision making processes have changed, and after 2007 the decisions on both Structural and Cohesion Fund will be made by the Council should be on a quality majority basis. (Article no. 161) [43]. This means that the Council will still be effective and have the determination power for the multi-annual budget period of 2007-2013 in financial matters.

1.2. The Adaptation Level to the *Acquis*

Chapter 21 of the *acquis* covers regional policy and the coordination of structural instruments. The *acquis* under this chapter consists mostly of framework and implementing

regulations, which do not require transposition into national legislation. They define the rules for drawing up, approving and implementing Structural Funds programmes and Cohesion Fund actions. These programmes are negotiated and agreed with the Commission, but implementation is under the responsibility of the Member States. It should be noted that the Structural Funds regulations will be revised by the end of 2006 at the latest. It is essential that Member States respect Community legislation in general, for example in the areas of public procurement, competition and environment, when selecting and implementing projects, and have the necessary institutional structures in place to ensure implementation in a sound and cost-effective manner from the point of view of both management and financial control.

In the document of "Accession Partnership for Turkey 2000" the following steps are suggested in the short and medium term in the area of regional policy [42].

Short Term:

- Adopt a strategy for the further development of statistics, in particular demographic and social statistics, regional statistics, business statistics, external trade and agricultural statistics.
- Prepare a NUTS classification in accordance with Community rules.
- Adopt a strategy for the development of an effective regional policy.
- Start introducing regional policy criteria in the selection of projects in Turkey's planning process.

Middle Term:

- Develop a national policy for economic and social cohesion with a view to diminishing internal disparities including multi-annual budgeting procedures and establishing structures for monitoring appraisal and evaluation.

Regular Report 2001 on Turkey's progress towards accession exhibits a negative panorama about Turkey's efforts. Some of them are:

- Since the last no progress has been achieved in preparing for the implementation of structural policies.
- No developments can be seen concerning the adoption of the legislative framework which would allow for the implementation of the *acquis* under this chapter.
- No further progress has been made as regards institutional structures, programming, monitoring and evaluation, financial management and control.
- The State Planning Organisation and the State Institute of Statistics have started to prepare a NUTS II classification in accordance with Community rules, but work remains at an early stage.
- Although combating regional disparities in Turkey should be a major objective for strengthening internal socio-economic cohesion as well as preparing for accession, there is still no comprehensive, long-term strategy to address such issues.
- As regards administrative capacity, the Turkish regional policy is carried out in the framework of a centralised planning system, for which the State Planning Organisation (SPO) is responsible.

- While a regional policy exists in Turkey, preparations for implementing structural policies have not really started. Turkey still needs to develop the structures necessary for the implementation of the Structural Funds.

On the other hand the more recent version of the report in 2004 draws attention to the following points [20]:

- Substantial developments have taken place in the field of regional statistics, chief amongst which is the establishment of regional statistical offices in each of the provisional NUTS II regions. Turkey has started to establish a database for regional data based on the provisional NUTS classification.

- Concerning institutional structures, and pending the establishment of fully operational regional development agencies, the State Planning Organisation (SPO) has in some regions established service unions between the provinces that form a provisional NUTS II unit. A total of four service unions are operational in those NUTS II regions where EC-funded regional development projects are being implemented.

- On territorial organisation no developments are to be reported. As regards the legislative framework, there have been some improvements in the areas of environment and financial control.

- Concerning monitoring and evaluation, April 2004 saw the establishment of a new department at the State Planning Organisation specifically responsible for the monitoring and evaluation of regional development programmes.

- As regards the preparation of programming, Turkey's preliminary National Development Plan (2004-2006) was approved in December 2003 and presented to the Commission.

Finally current Progress Report 2005 [41] states:

- Some developments have taken place in the field of statistics following the substantial progress made in previous years. Work is ongoing to expand the database for regional statistics according to the NUTS classification.

- As for the legislative framework, Turkey's preparations for the implementation of regional policy are conditioned by its on-going reform of the public administration, contained in four laws. One of these, the Law on Public Administration Reform, was sent by the President, for revision, to the Grand National Assembly in 2004. It has yet to be adopted. The remaining three laws, the Law on Municipalities, the Law on Metropolitan Municipalities, and the Law on Special Provincial Administrations were adopted in July 2005. No development can be reported on the legal framework for the establishment of Regional Development Agencies. No significant progress relevant to regional policy is noted in the area of public procurement or environment.

- The institutional framework in Turkey for regional policy is narrow as responsibility for planning, programming, implementation and monitoring remains concentrated within the State Planning Organisation. Decisions have not been taken yet regarding the establishment of the managing and paying authorities that will be needed, initially for the implementation of the regional development component as well as other components of the planned Instrument for Pre-accession Assistance and ultimately for the implementation of EU Structural Funds.

- Concerning administrative capacity, currently, the principal institution in the implementation of EU-funded regional development programmes is the Central Finance and Contracts Unit, which is responsible for all procurement and contacting issues related to regional programmes. This unit is understaffed and under-resourced in relation to the growing workload.

- No significant developments are to be reported concerning monitoring and evaluation.

1.3. Expectations in The Case of Full Membership

The 21st Chapter is the most contributing subject of the *acquis* to the economic and social development of Turkey in the EU full membership process. After it is taken into account that resources like SAPARD and ISPA will constitute an important finance to Turkey before full membership, this chapter becomes the basic finance area of pre-full membership period. Therefore, the 21st Chapter of the *acquis* determines the vision of not only regional but also national development.

Mentioned before, the 21st Chapter has components more than regional development instruments and coordination. European Investment Bank credits which will accommodate to structural fund adaptation funds donations, in brief (according to current trend) will finance the project in the following areas [4]:

- ***Infra-Structure Development:*** The basic element of regional development-Infrastructure supports contain many infra-structure types like transportation, energy, telecommunication, water sources and disposal management.

- ***Supports for Enterprises:*** As a result of the role of SME's' in the creation and continuation of employment, the SME's supports may be possible in the subjects such as replacement, technology, R&D, human resources, telecommunication, cooperation.

- ***Education-Training (and Health):*** Various target groups which are composed of youngs, women, and social inclusion people may be supported by education and training programs in the frame of fight with long-term unemployment and the integration of people with labour market.

- ***Local Development:*** The local enterprises are supported for the areas ranging from experience sharing to network preparation.

- ***Environmental Protection:*** The subject of environment has a fundamental characteristic which horizontally intersects all the decisions and implementations of the EU subjects such as environmental nature parks, clean technology enterprises, green tourism.

- ***R&D:*** In order to close the technologic gap among regions there are various applications, attempts and supports.

The effect of the adaptation to the *acquis* is not limited to the possible useable financial sources for Turkey. The possible main effects are as follows:

- As structural instruments' usage is sustained in the frame of the national programs, the preparation of regional development plan and programs compatible to the methods and aims revealed by the Commission will transform the regional development approach. Because Member State is responsible for the presentation of strategic and financial plan regarding primary action fields to the Commission cooperating with

regional administrations. The Community Support Framework which will be constituted by the negotiation will later on shapes the basis of supports. In this process, the studies such as Single Programming Document and Operational Programming will operate the participation and responsibility mechanisms, settle down the regional development into a permanent strategic perspective in Turkey in the process of regional planning and application.

- Looking to the problems with a strategic perspective by the Regions, in the course of time, may increase the regional belonging motives of local/regional actors and partners. To be authorized in the project applications and in the budgets will improve the partnership consciousness which was not present in this manner before and will make accountability a regional value.

- This process will make reserve projects or project stocks a current issue in order to avoid insufficientness in the fund usage, the formation and preservation as written of project ideas with the negotiation process are of very important issues.

- Besides, the implementation of Structural Funds depends on partnership in the regions. So this will create a new dialog and platform in the regions.

In the expansion process, the development level difference especially between the new members and current members caused to development of new regional policy tools. In order to reach a required speed of growth for all of the member states in the way to the economic and political integration, the regions have been also benefited from "convergence" instruments, beside the instruments of regional policy. The EU, for this purpose, has activated 260 billion euros in total, for the use of financing both current member states, and structural measures which will be performed in candidate members. Looking backward, it is observed that much serious resources from the EU Funds has been transferred to development efforts of (especially) Ireland, Greece, Portuguese, and Spain. It is possible that this support may be seen in the structural Cohesion Funds which is allocated for the period 2000-2006. For example, at the stated period, the resource of 21 billion euros will be transferred to Greece, as donation. In the same period, 43 billion euros to Spain, 3 billion euros to Ireland and 19 billion euros to Portuguese was donated. In other words, between 2000-2006, per capita 286 euros to Greece, 155 euros to Spain, 284 euros to Portuguese and 121 euros to Ireland per annum has been donated from Structural Funds. It is planned that the EU average for the grant transfer will be 77 euros/per person [54].

Taking the size and economic features of Turkey into account, when the full membership is completed, the influence of this on the EU Structural Funds will be crucial. On the other hand, within the framework of the current *acquis*, the resource which will be transferred from Structural Funds can not exceed 4 percent of GDP of the state which benefits from this transfer. However, it should be taken into account that ratio is quite close to the total public investment budget in Turkey. The population and the size of Turkey are comparable with the total of 10 new Member States. According to Purchasing Power Parity, per capita GDP of Turkey is much less than the average of GDP of 10 new Member States. According to current system and eligibility criteria, today, all of Turkey's land may capitalize on Objective 1 Assistance of Structural Funds and Cohesion Fund. Nonetheless, the influence of Structural Funds depends on some other factors, such as general economic condition and institutional structure formation. According to the experiences of Cohesion Fund Countries, besides macroeconomic stability, a well running good, capital and labour markets may play an important role in the convergence of income levels. The Structural Funds are not sufficient under a inconvenient economic policy to rise standard of living. There is a need for various

finance resources in Turkey for the development of physical conditions and human resources and moreover for reaching the technical rules and standards of the EU, and for the restructuring the agriculture sector. Most urgent intervention topics cover transportation, telecommunication, energy, environment, education and R&D [54].

Pre-accession support of the EU should prepare Turkey to empower its administrative capacity at the regional and national levels and help to adapt *acquis*. But, with the full membership of Turkey, the average of per capita GDP in the EU will decrease; as a result of this, the states which are eligible to benefit from supports under the Structure Funds will lose their eligibility.

Turkey, in order to benefit efficiently from gains in the case of full adaptation to the *acquis*, should well know the *acquis* on regional policy, well evaluate and interpret the critical points of it. In this context, in the next part of study, regarding regional policy the regulations of the Commission and the Council, will be analyzed, and its crucial points will be mentioned.

2. Some Critical Regulations of the *Acquis* on Regional Policy

2.1. Council Regulations

We can summarise the critical Council regulations regarding to regional policy which have published in the Communities Official Journal as follows:

- Laying Down General Provisions on the Structural Funds [24]***:*** This regulation related to the Structural Funds' reform and extension for the period 2000-2006 aims:

- Promoting the development and structural adjustment of regions whose development is lagging behind; supporting the economic and social cohesion; reducing regional disparities in the EU
- Focusing on supports and reducing the priority objective regions aims to simplify structural assistance
- Clear defining the responsibilities between member states and the Community regarding to programming, monitoring, evaluating and control processes

This regulation on the one hand continues to implement 4 kinds of Structural Funds, namely the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Guidance and Guarantee Fund (EAGGF), Guidance Section, and the Financial Instrument for Fisheries Guidance (FIFG), on the other hand, reduces Objective regions from 7 to 3. The regions covered by Objective 1 shall be regions corresponding to NUTS level II whose per capita GDP is less than 75% of the Community average. The outermost regions (like the Canary Islands), which are all below the 75% threshold, and the areas eligible under Objective 6 for the period 1995 to. As before two third of the Structural Funds is directed to these areas. The regions covered by Objective 2 shall be those with structural problems whose socio-economic conversion and whose population or area is sufficiently substantial. They shall include in particular areas undergoing socio-economic change in the industrial and service sectors, declining rural areas, urban areas in difficulty and depressed areas dependent on fisheries. The areas eligible for financing under Objective 3 shall be those not covered by Objective 1 and Objective 3 aims to develop human resources. Transitional arrangements have been introduced for the regions previously eligible for old Objectives (1,2,5b) between 1994 and 1999 but which are no longer eligible for new Objectives (1,2). Besides this regulation defines initiatives like Interreg III, Leader +, Equal and Urban II.

The general principles set by the regulation is crucial for Turkey in terms of estimating the route to the *acquis* in the field of regional policy. As a summary these principles are:

- Programming: Programming involves the preparation of multi-annual development plans and is undertaken through a partnership-based decision-making process, in several stages, until the measures are taken over by the public or private bodies entrusted with carrying them out. Development and conversion plans are first submitted by the Member States. These plans are based on national and regional priorities and include a precise description of the current situation in the region; a description of the most appropriate strategy for achieving the stated objectives; indications as to the use and form of the contribution from the Funds. Next the Member States submit programming documents to the Commission following its general guidelines. Programming documents can take the form of: Community support frameworks translated into operational programmes. The documents approved by the Commission in agreement with the Member State concerned, which contain both the Member State's and the Funds' strategy and priorities for action, their specific objectives, the contribution from the Structural Funds and the other financial resources; single programming documents comprising a single document, approved by the Commission and combining the data contained in a Community support framework and operational programme.

- Partnership: The new rules continue this approach by expanding partnership to include the regional and local authorities, stakeholders the economic and social partners and other competent bodies and by involving the partners at all stages.

- Additionality: This principle requires Community assistance to be additional to national funding and not to replace it. For each Objective the Member States must maintain their own public expenditure at least at the level it was at in the preceding period.

- Management, Monitoring and Evaluation: The Member States must appoint a managing authority for each programme. Its tasks cover the implementation, correct management and effectiveness of the programme. The previous three types of evaluation have been kept (ex-ante, mid-term and ex-post), but the reform specifically identifies who is to take responsibility for each.

- Payments and Financial Controls: The Member States and the Commission make a financial contract whereby the Commission undertakes to pay annual commitment appropriations on the basis of the adopted programming documents. Each Member State then appoints a payment authority for each programme and this authority monitors the expenditure of the final beneficiaries and ensures that the Community rules are observed.

- European Regional Development Fund [53]***:*** This regulation defines the scope of assistance from the European Regional Development Fund (ERDF) during the period 2000-06. The Fund aims to promote economic and social cohesion by correcting the main regional imbalances and participating in the development and conversion of regions, while ensuring synergy with assistance from the other Structural Funds. As part of its task to promote regional development, the ERDF contributes towards financing the following measures: (I) Productive investment to create and safeguard sustainable jobs, (II) Investment in infrastructure which contributes to development, structural adjustment and creation and maintenance of sustainable jobs, or, in all eligible regions, to diversification, revitalisation, improved access and regeneration of economic sites and industrial areas suffering from decline, depressed urban areas, rural areas and areas, (III) Development of the endogenous

potential by measures which support local development and employment initiatives and the activities of small and medium-sized enterprises, (IV) Investment in education and health.

- Improving Information on Assistance from the Structural Funds [21]***:*** This regulation is very important for Turkey because it emphasises the public relation dimension of regional development tools and coordination. A steady flow of information on the European Union's activities in the Member States is one way of guaranteeing that good use will be made of public money. For the first time the regulations now require a communications action plan to be drawn up for each operation assisted by the Structural Funds. Evaluation of the information measures taken will be mandatory. A wide range of means of communication are envisaged. New technologies in particular will be mobilised to get the message through to potential beneficiaries and the general public. These measures are intended to increase public awareness and transparency regarding the activities of the European Union and give a consistent picture of the assistance concerned across all Member States. More specifically, they are designed to inform potential and final beneficiaries about the opportunities offered by joint assistance from the European Union and the Member States and to inform the general public about the role played by the European Union and the Member States in the assistance concerned

- Eligibility of Expenditure of Operations Part-Financed by the Structural Funds [22]***:*** The Regulation establishes common rules at Community level on eligible expenditure for certain types of operations part-financed by the Structural Funds. This regulation includes 12 rules about expenditure methods, taxation and overheads.

- Systems for the Management and Inspection of Assistance Granted Under the Structural Funds [23]***:*** The regulation aims to ensure the existence and sound operation of the systems of management and inspection established by the Member States, and a uniform level of quality as regards the certification of expenditure for which payments from the Structural Funds are sought. The general Regulation on the Structural Funds makes the management of assistance in the period 2000-06 more decentralised. This requires improved provision for inspection, which is a matter for the Member States, with the Commission ensuring the effectiveness of the systems established. The new procedures also includes random inspection of operations. This regulation is crucial for Turkey especially when we take forthcoming RDA's in terms of governance between centre and RDA's.

- Coordination instrument [29]***:*** The European Union wishes to ensure coordination and coherence between the forms of aid granted in the framework of the pre-accession strategy under the Phare programme, the agricultural instrument (SAPARD) and the structural instrument (ISPA). It is worthy to mention that Turkey will pass through more or less the same way so understanding the basics of SAPARD and ISPA is essential for Turkey.

- Support for rural development [28]***:*** The future of agriculture is closely linked to the balanced development of the countryside, which accounts for 80% of the area of Europe. Alongside the market support measures,the European rural development policy plays a major role in economic, social and territorial cohesion. It is based on the following principles: (I) recognising the multifunctional role of agriculture, (II) improving competitiveness, (III) ensuring that environmental issues are taken into account, (IV) diversifying economic activity, (V) conserving rural heritage. The regulation also covers accompanying measures of the 1992 Common Agricultural Policy reform like early retirement, agri-environment and forestation, as well as the less-favoured areas scheme, and measures to modernise and diversify agricultural holdings: farm investment, setting-up of young farmers, training,

investment aid for processing and marketing facilities, additional assistance for forestry, promotion and conversion of agriculture.

2.2. Commission's Communications (not published in Official Journal)

The *acquis* is not limited to regulations which are published in the Official Journal. There are also the Commission's communications. Some of these are:

- A European Initiative for Growth: Final Report to the European Council [14]***:*** Step up efforts to mobilise public and private funds for investing in networks and knowledge-sectors with a high potential for growth The European initiative focuses on three areas: (I) Launching the "Quick-start" programme; The "Quick-start" programme lies at the heart of the European initiative for growth and has resulted in the compilation of a list of 54 priority projects (for example providing broadband communication in remote rural areas, improving links between universities and research centres, next generation lasers sector) (II) Coordinating the existing and new Community financing instruments, (III) Introducing regulatory and administrative measures to encourage investment.

- "The Regions and the New Economy"-Guidelines for Innovative Actions Under the ERDF in 2000-06 [12]***:*** To encourage less-favoured regions to invest in innovation and technological development with a view to reducing the lag in their development and enhancing their competitiveness. To encourage exchanges of experience and best practice in these areas by supporting in particular the creation of inter-regional thematic networks. In March 2000, the Lisbon European Council set Europe the target of becoming the most competitive and dynamic knowledge-based society and economy in the world. However, there is a wide gap between regions in the fields of innovation and RTD (research and technological development) and in the level of use of the new information and communication technologies. This gap calls into question the principle of economic and social cohesion and balanced polycentric development at European level. Thus, to ensure that the competitiveness of the least-favoured regions is rooted as solidly as possible in their capacity to innovate, the Union is encouraging them to design and implement policies based on knowledge and information. The aim of such policies is to create high-quality jobs likely to foster sustainable development. For 2000-06 the Commission decided to reduce the number of strategic themes to three: (I) Regional economies based on knowledge and technological innovation, (II) e-EuropeRegio: the information society at the service of regional development, (III) Regional identity and sustainable development.

- ***Tripartite contracts and agreements*** [13]: To focus more, in Community activities with a strong territorial impact, on the diversity of territories by defining the contractual relations between the Commission-National government-Regional/Local authority(ies). There is a general emphasis in the Treaties on the need to take account of the local dimension in the implementation of Community policies. While European legislative instruments allow for a certain degree of flexibility, the growing role of local/regional authorities in the design and above all the execution of Community policies must nevertheless be given fuller recognition.

- Simplification, Clarification, Coordination and Flexible Management of the Structural Policies [15]***:*** The Commission and the Member States have embarked on an exercise to simplify the procedures for managing the Structural Funds with a view to speeding up the utilisation of appropriations. Ten areas are affected: (I) adjusting the programmes, (II) controls, (III) mid-term review, (IV) result and impact indicators, (V) reports, (VI) performance reserve, (VII) the annual meeting between the Commission and the

managing authorities, (VIII) the Commission's role in the monitoring committee, (IX) financial management, (X) speeding up the Commission's internal procedures.

- Dialogue With Associations of Regional and Local Authorities [19]***:*** The European Commission is establishing a systematic dialogue with the European and national associations of regional and local authorities. The aim is to involve the local actors as far upstream as possible in the decision-making process so that fuller account will be taken of their opinions on Community policies with a significant regional and local impact. The Commission has spelled out the framework and arrangements for this dialogue.

- Structural Indicators [16]***:*** The European Commission has drawn up a new statistical methodology with a list of 14 structural indicators which evaluate implementation of the Lisbon Strategy in the context of the Spring report.

- Preparing the Future Member States to Implement the Regional Policy in the Period 2004-2006 [17]***:*** To assess the progress of the measures taken by the future Member States to manage the Structural Funds and the Cohesion Fund. This communication is crucial because it evaluates the 21st chapter of acquis, namely "Regional Policy and the Coordination of Structural Instruments".

- Further Indicative Guidelines for the Future Member States [18]***:*** The Regulation aims to aid the future Member States in the preparation of their programming documents. This underlines the importance of building up national and regional capacity for the full membership of Turkey.

2.3. New Regulations For the Coming Period

The European Commission presented the Third Report on economic and social cohesion, which sets out its vision for cohesion policy in an enlarged Union for the period 2007-2013 on 18 February 2004 named as *"A New Partnership for Cohesion: Convergence, Competitiveness, Cooperation"* [39,40]. The proposals declares the Union's future budget which included a 336 billion euros package for cohesion policy. The new regulations also reduces financial instrument from 6 to 3. New priorities are as follows:

- **Convergence** (formerly objective 1)**:** support for growth and job creation in the least developed member states and regions. Regions whose per capita GDP is less than 75% of the EU average will be eligible (mostly regions from new member states), but temporary support (until 2013) will be given to regions where per capita GDP is below 75% for the EU-15 (the so-called 'statistical effect'). Modernising and diversifying the economic structure, extending and upgrading basic infrastructure, protecting the environment, reinforcing administrative capacity, improving the quality of labour market institutions, education and training systems and increasing human capital would be the major issues of co-financing of national and regional programmes. In addition, those Member States whose Gross National Product is below 90% of the Community average[4] will be eligible for the Cohesion Fund. This will continue to finance transport and environmental programmes. The total budget for this priority will be around 264 billion euros.

- **Competitiveness and employment** (formerly objective 2)**:** designed to help the richer member states deal with economic and social change, globalisation and the transition to the knowledge society with a budget of 58 billion euros. The key objective of cohesion policy outside the least favoured Member states and regions would be twofold: First, through *regional programmes*,cohesion policy would help regions and the regional authorities to anticipate and promote economic change in industrial, urban and

rural areas by strengthening their competitiveness and attractiveness, taking into account existing economic, social and territorial disparities. Second, through *national programmes*, cohesion policy would help people to anticipate and to adapt to economic change, in line with the policy priorities of the European Employment Strategy (EES) by supporting policies aiming at full employment, improving quality and productivity at work, and social inclusion.

- **European Territorial co-operation:** to stimulate cross-border co-operation in order to find joint solutions to problems such as urban, rural and coastal development, the development of economic relations and the networking of SME's. A new cross-border authority will be set up to manage co-operation programmes. The total budget will be 13.2 billion euros.

3. Improvements Towards the Accession In Turkey

The works in Turkey in the accession process that aimed to adopt the EU *acquis* has accelerated especially as from 2001. The Council approved the Accession Partnership Document in 2001 [42]. Then, the Turkish government adopted the National Programme (NP) of Turkey for the adoption of EU laws [8]. European Commission requested a Pre-National Development Plan (PNDP) as a supplementation of the NP, for the 2004-2006 period, for programming the pre-accession financial assistance for Turkey's economic and social cohesion to the EU. Besides, in the period of Turkey's candidacy, a new financial cooperation arrangement put into practice which forms the elements of *"Decentralized Implementation System"* (DIS) as in the other candidate countries, for ensuring the quick and effective performance of financial cooperation. In this arrangement, which has stipulated by the EU, different people and units implement and control the different phases of the financial cooperation. In this context to maintain the financial cooperation with the EU; National Financial Assistance Coordination Unit, National Fund, Central Finance and Contracts Unit, Financial Cooperation Committee and Common Monitoring Committee was formed with a circular, and a National Authorization Officer has assigned [3].

Since 2002, programming of the financial cooperation has been maintaining in the context of the mentioned arrangement, and European Commission accredited this system in October 2003.

There were some important improvements in the 2002-2003 period. First of all, in the Progress Reports of 2002 and 2003, the reformation of the PNDP for the following periods as a desired eligibility of Objective-1 regions, has stated. In these reports it is also stated that PNDP should be concordant with the planning and programming documents which have been used in the constitution of the EU, and PNDP should be update parallel to the improvements in the strategy of Turkey regarding to economic and social cohesion with the EU. In this period, the study on the Nomenclature of Territorial Units for Statistics (NUTS) has also completed. The decision of cabinet (no: 2002/4720) related to implementation of NUTS, has published in the Official Gazette of the Republic of Turkey (date: 09.22.2002, no: 24884) and put into practice. According to this framework, 12 Nomenclature of Territorial Units (NTU) were defined as Level-1, 26 NTU were defined as Level-2, 81 NTU (provinces) were defined as Level-3 [7].

With the coordination of the SPO Undersecretariat, for the 2004-2006 period the PNDP has prepared, which aims the effective use of pre-accession financial assistance and to generate the substructure for the use of post-accession structural funds. In the PNDP, it is tried to generate a country-size economic and social cohesion policy and a strategically environment

for providing a convergence to EU, with regard to the progress reports and the points of Accession Partnership Document in 2003 [3].

Turkey did not have a support from the PHARE, ISPA and SAPARD funds where the candidate countries take advantage. In present situation Turkey has a support from the EU funds that are aggregated under the headline of *"Pre-Accession Financial Assistance for Turkey"*. To have a support from the mentioned funds, Turkey prepared the PNDP that has been also prepared by the other candidate countries, which has pre-requested by the European Commission in 2001. But in the next period (2007-2013) it will possible for Turkey to take advantage of all pre-accession funds.

Besides, the European Commission has prepared a new Frame Regulation proposal regarding to the pre-accession financial assistances. Through this regulation, a new structure will be put into practice especially for the candidate countries (Turkey and Croatia). In this context, the candidate countries should be able to get support from the funds on the basis of 5 priorities: (I) Cohesion Assistance and Institutional Capacity, (II) Regional and Trans-boundary Cooperation, (III) Regional Development, (IV) Improvement of Human Resources, (V) Rural Development [3].

4. The Need for Institutional Rearrangements

The institutions which were set up formerly, like National Fund, Central Finance and Contracts Unit, Financial Cooperation Committee and Common Monitoring Committee, to run the financial cooperation between Turkey and the EU may be regarded as important steps towards the completion of the *acquis* but there still exist some critical steps waiting to be taken. For example the SPO still needs to adapt the operational programming similar to Objective 1 regions. Until the new regulations announcement for the period 2007-2013, Act no. 1260/1999 will be in use. However the similarity between pre-accession instrument (i.e. PHARE) and the Structural Funds will help Turkey for preparing to the acquis of regional policy and support to fill lacking areas in institutional reorganization and capacity building. According to ongoing regional programmes of the EU, Turkey needs to set up 3 institutional regulations. These are:

- Managing Authority
- Paying Authority
- Programme Management Executive Unit.

Under the organization of the SPO there is no actual program managing authority at the moment. Correspondingly there is a lack of a project selection criteria set, a guidance on implementation, and programme monitoring committee. Additionally It is expected that the tasks and practices of the Service Unions' will be replaced by the RDA's. Yet, there is an unclear area about how the RDA's will manage the EU grant at the regional level. This ambiguity arises because of the uncertainty of responsibilities among central governmental agents and the local units. The reorganization efforts only by itself would not be sufficient to reply to increases in the EU funding after 2007. There must be some accompanying measures in order to tackle with problems such as:

– The act on the RDA's was approved without sufficient participation of local actors, particularly the formal partner of the RDA's. Similarly insufficient information was given to local actors about the PNDP which has reduced the actual project preparing capacity of localities. Moreover we observe low level of awareness in the local units of the central government about the PNDP.

– More importantly the capacity of project preparing, submitting, implementation, monitoring and evaluating still remains very low at the local level.

– However the problems do not only concentrate at the regional level. Due to lack of experience on actual regional programmes central administration remains to be passive.

– Therefore designing regional policy becomes as a key element of regional development. In order to be successful, the design of the regional policy must incorporate the vertical and horizontal coordination of the different levels of the territories.

– From 2007, multi annual and a multi-actor approach must be adopted for the regional programmes by taking account the forthcoming regulations about structural funds which will replace the existing regulation no.1260.

– The success of the adaptation to the *acquis* on regional policy largely depends on the coordination among related ministries and state institutions. Also, this relations must be managed by a central coordination unit.

– Implementations units must be reorganized under a certain strategic plan.

– The central budget and the rules on state aid must be redefined and reorganized by taking the additionality principle.

– The awareness and the project management capacity of the regional actors must be increased through a certain programme to achieve high level of effectiveness in regional programmes.

Conclusion and Discussions

In Turkey we view that the issue of regional policy is under reconstruction at the national and local levels. The leitmotiv of this change is the financial resources in the process of the EU membership. For example, the supplementary articles of the act no 5449 on development agencies prove the affect of regional programmes ran by the financial cooperation programme between Turkey and the EU. Thus the law on the RDA's seems the most important steps about the transformation in the field of regional policy. The reorganization efforts of the SPO will be shaped by the forthcoming regulations of the Commission for the period of 2007-2013

Although there is no need for the transposition of the *acquis* on regional policy to the internal legislation, this *acquis* challenges the regional development understanding in Turkey. The reorganization efforts of the SPO and the act about RDA's reflect the transformative power of the EU as supranational entity on sub-national regions. However the existing literature on regional development depends on heavily the role local awareness in the gaining competitiveness through the mobilization of local resources. In this context the civil movements of the provinces like Mersin, Samsun, İzmir, and West Mediterranean Region for regional development is very important. Unfortunately there is no strong support from central government to these civil socio-economic development movements; instead central government prefers a top-to-bottom approach like in the case of act on the RDA's. The insufficient support of local capacity will probably cause to underutilization of available funds from the EU. Thus there is a need for reorganizing local stakeholders and actors at the NUTS II level. This means need for localization of regional policies. In order to achieve this objective the SPO should increase the awareness and capacity of local and regional stakeholders. In this regard we propose:

– The SPO should help local actors to understand the effects of act no. 5449 more efficiently by reorienting the regional agenda towards the RDA's.

– The regional economic structures must be analysed. Moreover the awareness among regional stakeholders about "regionness" must be increased.

– The project management capacity of the SME's, NGO's, local authorities and local institutions must be increased. In order to achieve this objective a specific action plan must be prepared. In particularly we observe low calibre projects in the regional programmes of East Anatolia and South-eastern Anatolia Regions.

– In order to avoid conflicts on regional vision creation, the entities like foundations or companies for regional development must be incorporated onto the forthcoming RDA's.

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