THE PRINCIPLES OF THE EUROPEAN UNION REGIONAL POLICY AND THE SITUATION IN TURKEY

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ABSTRACT

EUROPEAN UNION REGIONAL POLICY

AND

THE SITUATION IN TURKEY

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This thesis analyzes the problem of regional disparities in Europe and the policy conducted by the EU to reduce regional disparities which became very important in 1981 and 1986 with the accessions of Greece, Spain and Portugal to the EU. Regional disparities have been sharpened since 1st May 2004, with the accession of ten new member states to the EU. There are currently 25 member states with 188 regions and 450 million people in Europe. This thesis exposes the most and least developed regions of the EU with economic indicators and analyzes the budget allocated to eliminate regional inequalities. With the studies presented in this thesis it can be said that the EU regional policy has been successful at a certain level, the GDP per capita in the poorest regions of the union slowly approached the union average. Between 1986 and 1996, the GDP per capita in the poorest 10 regions increased from 41% of the EU ratio to 50%. GDP per capita increased from 65% of the EU average to 75% in four countries within the cohesion policy. Regional policy has obviously contributed to this improvement. There are huge regional differences in Turkey too, and Turkey has to align herself to the EU regional policy. Within this context, the NUTS II system has been introduced to Turkey and many efforts are carried out in regional issues. However, the elimination of regional disparities is not a topic that one country can solve solely. A multi-directed and financially supported system has to be developed and applied. Another reality is that regional problems would not be solely solved by regional political steps. Regional policies should be supported by macro-economic policy and social policy reforms.

Keywords: Regional policy, structural funds, cohesion policy, regional funds, NUTS II.

ÖZET

AVRUPA BİRLİĞİ BÖLGESEL POLİTİKASININ ESASLARI

VE

TÜRKİYE'DEKİ DURUM

Sülün, Dilara

Avrupa Çalışmaları Yüksek Lisans, Uluslararası İlişkiler ve Avrupa Birliği Bölümü

Tez Yöneticisi: Prof. Dr. ------

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Bu çalışma Avrupa'daki bölgesel farklılıklar sorununu ve özellikle 1981 ve 1986 yıllarından sonra Yunanistan, İspanya ve Portekiz'in AB Üyesi olmasıyla Avrupa Birliği'nde artan bölgesel dengesizlikleri azaltmak üzere sürdürdüğü bölgesel politikayı incelemektedir. 1 Mayıs 2004 itibariyle on yeni AB üyesi ile bölgesel farklılıklar daha da artmıştır. Hali hazırda AB'de 188 bölge ile 25 üye devlet ve 450 milyonluk bir nüfus vardır. Bu tez ekonomik göstergelerle AB'nin en çok ve en az gelişmiş bölgelerini ve bölgesel dengesizlikleri azaltmaya yönelik tahsis edilen bütçeyi ele almaktadır. Bu tezde sunulan çalışmalarla, AB bölgesel politikasının belli bir ölçüde başarılı olduğu söylenebilir; Birliğin en yoksul bölgelerinde kişi başı GSYİH yavaşça Birliğin ortalamasına yaklaşmıştır. 1986 ve 1996 yılları arasında, en yoksul 10 bölgede kişi başı GSYİH AB oranının %41'den %50'sine yükselmiştir. Uyum politikası çerçevesinde dört ülkede kişi başı GSYİH AB ortalamasının %65'inden %75'ine yükselmiştir. Bölgesel politika hiç şüphesiz bu gelişmeye katkıda bulunmuştur. Türkiye'de de büyük bölgesel dengesizlikler vardır ve Türkiye AB bölgesel politikaya uyum göstermelidir. Bu çerçevede, Türkiye'de NUTS II bölgesel istatistikî birim sınıflandırma sistemi uygulanmaya başlamıştır ve bölgesel konularda birçok çaba sarf edilmektedir. Ancak, bölgesel farklılıkların giderilmesi bir ülkenin tek başına çözebileceği bir sorun değildir. Çok yönlü ve geniş finansman ile desteklenen bir sistem geliştirilmeli ve uygulanmalıdır. Bir diğer gerçek ise bölgesel sorunların sadece bölgesel adımlar ile çözülemeyeceğidir. Bölgesel politikalar makro-ekonomi politikası ve sosyal politika reformları ile desteklenmelidir.

Anahtar Kelimeler: Bölgesel politika, yapısal fonlar, uyum politikası, bölgesel fonlar, NUTS II.

To My Parents

and

My Husband

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I express sincere gratitude to my husband Uğur Sülün for encouraging me to fulfill my Master of Sciences in European Studies and for his unshakable faith in me since the very beginning. I especially thank him and my parents for understanding my frequent and intense studies during the last two years, including holidays. To my sister, Meltem, I express my appreciation for her willingness to assist me and her support.

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INTRODUCTION

The word region which its origin “regio” in Latin means surrounding and periphery – area; is a multi-dimensional concept, with multi-meanings and it is hard to draw its limits. While the word region represents sub-units in the context of State, it expresses a total of States which share common interests and have geographical, political and economical proximity within the context of international law. For example, the European Union can also be conceived as a region in that sense. The concept of region has not been clarified yet in Turkey, nor in the whole world. For instance, within the planning context, regions are in the EU in various dimensions from city, metropolitan areas to dense rural regions. One or several of geographical, economical, historical, cultural, administrative and environmental criterions can be used in drawing the region boundaries, which can differ according to the basic objective and priorities of the planning. There are various disparities within different regions of a country based on factors such as the structure of production and distribution of sectors, capital, infrastructure opportunities, population, education level, human resources, urbanization, regional revenue, regional revenue per capita. These disparity factors are the common problem of both developed and lagging countries. Since the Second World War the concept of regional development has been introduced to the economical literature and the problem of economic and social development has gained spatial dimension. Regional development which is also defined as “Settlement Economy" or "Field Economy" has gained importance with the industrialization process; researchers such as Perroux and Myrdal have carried out various work on regional development and “unequal development”.

Adam Smith attaches great importance to transportation possibilities in his work entitled The Wealth of Nations, 1776 (La Richesse des Nations). This writer, just like R. Cantillon, has tried to form a balance between the urbanization problems, the importance of a living center and the intensity of relations between the other parts of the country. Adam Smith connected the formation of the first civilizations in the Mediterranean coasts to sea and river transportations which increase the market and work division. Thus Smith stated that the first reason of diversification in areas is linked to the facilitation of transportation and work division.

After Adam Smith, among the classical economists, David Ricardo has also made two contributions to the field of area relations. His first point encouraged the opening of new land to production and consequently the spatial dispersion of the population in the country while explaining the land fertility. This fertility which resulted from lands with different characteristics such as the distance to productivity or consumption centers is called a differential fertility. His second point, the theory of comparative superiorities enlightened the analysis of international distribution of production. According to this, international trade is beneficial to all participants. Each country under free trade should specialize in and export the goods that it produces at relatively lower costs, and in reciprocity, import the goods that are produced at lower costs in other countries (where they have the comparative superiority).

The notion of decentralization is important to understand the formation of regionalism and the regional policy. According to the Dutch economist, Herman Van Der Wee, decentralized planning can be conceived in two ways; in the first place, decentralized planning can signify a return to the sovereignty of the market and to free-competition. In the second place decentralized planning can be organized in the context of a socialist conception of self-management. The return-to-the-market conception means, in effect, the decentralization of economic decision making down to the level of the individual. In this case, the planning function is entrusted to the automatic balancing mechanism of the market system. However, a definitive and complete return to such a market system seems unlikely. The increasing size of companies in the public and private sectors is an irreversible process in a civilization where technological progress plays a central role. In a totally free-market economy this would inevitably lead to the formation of monopolies and to the distortion of the relationships between social groups. According to Van Der Wee Herman, in his book entitled Prosperity and Upheavel the World Economy 1945-1980, a pure free-market system would generate unacceptable social solutions.

While the approach of regional development appears especially when the economical geography is not equally distributed, the metropolitan area arose from the shape up of settlement hierarchy such as region, city-town and villages. In other words, with the formation of "polarized regions" the need to remove the "development differences" was born . French economist François Perroux's view following which economic development can not be seen simultaneously from everywhere: "it is formed with various intensity in various points or poles, and spread to the whole economy with final effects" is shared by many economists. Two sub-branches of economy have helped the formation of regional development analyses. The first of them is field–space economy or regional economy which was especially the expertise area of German economists in the past (space economics-regional economics: concept of polarized regions). The second is macro-economic growth and development theories developed only after the Second World War.

Regional development has been a concept to which developed countries have attached great importance in the last 60 years. Its first applications started with the establishment of "Tennessee Valley Authority" (TVA) in 1930 located in the USA, near Mexico. European countries have especially concentrated on this concept after the Second World War and policies with the aim of reducing the disparities between the developed and lagging regions have been created. Today there are more than 500 regional and local Economic Development Agencies, most of them being in Europe. Many countries and even many sub-regions have established economic development organizations with the aim of attracting foreign investors and supporting their intern initiatives. Regional policies have gone through a change in general, the support of infrastructure and agriculture skipped over time to the support of industry (first public sector and big industry, then private sector and little industry), and the support of services and advanced technologies today. Regional Development Programs have been applied in South Italy, Spain, Germany, France, Scotland, Wales, India and Brazil.

However, when it was understood that a management structure which was totally linked to a "Central Management" authority as in the cases of South Italy and SUDENE in Brazil (Northeast Region Development Unit) do not give successful conclusions, development units with more democratic characteristics have been introduced. Thus with the activation of local dynamics, the widening of the limits of development potential was aimed. In agricultural societies, the productivity of lands and transport differences are important factors that create regional disparities. In industrial societies, the accumulation of capital, mechanization, opening to foreign markets, immigration from rural parts to urban areas mark the progress of regional inequalities. In information societies, factors such as the production of information and technology and innovation creation allow some regions to develop more. Besides, the integration of some regions to the globalization via capital, workforce, liberalization in the circulation of goods and services, and telecommunication technologies quickly bring these regions to a superior position towards other regions. In that sense, the reasons of regional disparities can be classified as geographical, economical and social criterion. The EU is currently a big mosaic constituted of 25 countries, 188 regions, 450 million people and 20 official languages. The EU runs various policies. These policies can be classified under the following titles.

- Agriculture
- Fishery
- Competition
- Economical and Financial Affairs
- Information Society
- Research
- Environment
- Consumer Health And Protection
- Education and Culture
- Internal Market
- Employment and Social Affairs
- Joint Research Center
- Energy and Transportation
- Justice and Interior Affairs
- Enterprises
- Regional Policy

The EU Regional Policy which constitutes the topic of this research is conducted by the EU Regional Policy Directory General located in the European Commission (EC). This office is the EC's economically and socially responsible office of Europe's less developed regions[1].

Regional policy has first began to develop from the will of creating an interior balance in Europe, increasing the demand and erasing the external debts and form a balance between Germany which is an industrial country; and France which is an agricultural country. Then the will of allowing a fairer

[1] For further information see: http://www.europa.eu.int/pol/reg/index_en.htm

development in economic and social fields in the Union has been put forward especially after the entry of Greece, Spain and Portugal in the EU. Regional policy aims, on one hand the elimination of unequal revenue distribution between regions, and the increase of employment and alleviates the development differences within the EU on the other hand. The elimination of development disparities between both European countries and regions within a country is anticipated in the regional policy. Regional policy also covers regions that were once developed and that become lagging regions later lagged behind as they can not innovate themselves due to changes in the production structure. Regional policy foresees the coordination in this policy within European countries, and the non-creation of regional differences that would damage competition.

While regional policy in a national state is usually implemented within a uniform framework of national and sub- national relations, the EU's structural policy has to accommodate to highly divergent territorial power relations across the EU's member states, since the scope and scale of their decentralization greatly varies.

The EU enlarged for the fifth time since its foundation with the signing of the Rome Treaty by France, Germany, Italy, Belgium, Netherlands and Luxembourg in 1957. Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia became EU member on the 1st May 2004. The accession of these new 10 countries has accentuated the existent regional disparities in the EU and justifies the importance of the European Regional Policy.

The reasons for the need of a regional policy and the development of this policy in the EU with its current regulation are analyzed in the first part of this work. The various instruments of the EU regional policy such as the structural funds for the member states and the Pre-Accession funds for the candidate states are analyzed in the second part of this work. The third part comprises the application of the regional policy in the EU while the forth and final part covers the concept and works of region and regional development and the application of the EU regional policy in Turkey.

CHAPTER I

THE NECESSITY TO DEVELOP A REGIONAL POLICY

In recent decades, regional policy and governance frameworks have been reinforced by EU goals and programs. As part of this process both the EU and individual member states (notably, the UK) have devolved administrative power from central governments to regional authorities. There has also been a proliferation of sub-national economic development bodies, framed both at regional and local scales[2]. The first part of this work exposes the reasons of the need of the development of regional policy.

Many countries or regional groupings such as the EU, have their own approach to both national and international issues. The USA and the EU, for example, differ on questions of "partnership", "burden sharing", and "exceptionalism" as approaches to global economic management. For the current Bush administration, what drives contemporary world order is "primacy, "realpolitik" and freedom to manoeuvre. For Europeans (including the United Kingdom), it is "globalization", "interdependence" and cooperation[3]. Europe in theory exhibits a stronger normative attitude towards multilateral governance structures than it is to be found across the spectrum of the US policy community. Regional inequalities represent a continuing development challenge in most countries and countries experiencing divergence tend to focus on interventionist policies[4].

If we define regional disparity as all kind of inequity seen in various regions of a country, there is today certainly regional disparity in every country, even if it is more or less[5]. The European map has been shaped throughout history with local factors such as land structure and protection from nature, climate, water ways and floods. These basic factors that haven't changed for centuries have played an essential role in the choice of people's location. The industrial revolution has completely changed the economical map of Europe. At that period, energy resources in certain regions such as

[2] Gleeson Brendan, "Learning about Regionalism from Europe: Economic Normalization and Beyond", Australian Geographical Studies, Vol 41, Issue 3, Nov 2003, p. 221.
[3] Higgott Richard, "The Theory and Practice of Global and Regional Governance: Accommodating American Exceptionalism and European Pluralism", European Foreign Affairs review, Vol. 10 Issue 4, Winter 2005, p. 580.
[4] Shanka Raja, Shah Anwar, "Bridging the economic Divide within Countries: A Scorecard on the Performance of Regional Policies in Reducing Regional Income Disparities", World Development, Vol 31. Issue 8, Aug 2003, p. 1421.
[5] Zeynel Dinler, **Regional Economy** (Bölgesel İktisat), Edition House of Uludağ University, Bursa, 1986, p. 111.

coal, and other raw materials; water ways, port areas and port cities have become an attraction center for industry. Undoubtedly, factors that were effective in the choice of location (settlement) before the industrial revolution have become less effective with time. Regional development theories appeared toward the 1960's[6]. People followed businessmen for habitation location, and state followed businessmen and people's movements especially for the infrastructural services. With this mobility came infrastructure, public services and administrational structure which are vital for industrial growth.

The European Union is a mosaic constituted of different cultures, languages, histories and traditions. There are differences not only between 25 member states but also between various regions. The EU is formed of hundreds of regions such as Berlin, Ile de France, Hamburg, West Midlands, Andalusia and Utrecht. But there are also differences in economic and social development perspective. Differences in life standards at various levels between regions in all member states of the EU existed for a long time. These differences are more striking when they are analyzed in the whole EU in general. In the beginning of the last decennia, the GDP of the ten richest regions of the EU has been 3.5 times superior to the GDP of the ten poorest regions of the EU. Besides, unemployment in the ten most critical regions has been seven times superior to the ten most prosperous regions (when this comparison was made the EU was formed of 15 countries)[7]. The main target of the European regional policy since the beginning was the reduction of regional disparities. The objective of this policy, as the expression of solidarity along the EU, is the construction of a Europe where economic and social cohesion remains as the basic element of the European integration. With the aim of increasing the competition force, Europe has shifted to the economic and financial union from the single market.

Each EU member state developed a particular regional policy proper with the aim of reducing the regional disparities. The solution of regional development problems is first of all, under the proper responsibility of each state. With this aim, member states must realize the necessary infrastructure investments and encourage the investments that would create employment. The aim of the European regional policy is to improve the necessary guidelines and principles to ensure that the regional policies developed by the member states are in harmony and in coordination with the rules of competition and State aids of the Union. The European regional policy is besides a coordination instrument with a regional dimension which considers the regions that are in need of the various political and financial instruments of the union. Another objective of the regional policy of the union is to reduce the existing disparities between the regions and to avoid the increase of these disparities. Within this objective, some resources are transferred to problematic regions with the use of instruments such as the European Regional Development Fund (these funds and the various instruments are analyzed in the part II of this thesis).

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[6] Hüsnü Erkan, **Socio-Economic Development: A Theorietical and Practical Approach** (Sosyo-Ekonomik Bölgesel Gelişme- Teorik ve Uygulamalı Bir Yaklaşım), Izmir, 1987, p. 1.
[7] Delegation of the European Commission ot Turkey available at http://www.deltur.cec.eu.int/abbolgesel.rtf,

The essence of the European integration is to benefit in the best way from the effects of the market mechanisms at the Community level. Economical activities were developed at national context before the creation of the common market; certain economic activities were condensed in certain areas that were protected from the custom barriers and international competition. With the opening of the frontiers, both European companies and companies with foreign origin (especially Japanese or American) have naturally preferred areas that had the most developed infrastructure and qualified human force for their economic activities. In conclusion, intensification invites intensification[8]. The growth of the market speeds (even more) the intensification.

Within this context, the need of developing regulations at both national and EU level with the aim of directing these economic activities in various regions and reducing regional disparities arises. Regional disparities are greater at the Community level than the national levels (The GDP per capita between the richest and poorest regions of the EU is almost 4 times). Besides, it has been considered as impossible for the regions that are suffering from regional differences to solve regional problems by on their own efforts and resources, therefore the Community decided to regulate the regional disparities at the Community level. At the other hand, the problem of regional disparities has gained more importance with the accession of the new member states to the EU. Within this objective, the EU, besides the regional policy available for the member states, developed a separate program for the benefit of Central and Eastern European countries.

Regional policy has always been a contradictory concept, but it is certainly an interventionist policy[9]. Persons, who doubt the capacities of governments, consider that businessmen in prosperous regions are being punished while the regional policy encourages economic activities in the lagging regions. For those who share this idea, regional disparities are inevitable conclusions of the market system. They claim that market work force would revitalize the lagging regions with factors such as the capital investments and the spread of trade and that "regional disparities" is a process that should be tolerated until then. However, persons in favor of regional policies think that the market can't solve the long-term regional problems on its own. The arguments in favor of an active regional policy to be conducted by a government can be listed as below:

- Equity and justice: Regional policy is seen as a necessary tool in the share of a modern and growing economy by each part of a community.
- Extra revenue and production: Regional policy is seen as a major instrument in the transformation of less used resources such as work force into productive.
- Less inflation and faster growth: The intensification of economic activities into one area causes an increase in salaries, rents, house prices and inflation in this area and consequently, this area would increase its imports in order to face the growing demand.

[8] Nicholas Moussis, **Access to European Union: Law, Economics, Policies**, European Study Service, 2001, 10th Edition, p. 215.
[9] Ali M. El – Agraa, **The European Union Economics and Policies,** Pearson Education, 6th Edition, 2001, p. 388.

So the trade balance would be disturbed. But a regional policy would spread the economic activities into regions, decrease inflation and bring a sustainable growth that would be in benefit of everyone with time.

- The reduction of urban problems: When the economic activities are concentrated in big metropolitan areas in Europe, life quality would decrease and traffic, pollution and crime levels would increase in these areas.

All these reasons, how valid they may be, do not form the European regional policy on their own. Regional policies at national level have been formed with these arguments in the past. For example, United Kingdom has formed its own regional policy since 1928 and this policy has been carried out despite the changing governments. The main question is, why European regional policies were needed besides the national regional policies, with the creation of European Regional Development Fund in 1975. Bill Pritchard, in his article entitled "Unpacking the Neo-liberal Approach to regional Policy: A Close Reading of John Freebairn's Economic Policy for Rural and Regional Australia" published in Geographical Research in March 2005, states that regional policy normalizes and exonerates the spatially uneven outcomes of market forces[10]. There are various reasons according to M. El Agraa.

2.1 Arguments In Favor of Developing a Regional Policy

2.1.1 Argument for Vested Benefit and Finance

The state nations of Europe are becoming more and more integrated economies. The fast developing trade connections and the freedom of capital circulation are supported with EU initiatives such as the single market. Disadvantaged regions with low revenues and high unemployment rates benefit no one. Each member state has a benefit from the reduction of the regional problems in other member states. The welfare of citizens of a specific country is also dependent on the wealth of the economies of other countries. In this case, the European regional policy is becoming a mechanism that allows the involvement of one country to the regional economic activities carried out in another country. What sort of benefits would citizens of a prosperous country like Germany have from solving the regional problems of citizens of countries like Spain or Greece? The benefits here lie in the spread of advantages that are accompanying the solution of regional problems in one area; these advantages are spreading into the frontiers of member states. The more EU integrates; the more would be the spread effects of one country to another. Currently these effects exist but they are insufficient. The effects can be in the 3 forms stated below:

- Spread of justice and equity,
- Spread of productivity,
- Spread of non economic advantages.

[10] Bill Pritchard is teaching at the University of Sydney in Australia.

As the thought of a "fair" distribution of the virtues of integration between regions and countries in Europe is dominant; the "spread of equity and justice" is targeted. The help of a more prosperous EU country's citizens to a poorer country and region's citizens and the improvement of their economic situation is beneficial for the prosperous citizens too. In addition to the basis of justice and equity, the reduction of regional problems is also providing the benefit of spreading the productivity to more prosperous regions and countries. Less unemployment increases revenues and production in EU in general lowers the pressure on the EU program which has high spending and expenditure entries such as social policy. Besides, the European regional policy means less inflation and less urban problems for each country in EU in general. Some advantages of the European regional policy are also possible in the spread of non economic advantages. The reduction of regional disparities is allowing a better adaptation in social, economical and political senses. The chance and will of cooperation for "integration" and a "united EU" would be less in regions that feel themselves as abandoned. Some people go even further on this thought by affirming that a strong regional policy is a condition for the survival of the EU in its route toward a federal political system and for a "complete" monetary union. In this sense, the citizens of the more prosperous regions would support the European regional policy for their efforts of protecting and enlarging the current EU. While doing this, non economic advantages such as the preservation of local languages, cultures and the famous broad social and cultural variety of the EU will appear.

The financial argument of the European regional policy is related to the effectiveness of the regional policy in the EU. The disadvantaged regions of the EU are not equally distributed in member states. Some disadvantaged regions of some member states fit more in the qualification of "lagging regions". This is especially the case for the Mediterranean countries of the EU. In application, regional policy is a program that has a high financial side and generally necessitates the resources to be generated from the budget of the public sector. However, the countries where lagging regions are intense face some difficulties in financing an active regional policy through their public sector budget; which is not surprising at all. In that sense, it wouldn't be effective from the European angle to completely leave regional policies to the governments of these countries. Countries which have less problems like France and Germany are countries that financed better active regional policies. Countries which have biggest budget deficits such as Greece or Portugal couldn't afford regional policy in their own, this has been possible by the transfer of funds and resources from the most prosperous regions of the EU to the most lagging regions. Providing the biggest supports to the less developed regions is the factor that makes the European regional policy "effective and successful".

2.1.2 Argument of Coordination and Integration

Another factor in favor of regional policies is the advantages that a coordinated approach could provide. The EU has the potential to increase the effect of regional policy by acting as a sort of coordinator agency above national levels (supranational to the EU). Initiatives of regional policies are undertaken by various institutions in member states. There are common initiatives between governments of member states, local governments, local councils, development agencies, public collaborations with the institutions of the private sector that are increasing more and more. The lack of coordination causes big losses. Many regions would be able to compete with the companies of other regions or with the Japanese or American investment projects that would come to their regions by using the regional funds as a weapon. In addition, the lack of coordination would eliminate the possibilities of creating valuable and useful development opportunities such as transportation links at the borders. The EU, while acting as a supranational coordination agent, should ensure that the following points are simultaneously undertaken:

- The European regional policy should be in coordination with the other EU policies (agriculture, social policy),
- The activities of the European regional policy should be executed in coordination with the national regional policy of this country,
- The national regional policies of states should be enforced simultaneously in coordination (specially in countries that have common borders),
- The European regional policy should be enforced in coordination with national regional policies of states between special regional and local organizations.

Regional policy is a major and difficult task that only an authority with a big potential of success like the EU can undertake.

Among the arguments in favor of regional policy, the arguments that present the biggest disputes is the argument of integration. It is considered that the execution of the regional policy by the EU decreases the adverse effects of the integration process. This consideration lies on two hypothesis. The first hypothesis is that economical integration if left to its own instruments; then the regional disparities would increase. The second hypothesis is the idea that EU is more successful in regional integration process than the member states. In conclusion, it is accepted that integration has big effects on regional disparities.

Public authorities in the EU actively promote the dissemination of so-called “best practices” in regional policy. With the help of scoreboards, case studies and interregional benchmarks, policy makers hope to improve the competitiveness of Europe’s regions[11]. Regional policy enables a more equitable distribution of the advantages of integration. Only if this were to happen all countries would reach the process of “complete integration” and accept to take more steps in that direction. However, this, argument is also an argument open to disputes. The EU Agreement aims the economical and political union, and there is no concrete evidence that regional differences obstruct the greater integration of member states. National authorities have never been totally transferred from member states to EU in the conduction of regional policies and such a transfer would never be of question. The commitment of the EU to the “co-financing” criteria necessitates the action of all member states, regional and local government and other various organizations. Besides, most of the modern regional

[11] Hospers Gert-Jan, “Silicon Somewhere ?”, Policy Studies, Vol. 27 Issue 1, March 2006, p. 1.

policy initiatives need an active activity and support to be effective. The characteristics such as the distance of Brussels to the most problematic regions, the lack of experts with local knowledge and experience at the center, the authorization given to the variety and experience in regional policy show that partnership is the most suitable and appropriate way for the development of regional policy and that EU can't play a superior and dominant role by itself.

2.1.3 Argument of Other EU Policies

Another argument supporting regional policy is the decrease of the adverse effects of other EU policies. For instance, the European agricultural policy financially supports cereals, milk and beef products (wealthy farm products mainly located in the northern European) and in conclusion, more wealthy regions obtain more supports[12]. As another example, the value added taxes which constitute the main revenue (income) entry of EU are known as regional taxes that tend to decline. The price guarantee policy of the EU in agriculture (which is the main feature in the EU budget), has been the source of special assumptions. The focus of the European Common Agricultural Policy (CAP) on cereals, milk, oil seeds and meat, despite the repeated reforms within the agricultural policy, can be linked to the fact that more benefits are provided by the more advantaged regions.

Certainly the ideal solution to these EU policies that have adverse effects lies in changing the source and the nature of these policies. However, this is requested in all fields but possible only in some fields. As a consequence, the EU created a double perspective within its own regional effect. First, simple research programs have been created and these programs have been used in explaining the main EU policies. At the same time, the adverse effects of these policies and the possible changing conditions have been exposed. Second, the main lines of the European regional policy have been put forward and have been oriented to eliminate the adverse effect of the other policies if needed.

2.2 Regional Disparities of the EU with Economic Indicators

There are huge disparities in economic sense in the EU. The biggest indicators of this economic inequity are the GDP per capita and unemployment rate in the regions.

2.2.1 Huge Disparities in GDP Rates in EU Regions

The European Union is far from homogeneous, not only are there significant economic and social disparities within most of its member states but there are also disparities from one state to another. The standard measure for comparing differences among countries is to use per capita GDP adjusted for purchasing power parity (PPP, or the purchasing power of each member state currency). On that basis, and expressing the average for the EU as 100, the differences in per capita GDP in 1995

[12] Agraa, **ibid.** p. 392.

ranged from 135 in Luxembourg to 48 in Greece. Disparities among regions within the member states were even greater, ranging from 195 in Hamburg, Germany, to 43 in Speiros, Greece[13].

According to the GDP values in European regions in 1996, the GDP rate per capita in the wealthiest ten European regions has been 3.1 times superior to the GDP per capita in the less wealthy ten European regions. These GDP disparities are more than the double of the disparities observed in the USA. Various problems lie under the lagging regions, such as rural, urban, geographical isolation (the distance to the center). For example: isolated islands, isolated economies, regions distant to the main European markets or the regions outside the external borders of the EU. The fact that the wealthiest regions of the EU are geographically located in the center of the EU is calling our attention (core-periphery). This situation is a problem that EU has lived for a long time indeed. The transportation costs that were obstructing trade have been decreased with the improvements in the infrastructures in transportation and shipping. Trade has been liberalized with the international steps undertaken after the Second World War, such as the General Agreement on Tariffs and Trade (GATT) and World Trade Organization (WTO) Agreements. European countries participated since then to the world integration process and the regional disparities that we can see today are in fact the conclusion of this process[14]. Most of these processes started before the EU was created in 1958. Regional disparities, is getting more evident with the enlargement of the EU. The EU has been enlarged for the fifth time since its foundation by the signing of Rome Treaty with France, Germany, Italy, Belgium, Netherlands and Luxembourg in 1957. Denmark, United Kingdom and Ireland became EU member state in 1973. Greece joined the EU in 1981, Portugal joined in 1986, Austria, Finland and Sweden joined in 1996. Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia became EU member states on 1May 1st 2004.

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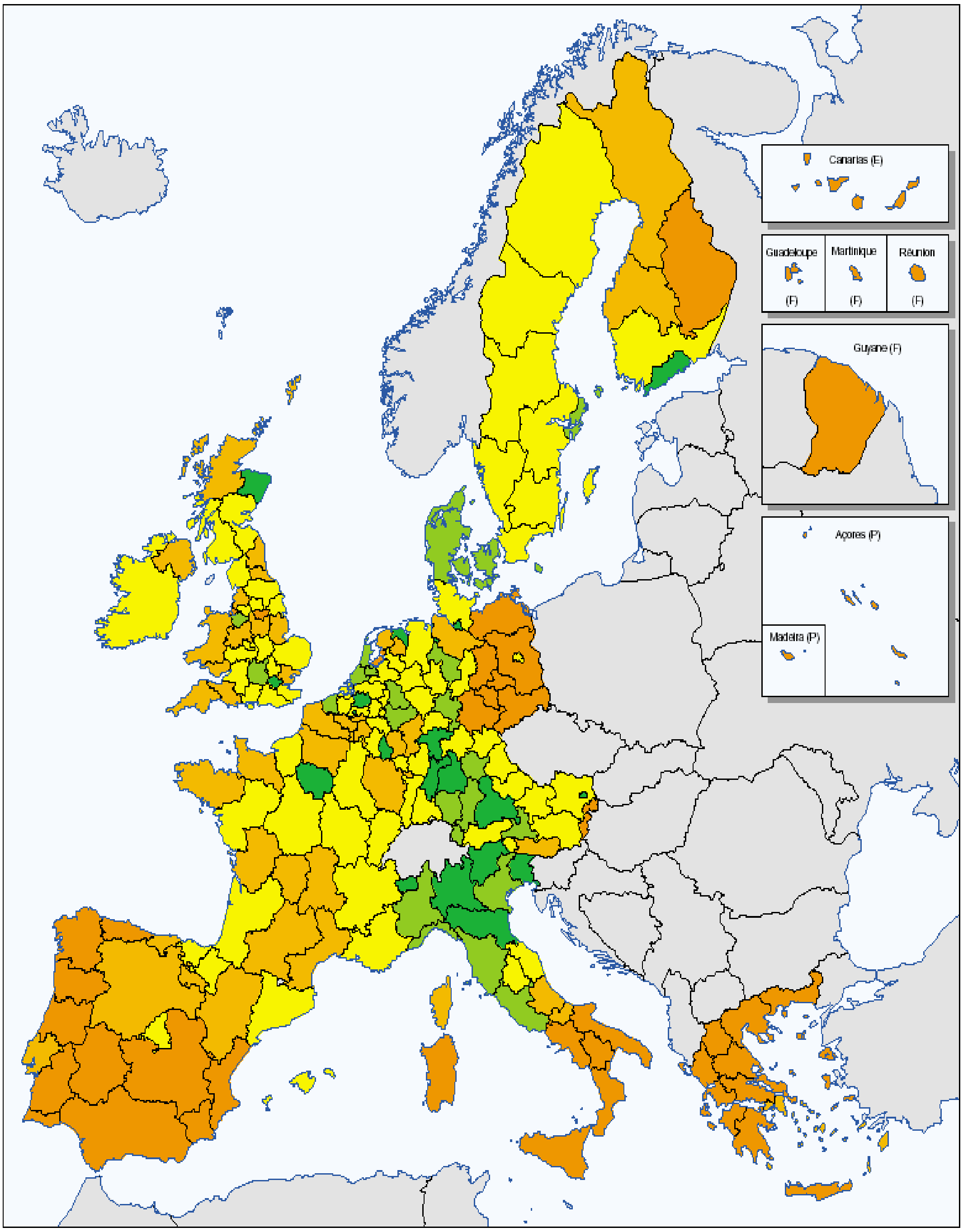
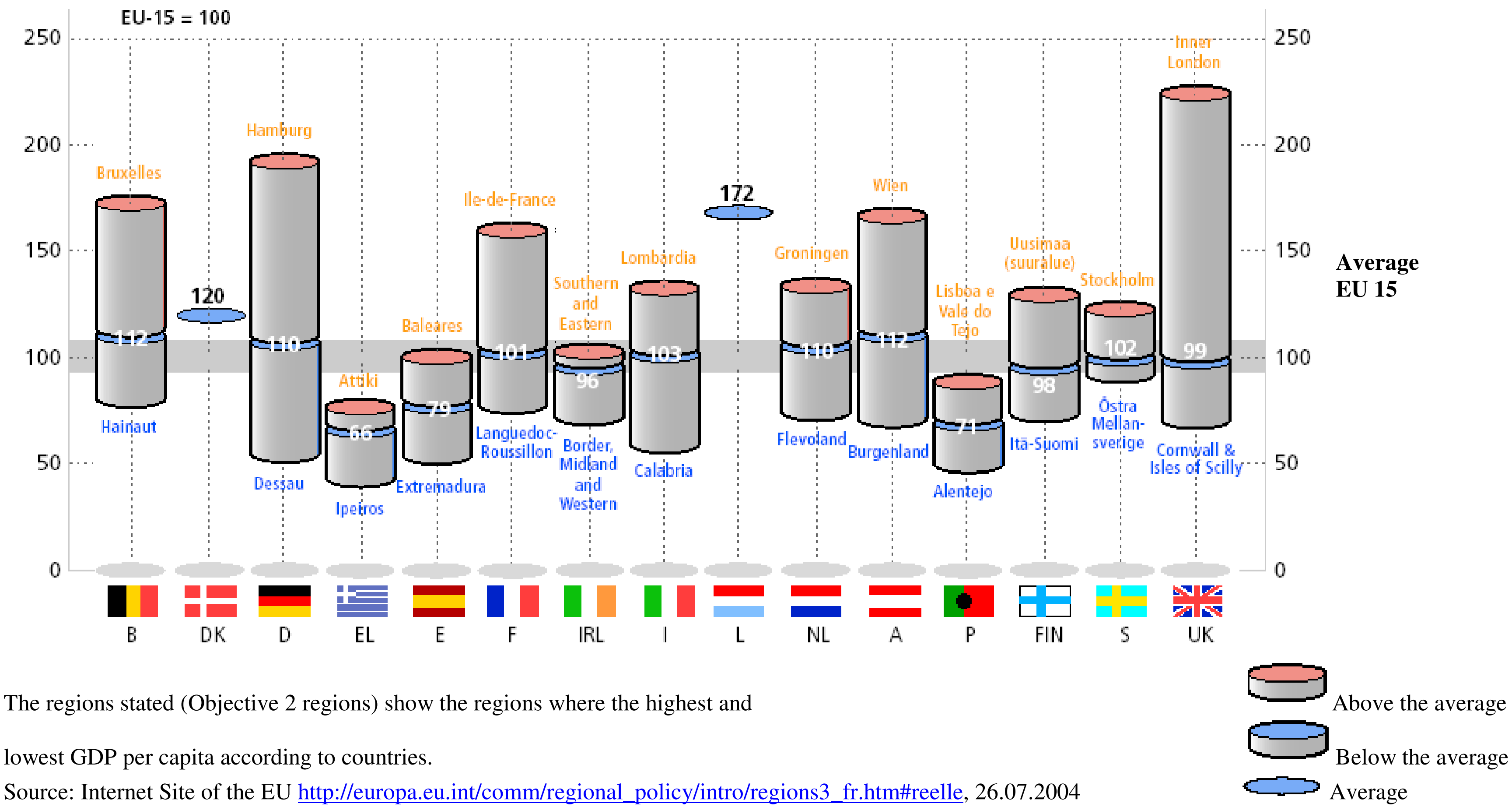
[13] John McCormick, **The European Union Politics and Policies**, Westview Press, Second Edition, USA, 1999, p. 238.
[14] Agraa, **ibid.** p. 396.



Source: Internet Site of the European Commission to Turkey
http://europa.eu.int/comm/regional_policy/document/pdf/document/radi/en/pr6_complete_en.pdf
(http://europa.eu.int/geninfo/query/engine/search/query.pl), 16.08.2004

France (DOM): 1994 Index: EU 15 = 100

Figure 1. GDP Per Capita in 1996 (With the Power Purchase Parity PPP)



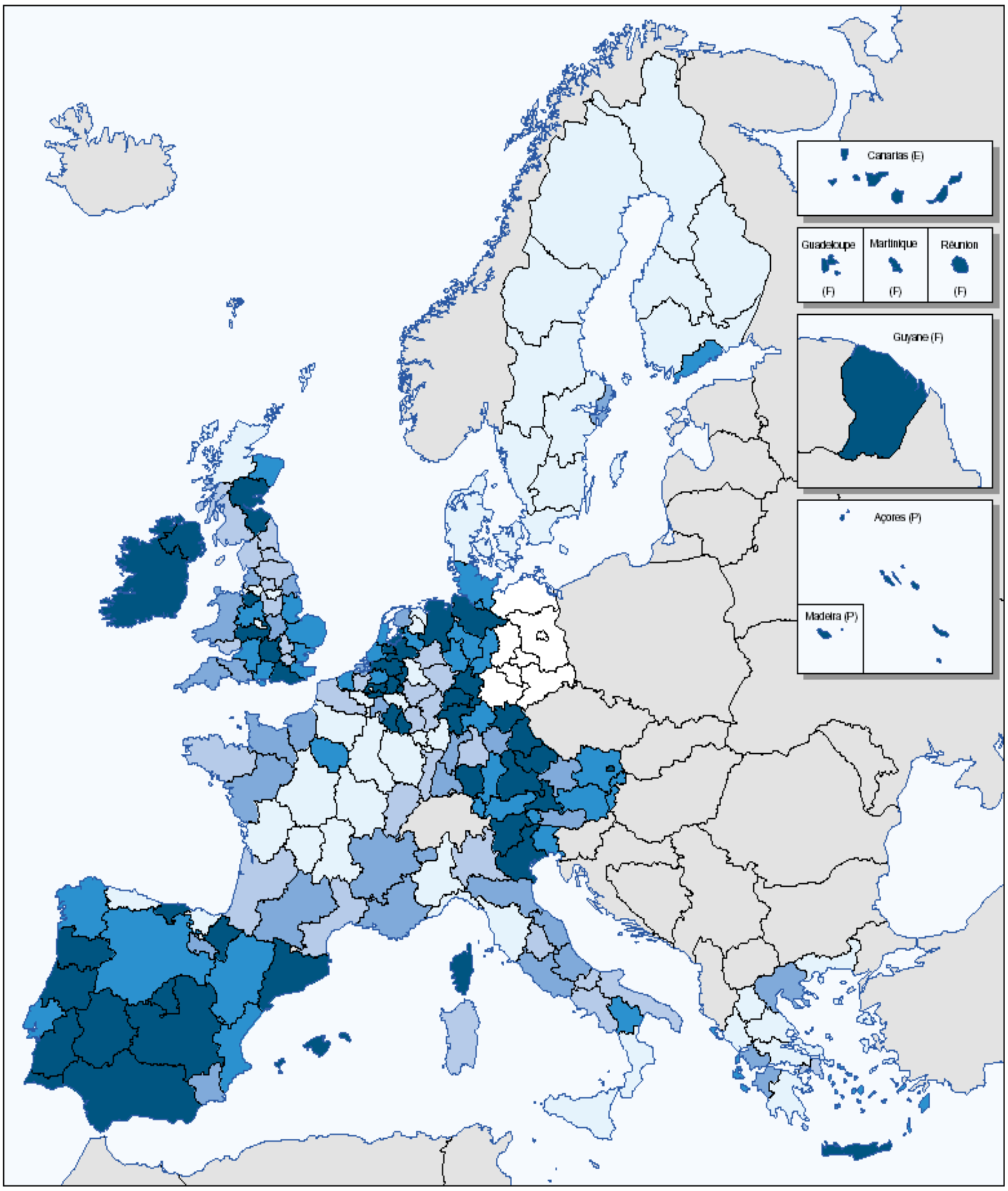
The regions stated (Objective 2 regions) show the regions where the highest and

lowest GDP per capita according to countries.

Source: Internet Site of the EU http://europa.eu.int/comm/regional_policy/intro/regions3_fr.htm#reelle, 26.07.2004

The Objective 2 regions are analyzed in detail under the title of Regional Policy Instruments in the Part II of my work.

Figure 2: GDP per Capita in Member States Regional Differences, 1997 (PPP)



Source: EU Internet Site
http://europa.eu.int/comm/regional_policy/document/pdf/document/radi/en/pr6_complete_en.pdf
(http://europa.eu.int/geninfo/query/engine/search/query.pl), 16.08.2004

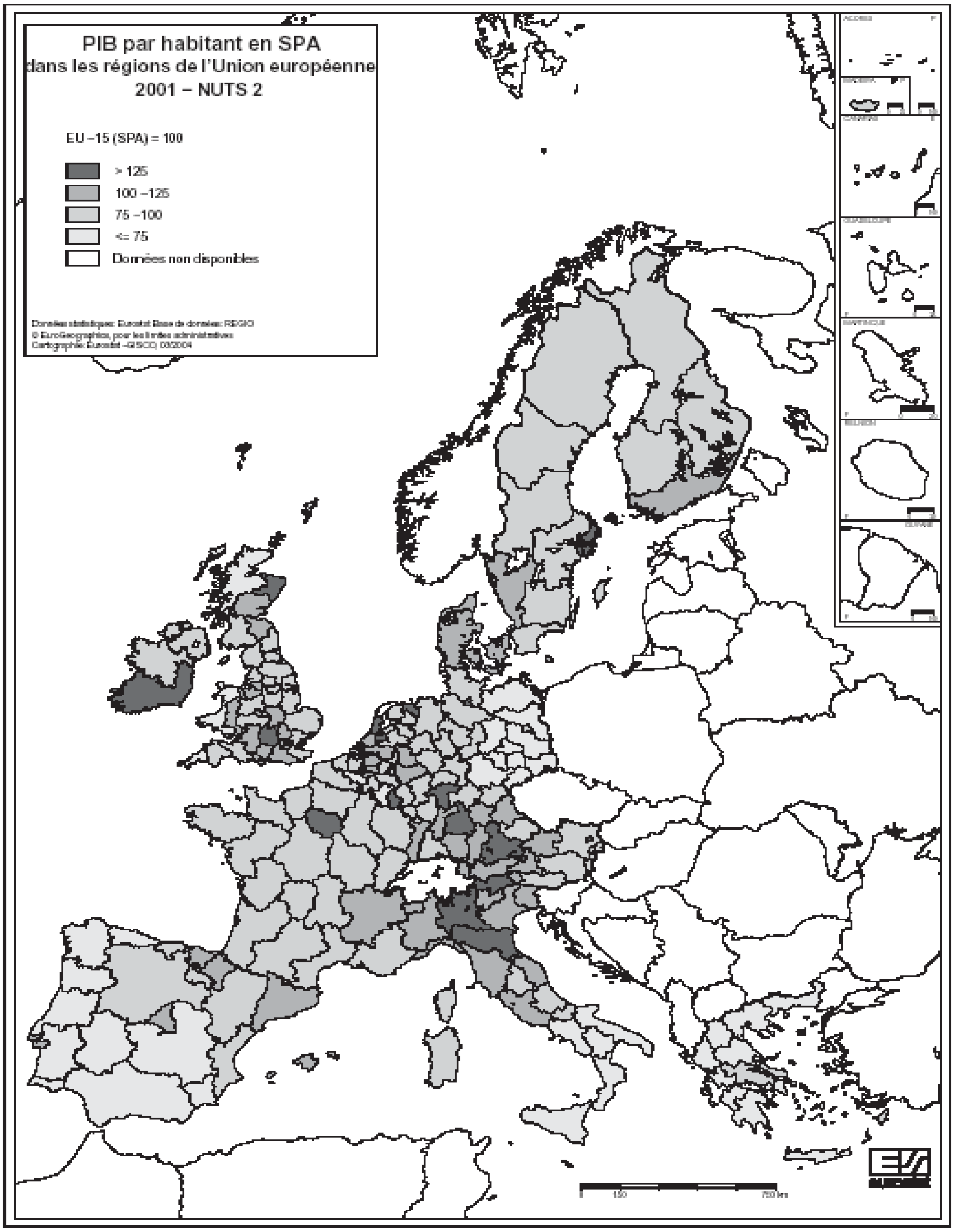
< 1.5
1.5 - 1.9
1.9 - 2.3
2.3 - 2.7
≥2.7
No data

EUR 15 = 2.1

Germany: Except the New Länder region
France (DOM): 1986-94

0 100 500 km

Figure 3. GDP Growth Rates According to Regions between 1986-1996
(The Annual Change Rate -%)



Source: EU Internet Site http://europa.eu.int/comm/eurostat/Public/datashop/print-product/FR?catalogue=Eurostat&product=KS-DN-04-001-__-N-FR&mode=download, **27.07.2004**

EU 15 – Standard of purchase power = 100

- Above 125
- Between 100 - 125
- Between 75-100
- 75 or Below 75
- No data

Figure 4: Regional GDP in the EU – 2001
GDP Per Capita in European Regions with the standard of the power of purchase SPA 2001 – OBJECTIVE 2

According to the most updated data for the year 2001, the GDP per capita (with SPA) was 75% below the EU average in 43 regions of the 213 European NUTS[15] 2 regions (23338 SPA). The GDP per capita showed a big difference from 12308 SPA in Greek region Dytiki Ellada (53% of the EU average), to 61316 SPA in British Inner London region (263% of the EU average). In other words, the difference between the lowest and highest GDP per capita rates in regions has been 5 times. While the EU average was 23338 SPA, 21 regions were %125 above the EU (15) average and 1/5 of the regions had a GDP per capita %75 below this average.

Table 1: European Regions with the Highest and Lowest GDP per Capita (2001)

Region	**The GDP Per Capita Rates of % of EU Average (SPA) in NUTS 2 Regions**
Inner London (UK)	262.7
Brussels (Belgium)	217.5
Luxembourg	194.1
Hamburg (Germany)	170.8
Ile de France (France)	164.8
Wien (Austria)	156.0
Berkshire, Buckinghamshire and Oxfordshire (UK)	148.6
Oberbayern (Germany)	148.0
Stockholm (Sweden)	145.0
Bolzano (Italy)	143.3
♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦	♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦
Dessau (Germany)	60.1
Ionia Nisia (Greece)	60.0
Cornwall & Scilly Islands (UK)	59.4
Centro (Central Portugal)	57.8
Norte (North Portugal)	56.9
Azores (Portugeese Azores islands)	55.7
Ipeiros (Greece)	54.1
Extremadura (Spain)	53.5
Anatoliki Makedonia, Thraki (Greece)	53.5
Dytiki Ellada (Greece)	52.7

Source: Eurostat www.eurostat.eu.int (Publication of March 16th 2004),

Table 1 shows us the highest and lowest GDP par capita rates in European NUTS 2 regions. The rank of the first six countries out of the first ten regions in 2000 didn't change in 2001. Regions of Berkshire, Buckinghamshire and Oxfordshire from the UK (at 7th rank) and Bolzano from Italy (at 10th rank) were the new entrants to this group in 2001. 21 regions in total with five regions from Germany, three regions from Italy, Netherlands and UK (3 from each), one region from Belgium, France, Ireland, Luxembourg, Austria, Finland and Sweden, surpassed 125% of the EU average. At the same period, there were 43 regions where the GDP per capita was under 75% of the EU average: These are 11 Greek, 5 Portuguese, 10 German and 6 Spanish regions. These 43 regions were forming 18.8% of the total EU population in 2001 with 71 million people. Data for the oversea regions of France and Ceuta and Melila regions of Spain haven't been used as there were no data for these regions.

[15] Statistical Regional Units Classification (NUTS: Nomenclature d'Unité Territoriale Statistique)

However, if we look 2000 data of these regions, the GDP per capita would have been 75% under the EU average in these regions. In addition to this, there have been 7 countries where the difference between the regions with the highest and lowest GDP per capita in the same country was above the double. These countries are:

- Belgium: Brussels %217 of the EU average - Hainaut 69%
- Germany: Hamburg 171% of the EU average - Dessau 60%
- Spain: Madrid 112% of the EU average – Estremadure 54%
- France: Ile de France 165% of the EU average – Corse 80%
- Italy: Bolzano 143% of the EU average – Calabre 62%
- Austria: Viana 156% of the EU average – Burgenland 75%
- UK: Inner London 263% of the EU average – Cornouailles and Scilly islands 60%

In counterpart to this, the difference between the regions in Greece and Sweden has been less.

- Central Greece 95% of the EU average – West Greece 53%
- Sweden: Stockholm 145 of the EU average – Norra Mellansverige 89%.

2.2.2 Five Years Performances of Regions: Successes of Luxembourg and Inner London

The table below shows the performances of the NUTS 2 regions between 1996 and 2001. It shows how much the 10 regions where the GDP per capita (SPA) was the most and less dynamic changed compared to the EU (15) average between 1996 and 2001. Luxembourg and Inner London that were among the regions with the highest GDP have been at the same time the most dynamic regions with an increase of 33% and 32%.

Table 2: Five Years Performances of NUTS II Regions

Region	**The Evolution Rates of the GDP Per Capita (SPA) Compared to the EU Average Between 1996 and 2001**
Luxembourg	33
Inner London (UK)	32
Southern and Eastern (Ireland)	27
Berks. Bucks. & Oxfordshire (UK)	22
Madeira (Portugal)	16
Border, Midland and Western (Ireland)	16
Aland (Finland)	16
Peloponisos	14
Bedfordshire & Hertfordshire (UK)	13
Ipeiros (Greece)	13
♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦	♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦
Trento (Italy)	-10
Detmold (Almanya)	-10
Schleswig-Holstein (Germany)	-10

Region	The Evolution Rates of the GDP Per Capita (SPA) Compared to the EU Average Between 1996 and 2001
Luxembourg	33
Leipzig (Germany)	-11
Hamburg (Germany)	-11
Hannover (Germany)	-13
Cumbria (UK)	-13
Köln (Germany)	-14
Berlin (Germany)	-15
Valle d'Aosta (Italy)	-16

Source: Eurostat www.eurostat.eu.int (Publication of March 16th 2004),

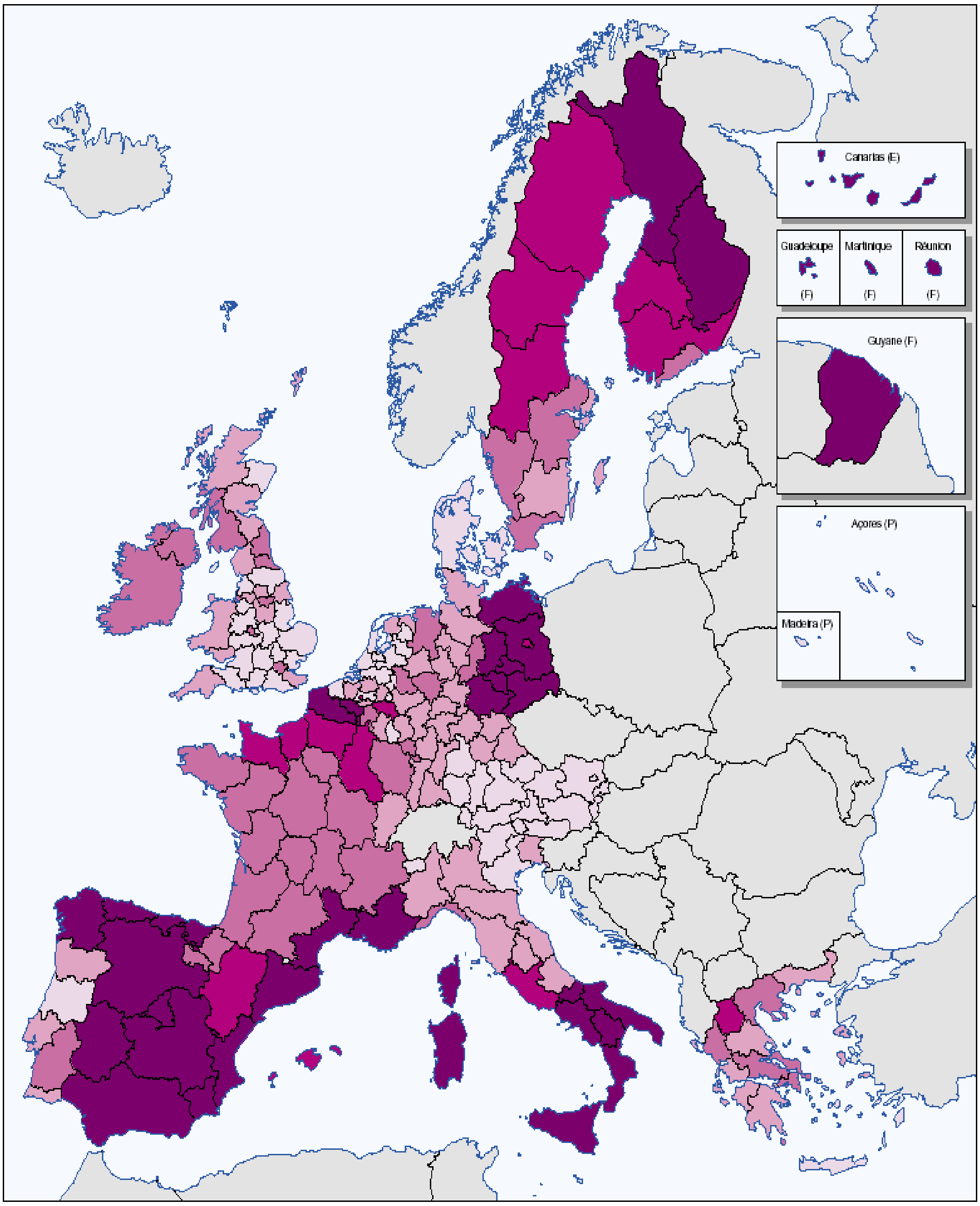
Four regions where the GDP per capita was 75% below the EU average have been among the most dynamic regions between 1996 and 2001. These regions are Madère in Portugal (increase of 16 points), Border, Midland and Western in Ireland (+16) and Péloponèse (+14) and Epire in Greece (+13).However, the GDP per capita has never been under 75% of the EU average in 1996 among the less dynamic 10 regions. Among the ten less dynamic regions, 7 regions are located in Germany (especially in big cities like Berlin), 2 in Italy and one in the UK.

- Germany: Berlin (-15), Köln (-14), Hannover (-13), Hamburg (-11), Leipzig (-11), Detmold (-10) and Schleswig-Holstein (-10).
- Italy: Val d'Aoste (-16) and Trente (-10)
- United Kingdom: Cumbria (-13)

When we look at the figures stated above, a decrease in the regional differences between 1996 and 2001 is the conclusion that is assumed. Besides, this decrease is also confirmed in a special EC research report dedicated to this topic. According to this report, while the first five regions with the highest GDP per capita (with SPA) were 200% of the EU average between 1996 and 2001, this rate decreased to 185% in 2001. In parallel to this, the five regions with the lowest GDP per capita at the same period of time raised to 54% from 50%. Thus, while the highest GDP per capita in the first 5 regions was 5 times superior compared to the five regions with the lowest GDP per capita in 1996, this rate decreased to 3.4 in 2001.

2.2.3 Huge Differences in Unemployment Rates in European Regions

Regional differences in unemployment rates are striking like in the GDP rates. As we can see from the figure 5, the unemployment rates are most intense in Spain, Canary Islands, south regions of Spain and France, in Guyana Island and in a big part of Finland. When we look at the Figure 6, we can see that Spain, Portugal, Sardeign Island and Greece were providing employment mostly in agriculture in 1997, and that North Italy, Austria and partly Portugal and Italy were especially providing employment in the industrial field, while south regions of France and UK were mostly providing employment in the field of services.

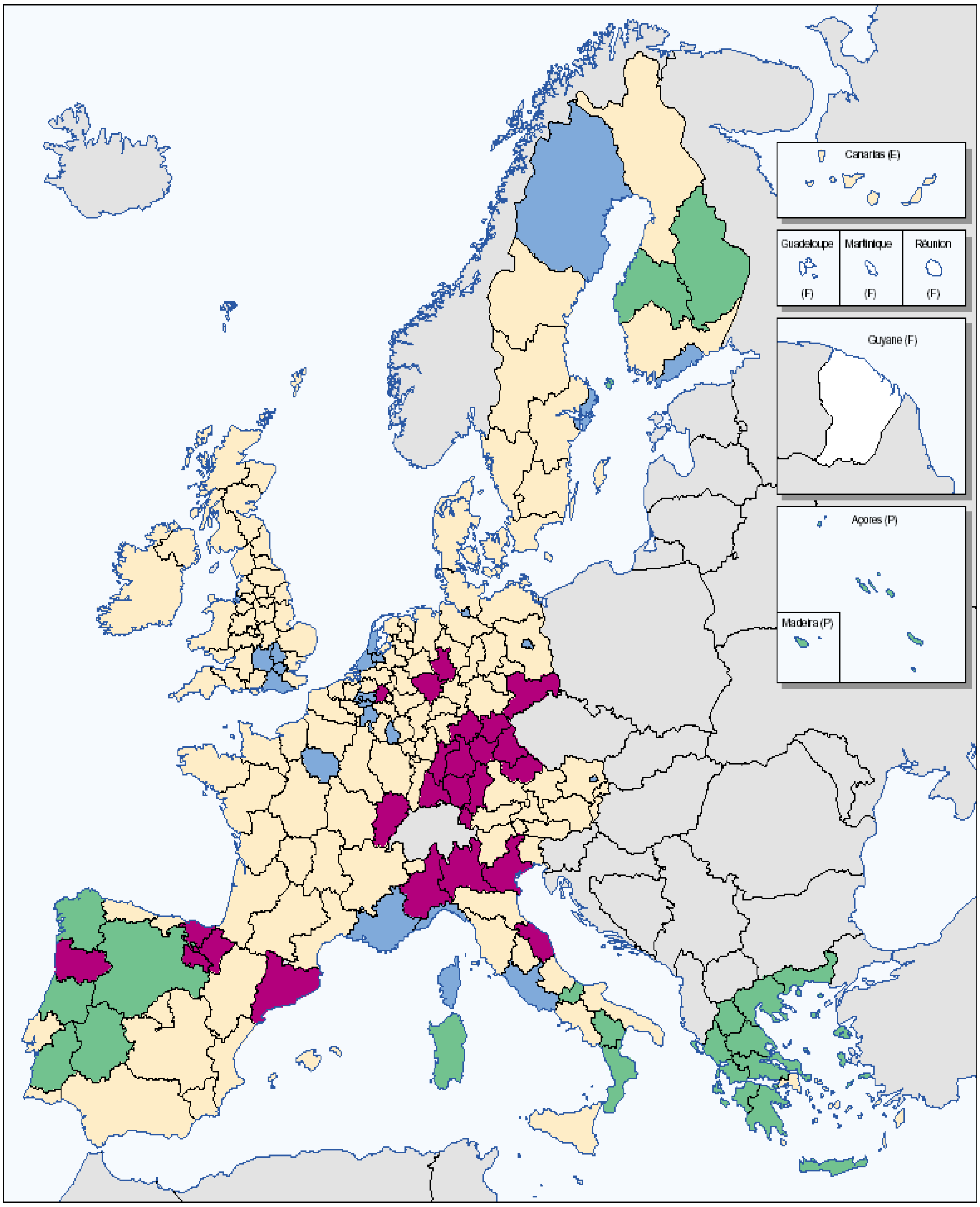


Source: Internet Site of the European Commission
http://europa.eu.int/comm/regional_policy/document/pdf/document/radi/en/pr6_complete_en.pdf
(http://europa.eu.int/geninfo/query/engine/search/query.pl), 16.08.2004.

< 6.2
6.2 - 9.2
9.2 - 12.2
12.2 - 15.2
≥ 15.2 EUR15 = 10.7 France (DOM): 1996
No data

0 100 500 km

Figure 5. Unemployment Rates According to Regions in 1997



Source: Internet Site of the European Commission
http://europa.eu.int/comm/regional_policy/document/pdf/document/radi/en/pr6_complete_en.pdf
(http://europa.eu.int/geninfo/query/engine/search/query.pl), p.25. 16.08.2004

Employment in Agriculture

Employment in Industry

Employment in Services

Other regions

No data

0 100 500 km

Figure 6: Regions with the Highest Employment in Agriculture, Industry and Services in 1997

There have been great disparities in unemployment rates in European regions in 2002. While the rates observed in Europe were of 2% in Tyrol region of Austria it reached 29.3% in the Réunion region of France. There are also similar disparities in the countries that became new EU members since May 1st 2004. While the unemployment rate was 3% in Cyprus it reached 26.3% in Lubuskie region of Poland. The regional unemployment rates increased in more than the 2/3 of the 211 NUTS 2 regions between 2001 and 2002. At the same time, the unemployment rates increased in 60% of the 40 level 2 regions of the ten new members[16].

Unemployment rates was 3.9% or below 3.9% in 43 regions among the 211 European regions in 2002 (which is the half of the 7.8% EU average). These regions were covering 11 regions of the total 12 regions of Austria, 7 of the 9 regions of Holland and the ten regions of UK. Unemployment rate has never been equal or inferior to the EU average in any region of only Greece, Spain and France. This situation was also valid for Denmark which is considered as one region. On the other hand, unemployment rate has been 15.6% or above (the double of the EU average) in 20 regions in total with 10 regions in Germany, 4 regions in France (all of these regions are the French oversea regions) and 2 regions in Spain.

Table 3: Highest and Lowest Unemployment Rates in EU Member States and in the 10 New EU States in 2002

Lowest Unemployment Rates			Highest Unemployment Rates		
Country	**Region**	**Rate**	**Country**	**Region**	**Rate**
European Union					
Austria	Tyrol	2,0	France	Réunion	29,3
Holland	Utrecht	2,2	Germany	Halle	27,1
Holland	Zeeland	2,3	France	Guadeloupe	26,0
Holland	Gelderland	2,4	Germany	Dessau	25,9
Holland	Noord-Brabant	2,4	Italy	Calabria	24,6
Portugal	Azores	2,5	France	Guyane	24,4
Portugal	Madeira	2,5	Germany	Mecklenberg-Vorpommern	23,6
Austria	Vorarlberg	2,5	Germany	Leipzig	23,1
Ten New EU member States					
Cyprus	Cyprus	3,3	Poland	Lubuskie	26,3
Czech Rep.	Praha	3,6	Poland	Dolno ślaskie	26,1
Hungary	Közép-Magyarország	4,0	Poland	Zachodniopomorskie	26,0
Hungary	Nyugat-Dunántúl	4,1	Poland	Warminsko-Mazurskie	25,9
Czech Rep.	Jihozápad	4,9	Slovakia	Východné Slovensko	22,2
Czech Rep.	Stredni Čechy	5,0	Poland	Pomorskie	21,5
Hungary	Közép-Dunántúl	5,0	Poland	Kujawsko-Pomorskie	21,5
Czech Rep.	Severovýchod	5,4	Slovakia	Stredné Slovensko	21,4

Source: Eurostat http://europa.eu.int/comm/eurostat/, 27.07.2004

[16] Eurostat http://europa.eu.int/comm/eurostat/, 27.07.2004

2.3 THE REGULATIONS OF THE EUROPEAN REGIONAL POLICY

The Agreement that established the European Coal and Steel Community (ECSC) and the agreement that established the European Economic Community (EEC) have taken the regional disparities into account and targeted a concordant economic development in the Community.

The 54th article of the ECSC Agreement gave the competence of "supporting programs that would allow the employment of productive work force by bringing healthy new economical processes, techniques and equipments to the coal and steel sector" to the Commission.

In the introduction part of the EEC Agreement, the need to alleviate the regional differences for the success of economic integration of member states is underlined. Besides, the harmonious development of economic efforts in the Community with the rapprochement of the member states' economy policies, the sustainable development and strengthening of life standards between member states are emphasized in the 2nd article of the agreement. The unemployment rate in the half of the ten new European states is the double of the average unemployment rate of EU (15).

In the beginning, the Community, instead of creating funds for regional development, it authorized the European Investment Bank to support projects that would help the economic development of the less developed regions. It also authorized other Community institutions to provide certain financial exceptions for the protection of these regions. As an example, the most important exception is the 92nd article of the EEC Agreement relative to the State aids[17]. At the first paragraph of the above mentioned article, while all state aids disturbing or threatening to disturb competition were forbidden, some aid programs for the regions negatively affected from the German division had an exception at the paragraph 2. (c). Besides, at paragraph 3. (a) of the same article, *"aids to facilitate the economic development of regions where life standards are abnormally low or unemployment is dominant"* has also given the right to offer an exception to the Commission.

".... The Community will aim to reduce the disparities in the development level in different regions and the lagging in the less attractive regions" (EEC Agreement, Article 158).

".... The structural funds are described as (the European Agricultural Guidance and Guarantee Fund, the European Social Fund, the European Regional Development Fund), European Investment Bank and other financial instruments..." at the 159th article of the EEC Agreement. "A Cohesion Fund… created by the Council… would provide financial resources to the projects in the field of trans-Europe networks and environment and transportation infrastructure" (Article 161 of the EEC Agreement).

The details of the principles, rules and methods, with the initiative of the Commission "…. After the approval of the European Parliament and after consulting the Economic and Social

[17] It has been changed as the 87th article with the Amsterdam Treaty (Treaty of European Community).

Committee and the Committee of Regions ...” would be determined with rules and regulations by the Council (Article 162 of the EEC Agreement).

Even though it is possible to say that these articles in the ECSC and the EEC Agreements indicate regional policy, these arrangements do not constitute a Regional Policy in the sense of today.

The EEC created the European Regional development Fund (ERDF) that is the basis of the regional development policy in 1975[18] and defined the regions that can receive these funds as the regions where the GDP is 75% below of the Community GDP. The Community tried to prevent the increase of regional disparities with the ERDF supports given to the member states after 1975, however, the regional disparities continued to increase after the second oil crisis in 1979. After Ireland’s accession, regional disparities at the Community increased specially with the accessions of Greece, Spain and Portugal to the EU. Within the target of the completion of the internal market in the mid 1980s, it has been recognized that the existing resources were insufficient to solve the problem of regional differences.

The subject of **regional policy** has been brought to the EEC Agreement under the title of Economic and Social Cohesion with the Single European Act (SEA) that came into force in July 1st 1987. The SEA brought the article 130D to the EEC which defined three funds that could be used within the regional policies (More detailed information about these funds would be given in the part II of my work under the title of Regional Policy Instruments). These funds are:

- European Regional Development Fund,
- European Social Fund,
- European Agricultural Guidance and Guarantee Fund.

The article 130A of the Maastricht Treaty that came into force in 1993 (the EU Agreement); with the aim of speeding the harmonious development in the whole Community; foresees the Community to strengthen economic and social closeness, to develop and follow policies for the development of rural and lagging regions to alleviate their differences. Even though all the policies of the Community are expected to contribute to the harmonious development mentioned above, the basic role is given with the article 130A to the three structural funds.

Particularly some member states needed a special support mechanism to fulfill the requirements of the “convergence criteria” that was by the Maastricht Treaty for the entry to the 3rd stage of the economic and financial union. Within this aim, a **“Cohesion Fund”** was formed with a Protocol Annexed to the article 130D of the Maastricht Treaty (detailed information about this fund would also be given in the part II of my work under the title of Regional Policy Instruments).

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[18] It is also possible to say that the membership of UK, Denmark and Ireland in 1973 to the EEC and the expectations of the new membership applications fastened this process.

Afterwards, the need of an economic and social convergence has also been emphasized at the Amsterdam Agreement with the articles 158-162 where the approach of "eliminating regional disparities" by the structural funds and cohesion fund has been strengthened and protected.

In harmony with the principle of "subsidiarity" brought with the Maastricht Treaty, within the growing importance of the local authorities in the EU management, a **"Committee of Regions"** has been added to the institutional structure. The 4th article of the agreement, (7th article in the Amsterdam Treaty) and article 198A-C (articles 263-265 at the Amsterdam Treaty) are dedicated to the Committee of Regions. The Committee of Regions started its activities in March 1994 (further information about the Committee of Regions is available in the part II of this paper).

2.3.1 Agenda 2000 and Principles and Procedures of Regional Policy

"Agenda 2000" document was accepted at the European Council Meeting of March 26th 1999. Works of the agenda started in 1999 within the aim of strengthening the policies of the Community and to define the financial frame of the Union for the period of 2000-2006. At the beginning four priorities which are given below were set for this program and works have been completed upon these elements:

1. To continue the agricultural reforms
2. To strengthen the structural funds and the Cohesion fund
3. To strengthen the pre-accession strategy for the candidate countries
4. To prepare the financial frame of the Union for 2000-2006 by obtaining the budget discipline

The European regional policy is arranged and applied by the member states for a limited period of time. While starting to a new planning period, some reforms are being implemented with the aim of reflecting the experience gained during the last period of regional policy application. The last policy was determined for the period of 2000-2006, while the new period covers now the years of 2006-2013. These policies are only applicable to the member states; a separate policy is applicable for candidate countries. In total of these principles and methods, the existence of a delicate balance between the sovereignty rights of each member state in the application of their own national regional policy and the deep intervention of the EU to the local and regional policies within the framework of EU principles and methods can easily be observed. When it comes to financial control, the competence area of the EU covers even certain elements of supervision of the application of national regional policies[19].

[19] IKV Publications, **The Accession Process of Turkey to the EU, The EU Regional Policy and the Adaptation of Turkey**, Istanbul, November 2001, p. 29.

2.3.2 Coordination of National and EU Policies

The first part of the regional policy of the union is to coordinate and supervise the regional policies of the member states. The 87th article of the Treaty of the European Community (TEC) states that certain initiatives that disturb or threaten to disturb competition and some production incitements which are applied for some products affect member states and therefore this doesn't suit the concept of common market. However, at the paragraphs 3 (a) and (c) of the same article, it is made clear that the elements presented below are not clashing the policy of common market, that there isn't any incompatibility with the principle of common market under these conditions: "*aids toward the development of regions where life standards are abnormally low or unemployment is dramatic",* and in general, "*aids toward the facilitation of certain economic activities or of the economic development of regions, with the condition that this is not at a level which would be contrary to the principle of common market*".

The Commission, while supervising the regional aids, should take economic criteria as a basis at the stage of defining the less developed regions of the EU and define the intensity of the financial support which will be given to these regions. <u>Thus, it is targeted that the supported regions in the EU are regions that are really facing most difficulties[20].</u>

Community Support Framework (CSF) and Single Programming Documents, (SPD) which are frameworks of reference for the structural fund aids are used as a coordination instrument for regional policy in candidate countries. As a general rule, the Advisory Committee on the Development and Conversion of Regions (ACDCR) declares its own opinion about the CSF and SPD's[21]. SPD is a programming document about the structural funds expected from small countries such as Estonia, Latvia, Lithuania, Slovenia, Slovakia and Croatia. On the other hand, CSD is a programming document that big countries such as Poland, Czech Republic, Hungary, Bulgaria, Romania and Turkey have to prepare. Thus, member states would be aware of the development programs of other countries. The coordination of regional policies is at the same time the duty of the Committee of Regions which presents its opinion about local authorities and economic and social cohesion.

Many policies of the union approve the harmony and integration process according to their characteristics. For example, the social policy of the union has some impacts on the labor law, health and security at work, free circulation of workers, equal opportunities between men and women. Most of the Union policies (agriculture, industry, transportation and research etc...) have an impact on regional level. As a consequence, following the guidelines determined at the Council proposal of February 6th 1979, the regional policy of the Union tries to present a concordance by using the method of "regional impact assessment – AIR" between the EU regional policy and other policies of

[20] Moussis, **ibid**. p. 221.
[21] Regulation of the Parliament Council, 1260/1999, OJ L161, 26.06.1999.

the union[22]. The aim of assessing the precautions of the union from a regional perspective is to improve their possible "negative" regional impacts (if there are any) and increase their positive impacts.

At the operations of structural funds, a particular attention and interest is given to the harmony with the rules of the protection of environment and competition (TEC – EU Agreement Articles 87-88). At the general regulations of the structural funds, it is stated that the Commission and member states' operations about funds must be in harmony with other policies and operations of the union: like the employment, equality between men and women, social policy and vocational education, common agricultural policy, common fishery policy, transportation, energy and protection of the environment etc.

New Legislative Proposals for the Period 2007-2013

Enlargement to 25 Member States radically altered the socio-economic status quo. The surface area of the Union increased by 23%, its population expanded by 20%, while its wealth rises by a mere 5%. The average GDP per head fell by 13%, and regional disparities doubled. In July 2004, the European Commission adopted seven legislative proposals for the future of its regional policy. Its new budget of EUR 336.1 billion would make this policy the largest heading in the Community budget, accounting for a third of the budget. Union action will henceforth concentrate on crucial development problems.

2.3.3 Transparency of Regional Aids

The continuous enlargement of the union increased the regional disparities and thus the need for new instruments to control the regional aids also grew. The European Commission, brought on December 16th 1997 certain new guidelines to the regional aids for the application of the paragraphs a and c of the 87th article of the EU Agreement (old 92nd article). These new guidelines that were used for the period of 2000-2006 were based on maximum assistance that would be applicable according to the problem of regions and to 4 basic principles:

1. Aids should focus on poorest regions for maximum result and impact,
2. The total amount of regional aids should be reduced and better distributed between the "cohesion regions" (Spain, Greece, Portugal and Ireland) and more prosperous regions,
3. The real impact on employment should be taken into consideration and in this sense, assistance should be given not only for investments, but also for the creation of new job opportunities,
4. There must be a coherence and consistency between the map of regional aids and structural funds.

[22] OJ C36, 09.02.1979, p. 10-11

CHAPTER III

INSTRUMENTS OF THE EUROPEAN REGIONAL POLICY

In the EU, there is not only one institution responsible from the regional and structural policy and support. The responsibility and financial resources are shared between various Directorates at the European Commission. While the rural area support is partly managed by the Commissioner of the Common Agricultural Policy (CAP), the development of skills of the unemployed is managed by the Commissioner of Social Policy. The main responsibility in regional policy belongs to the Commissioner of Regional Policy who is assisted by the Directorate General of Regional Development.

The EU budget is not as big as it is thought. It is legally limited by 1.27% of the GDP of each member state, which means each member state contributes to the EU budget in proportion of its economic potential. Some problematic policies are financed from this budget. The biggest share is the CAP which takes almost 50% of the EU budget. Regional and structural policies which grew in remarkable proportion with time became the second biggest policy which takes 1/3 out of the EU budget in total. Within this context, the flow of resources from the EU budget to the member states is determined by two elements:

- The greatness of the agricultural sector (obtain resources relative to CAP),
- Degree of regional development disparities (be eligible for regional support).

Within this frame, the payments toward member states are not made in proportion to their economic situation but in accordance to the two elements mentioned above. For example, reach countries such as Germany, France and the Netherlands receive more assistance in accordance to their big scale agricultural sectors. However, with the example of “European Compromise System” a reimbursement for the UK and special regional eligibility criteria (scarce population) for only Scandinavian countries have been agreed and concluded.

3.1 Regional Policy Instruments for the EU Member States: Structural Funds

With the aim of reducing the inequality between different regions and social groups, four instruments have been developed by the EU which are directed to provide finance to the structural economic and social problems:

- The European Regional Development Fund (ERDF)
- The European Social Fund (ESF)
- European Agricultural Guidance and Guarantee Fund (EAGGF)
- The Financial Instrument for Fisheries Guidance (FIFG)

3.1.1 The European Regional Development Fund (ERDF)[23]

The European Regional Development Fund represents the most important part of the structural funds within the EU Regional Policy. Structural funds had a substantial increase in the Funds' budget as well as a complete overhaul in their procedures in 1988, due the Single European market (SEM) project. In light of the uncertainty surrounding the country-and region-specific economic effects of the SEM, the poorer Member States asked for financial assistance from the EU in order to be able to increase their economic competitiveness. The richer Member States were willing to satisfy these demands in order to make sure that the economic integration process would further proceed[24]. Structural funds had a major reform in 1998-1999. This reform was crucial in that for the first time it was recognized that sub-national governments were entitled to participate in the making of regional policies through the partnership principle[25]. This fund has been established in 1975. The basic objective of the fund is to contribute to the development of the economically and socially lagging regions. The ERDF is allocated to the projects that would be prepared in the following topics:

- Assistance for Small and Medium size Enterprises(SME)s,
- Assistance for productive investments,
- Improvement of infrastructures
- Speeding local developments.

The final objective of the financial assistance provided by the ERDF is to increase the competition force and create employment with the condition of providing sustainable development.

3.1.2 The European Social Fund (ESF)[26]

The objective of the ESF is basically determined as fight with structural unemployment, improving work conditions, providing the vocational education of workers, increasing life standards and providing revenues to unemployed persons. ESF contributes to the support of the economic and

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[23] Regulation (EC) No 1783/1999 of the European Parliament and Regulation of the Council of 12 July 1999 on the European Regional Development Fund. OJ L 213, 13.08.1999, p. 1-4.
[24] Reiner Martin, "The Impact of the EU's Structural and Cohesion Funds on Real Convergence in the EU", Narodowy Bank Polski Conference: Potential Output and Barriers to Growth", Zalesie Gorne, 2003, p. 3.
[25] David Bailey, Lisa De Propris, "EU Structural Funds, Regional Capabilities and Enlargement: Towards Multi-Level Governance?", Journal of European Integration, December 20020 Vol. 24, Issue 4, p. 304.
[26] Regulation (EC) No 1783/1999 of the European Parliament and of the Council of 12 July 1999 on the European Social Fund. OJ L 213, 13.08.1999, p. 5-8.

social convergence and is an important instrument in the constitution of consistent employment policies in the Community. ESF was established by the EEC Treaty of 1957 (article 123) and was inspired by apprehensions among the Six, especially in France, that the functioning of the Common Market would affect employment negatively[27]. ESF which provides financial assistance within the "Objective 3" is also providing assistance to the projects of "Objective 1 and 2" of the Structural Funds. The management of ESF is executed by the Directorate General of Employment and Social Affairs of the European Commission.

We can gather the activities which are appropriate for the ESF in three categories:

- *Assistance toward persons:* Education and internship, help for employment, high education in science and research, new sources of employment,
- *Assistance toward structures and systems:* Amelioration of the education and teaching systems, modernizing employment services,
- *Supporting Measures:* Increase of the level of knowledge, development of the relevant services etc.

3.1.3 European Agricultural Guidance and Guarantee Fund (EAGGF)[28]

EAGGF is the key instrument of the EU rural development policy but is also the second element of the CAP. This fund provides resources to the rural development efforts in the EU. This fund is divided in two parts: while the Guidance Part supports the development efforts in the regions of the Objective 1[29], the Guarantee Part supports the activities outside the Objective 1. The administration of EAGGF is executed by the Directorate General of Agriculture of the European Commission. The EAGGF rules and regulations relative to rural development are combined as a series of Union's dispositions toward the rural regions. These dispositions are as the following:

- Investment in agricultural enterprises,
- Starting assistance for young farmers,
- Vocational education,
- Assistance for early retirement system,
- Compensating Measures for the disadvantaged areas,
- Measures of agricultural environment,
- Process and marketing of agricultural products,
- Development of forests,
- Measures of development and adaptation of rural areas.

[27] Nicoll William and Salmon Trevor C. **Understanding the European Union**, Pearson Education, p. 128.

[28] Council Regulation (EC) No 1257/1999 of 17 May 1999 on Support for Rural Development from the European Agriculture Guidance and Guarantee Fund (EAGGF) and Amending and Repealing Certain Regulations, OJ L 160, 26.06.1999, p.80-101.

[29] The criteria of Objective 1, 2 and 3 will be explained under the title of how to use the funds.

The compensating measures for the disadvantaged areas are supported by the Guarantee part of the EAGGF, the measures except the early retirement and the development of forests are supported by the Guidance part in the Objective 1 regions, and all of the measures which are outside Objective 1 areas are supported by the Guarantee part of the fund.

3.1.4 Financial Instrument for Fisheries Guidance (FIFG)[30]

FIFG supports in general initiatives toward the increase of the competition force of fishery and fishery sector in all EU cost regions (Objective 1 programs or national programs outside Objective 1). In its activities, the protection of the balance between the fishery capacity and existing applicable resources is observed. FIFG is administered by the Directorate General of Fishery of the European Commission.

Appropriate Measures can be classified as the following:

- The harmonization of efforts in the fishery sector,
- Modernization of the fleet,
- Development of the farm fishing,
- Protection of sea areas,
- Infrastructure at fishing ports,
- Process and marketing fish products,
- Product incitement

3.2 The Use of Regional Policy Instruments

3.2.1 The Application and Conditions of Regional Policy Funds

The final objective of the funds is to finance projects. However, the individuals who start the project don't have the capacity to reach the structural funds directly. In that case, how do Chambers of Commerce, SMEs, associations, local or regional authorities benefit from financial assistance to apply their project: by development programs.

Development programs are a series of coordinated precautions applied for several years. These programs, always developed in cooperation between regional and local authorities, economic associations and social partnerships are proposed to the European Commission by the concerned member states. These regional and local authorities, economic association and social partners would administer their programs following the approval by the European Commission. The budget allocated to each program provides a financing to projects that can be applied locally. This means that those who want to benefit from structural funds must apply to the relevant national or regional administration.

[30] Regulation (EC) No 1783/1999 of the European Parliament and of the Council of 21 June 1999 on the Financial Instrument for Fisheries Guidance OJ L 161, 26.06.1999, p. 54-56.

Rules and regulations relative to the use of EU structural funds are laid down by the Council Regulation EC No 1260/1999 of July 21st 1999[31]. In the first article of this regulation, the utilization areas of these funds have been connected within the context of general principles, as in all other Community financial instruments and as emphasized as a principle in the articles 158-159 of the TEC, "*With the necessity of economic and social cohesion of the community and toward the realization of this aim, the reduction of regional development disparities which is supported by the structural funds and the cohesion fund*". In this framework, the use of structural funds brought the obligation of contribution for the European Investment Bank and the current other resources for the activities directed to realize the three objectives presented below.

Objective 1 to promote the development and structural adjustment of regions whose development is lagging behind;

Objective 2 to support the economic and social conversion of areas experiencing structural difficulties;

Objective 3 to support the adaptation and modernization of education, training and employment policies and systems in regions not eligible under Objective 1.

The total budget for the Structural Funds amounts to 195 billion Euros for the period of 2000 and 2006, excluding the Cohesion Fund. To improve the effectiveness of the appropriations committed in the regions whose development is lagging behind, the new rules provide a significant concentration of funding on Objective 1. The breakdown between the different types of assistance is as follows:

- 69.7% of the total allocation goes to Objective 1: 135.9 billion Euros;
- 11.5% of the total allocation goes to Objective 2: 22.5 billion Euros;
- 12.3% of the total allocation goes to Objective 3: 24.05 billion Euros;
- 0.5% of the total allocation goes to the FIFG outside Objective 1: 1.1 billion Euros;
- 5.35% of the total allocation goes the Community Initiatives, 10.43 billion Euros ;
- 0.65% of the total allocation goes to innovative measures and technical assistance: 1.27 billion Euros.

3.2.2 Planning and Programming the Structural Funds

The principles supporting the operation of the Structural Funds have been strengthened:

- assistance must be part of a program ;
- as many parties as possible must be involved ;
- Community assistance may not replace national funds ;
- spending by the Funds must be properly managed, monitored and evaluated ;
- there must be proper controls on payments.

[31] Council Regulation (EC) No 1260/1999 of 21 July 1999 laying down General Provisions on the Structural Funds, OJ L 161, 26.6.1999, p. 1-42.

Partnership: The new rules continue this approach by expanding partnership to include the regional and local authorities, the economic and social partners and other competent bodies and by involving the partners at all stages, starting with approval of the development plan.

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 which have to carry them. Under the General Regulation of the Structural Funds, the period covered is seven years for all the Objectives (2000-06), nevertheless adjustments are possible depending on the mid-term review (at the end of 2003 for the 2000-2006 programming). 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 (disparities, lags, development potential) ;
- 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 (CSFs) translated into operational programs (Ops) : 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 Funds and the other financial resources ;
- single programming documents (SPDs) : comprising a single document, approved by the Commission and combining the data contained in a Community support framework and operational program (integrated regional program containing the program's priorities, a short description of the proposed measures and an indicative financing plan).

The programming documents for Objective 1 are generally CSFs translated into Ops, although SPDs can be used to program amounts of less than 1 billion Euros. All the programming documents for Objective 2 are SPDs. By contrast, the choice of what form programming documents for Objective 3 will take is left to the decision of regions and Member States. The Commission negotiates with the Member States on the basis of their programming documents and makes an indicative allocation from the Funds to each form of assistance for each Member State.

3.2.3 Management, Monitoring and Evaluation Committees

Under the new Structural Fund rules, the Member States must appoint a managing authority for each program. Its tasks cover the implementation, correct management and effectiveness of the program (collection of statistical and financial data, preparation and transmission to the Commission of annual reports, organization of the mid-term evaluation, etc.).

Monitoring Committees are also set up, which are always the responsibility of the Member States. These Committees, chaired by a representative of the managing authority, ensure the efficiency and quality of the implementation of the structural measures. 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. Thus, the *ex-ante* evaluation is the responsibility of the competent authorities in the Member States, the mid-term evaluation must be carried out by the authority managing the program in collaboration with the Commission before 31 December 2003, and the *ex-post* evaluation is the responsibility of the Commission, in collaboration with the Member State and the managing authority. The evaluation of regional policy is therefore a continuous and interactive process, which on one hand enables to deliberate planning of activities, and on the other, their adaptation to newly arising conditions and changing needs[32]. The evaluation reports must be made available to the public.

Additionality, payments and financial controls

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.

For 2000-06, the geographic level at which additionality is checked has been simplified. In the case of Objective 1, this means the totality of eligible regions, and for Objectives 2 and 3 combined, the entire country. Furthermore, the Member States will supply the necessary information to the Commission when the programs are adopted, at mid term and at the end of the period.

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 program to act as intermediary between the final beneficiaries and the Commission. The payment authority, in collaboration with the managing authority, monitors the expenditure of the final beneficiaries and ensures that the Community rules are observed. The physical movement of funds (payment appropriations) from the Union to the Member States actually happens when the Commission reimburses the actual expenditure of the final beneficiaries, approved and certified by the payment authorities.

The increased decentralization of program management calls for improved checking arrangements, which are the responsibility of the Member States. The Commission itself ensures the

[32] Nared janez, Ravbar Marjan, "Starting Points for The Monitoring and Evaluation of Regional Policy in Slovenia", Acta Geographca, Vol 43, Issue 1, 2003, p. 60.

effectiveness of the arrangements set up by the managing and payment authorities. Detailed checks, such as on-the-spot checks and financial audits, must be made on 5% of expenditure under each program. When irregularities are found, the Member States are responsible for making financial corrections by canceling all or part of the financing of the operations concerned. The funds thus released by the Member States can be re-used; those recovered by the Commission are withdrawn and not reusable.

The Contribution of the Funds: forms and rates of contribution

Most Structural Fund assistance is granted in the form of non-repayable grants or "direct aid", and to a lesser degree refundable aid, interest-rate subsidies, guarantees, equity participation, and participation in venture capital. The contribution of the Funds is subject to the following ceilings:

- Objective 1 regions: no more than 75% of the total eligible cost and, as a general rule, at least 50% of eligible public expenditure. The Community's contribution rate can be increased to 80% for the regions located in one of the Member States eligible for assistance from the Cohesion Fund (Greece, Spain, Ireland and Portugal), and to 85% for **all the most** remote regions as well as the smaller islands in the Aegean Sea in Greece.
- Regions eligible under Objective 2 and Objective 3: no more than 50% of the eligible total cost and, as a general rule, at least 25% of eligible public expenditure.

Depending on eligibility under the Objectives and the economic and geographical situation of the various regions, the current rules impose different ceilings on contributions from the Funds in the case of investments in firms or infrastructure likely to generate substantial net revenue.

Reports on the Structural Funds: Before 1 November each year, the Commission must present a report on the application of the Regulations in the previous year to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions. The Commission must also present a three-yearly report to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions detailing the progress achieved towards economic and social cohesion and the contribution that structural funding has made to that progress. This report should include:

- a progress report on the socio-economic situation of the regions;
- a statement of the role of the structural instruments and other financial instruments, as well as the impact of the other national or Community policies in accomplishing the process ;
- any proposals concerning the Community measures and policies that may need to be adopted to strengthen economic and social cohesion.

Final Provisions: The Council will review the current rules on the basis of a proposal from the Commission by 31 December 2006 at the latest.

3.3 Different Region Levels: NUTS and Objectives

In planning and assistance framework, regions are classified into clusters as level 1, 2 and 3 in Europe. These levels are named NUTS I, II and II in the union terminology (a systematic of regions' units for statistics – Nomenclatures des Unités Territoriales Statistiques). Planning and assistance are realized according to the geographical classification of the objective regions. In this sense, while regions defined as objective 1 are classified in level NUTS 2, other objective regions are classified in level NUTS 3.

There are 211 regions in EU NUTS 2 level. They are determined as 11 regions in Belgium, 40 in Germany, 13 in Greece, 17+1 island in Spain, 22 + 4 oversea departments in France, 2 in Ireland, 20 in Italy, 12 in the Netherlands, 9 in Austria, 5+2 islands in Portugal, 6 in Finland, 8 in Sweden and 37 in the UK. Besides, Denmark and Luxembourg are both considered as one region. On the other hand, there are 41 regions in level NUTS II in the new ten member states: 8 in Czech Republic, 7 in Hungary, 16 in Poland, 4 in Slovakia. Besides, Estonia, Cyprus, Latvia, Malta and Slovenia are all considered as one region[33]. The three objectives determined by the European Commission are explained below.

3.3.1 Objective 1 Regions

Objective 1 regions cover the Promotion the development and structural adjustment of regions whose development is lagging behind. Objective 1 is "regionalized", meaning that it applies to designated NUTS level II areas in the Nomenclature of Territorial Units for Statistics developed by Eurostat. Of these geographical areas, only those with a per capita gross domestic product (GDP) lower than 75% of the Community average are eligible under Objective 1. Objective 1 also covers specific categories of regions:

- The seven "most remote" regions, whose position is unique within the Union due to their remoteness from the European continent and their modest demographic and economic importance: These regions are the Canary Islands, Guadeloupe, Martinique, Reunion, French Guiana, the Azores and Madeira[34]
- The areas in Sweden and Finland eligible under the former Objective 6 during 1994-99, which specifically assisted regions with a very low population density. The areas concerned are in the regions of North-Central Sweden, Central Norrland and Upper Norrland in Sweden, and North, Central and East Finland.
- Northern Ireland receives special Community assistance to promote reconciliation between the communities and the emergence of a stable and peaceful society. The Peace II operational program (2000-2004) which was first set up as a Community Initiative in 1994-

[33] Eurostat. http://europa.eu.int/comm/eurostat/, 27.08.2004.
[34] Azores and Madeira islands are located in the Atlantic Ocean and belong to Portugal.

1999, is now an integral part of Objective 1 and receives financial assistance worth 500 million Euros.

In all, some 60 regions in 13 Member States are eligible under Objective 1 for 2000-2006. There is also transitional support for regions which were eligible under Objective 1 in 1994-99 but are no longer eligible in 2000-2006. Commission Decision 1999/502/EC of 1 July 1999 [OJ L194, 27.07.1999] lays down the list of eligible regions, valid for seven years from 1 January 2000.

Table 4. Regions Eligible Under Objective 1

Member State	Regions eligible under Objective 1 or receiving transitional support
Germany	Brandenburg, Mecklenburg-Western Pomerania, Saxony, Saxony-Anhalt, Thuringia; transitional support: East Berlin
Austria	Burgenland
Belgium	Transitional support: Hainault
Spain	Galicia, Asturias, Castile-Leon, Castile-La Mancha, Extramadura, Valencia, Andalusia, Murcia, Ceuta-Melilla, the Canary Islands; transitional support: Cantabria
Finland	East Finland, (part of) Central Finland, (part of) North Finland
France	Guadeloupe, Martinique, French Guiana, Reunion; transitional support: Corsica and the districts of Valenciennes, Douai and Avesnes
Greece	East Macedonia, Thrace, Central Macedonia, West Macedonia, Thessaly, Epirus, Ionian Islands, Western Greece, Continental Greece, Peloponnese, Attica, North Aegean, South Aegean, Crete (i.e. the entire country)
Ireland	Border, Midlands and Western; transitional support: Southern, Eastern
Italy	Campania, Apulia, Basilicata, Calabria, Sicily, Sardinia transitional support: Molise
Netherlands	Transitional support: Flevoland
Portugal	North, Centre, Alentejo, Algarve, Azores, Madeira; transitional support: Lisbon and Tagus valley
United Kingdom	South Yorkshire, West Wales & the Valleys, Cornwall & Isles of Scilly, Merseyside; transitional support: Northern Ireland, Highlands and Islands
Sweden	(Parts of) North-Central Sweden, (parts of) Central Norrland, (parts of) Upper Norrland

The population covered in Objective 1 represents 22.2% f the total EU population. The funds used within Objective 1 are ERDF, EAGGF and FIFG. Approximately 70% of the structural funds (135.9 Billion Euros) are used in these regions.

3.3.2 Objective 2 Regions

Objective 2 regions cover the support of the economic and social conversion of areas experiencing structural difficulties. The new Objective 2 of the Structural Funds for 2000-2006 brings together the former Objectives 2 (conversion of declining industrial regions) and 5(b) (development of rural areas) from 1994-99. Like Objective 1, Objective 2 is "regionalized", meaning that it applies to areas defined according to specific statistical and socio-economic criteria. Since the regions covered by this Objective are facing structural difficulties, the Community assistance they receive is intended to support their economic and social conversion. Eligibility depends on a population ceiling, and on criteria specific to each area. An exhaustive list is then drawn up of the eligible regions.

Population ceiling

The population of all the areas eligible for Objective 2 of the Structural Funds may not be more than 18% of the total population of the Community, in other words no less than two thirds of the population previously covered by Objectives 2 and 5(b). Following enlargement, for the ten new Member States the ceiling is 31% of the population of all the NUTS II regions covered by Objective 2 in each of those countries. Decision 1999/503/EC [Official Journal L 194 of 27.7.1999] of 1 July 1999 requires the Commission to set a ceiling in each Member State on the population eligible for Objective 2 in 2000-2006. These ceilings are as follows:

Table 5. Population eligible for Objective 2 in 2000-2006

Member State	**Population (million inhabitants)**	**% of the national population**
Germany	10.30	13
Austria	1.99	25
Belgium	1.27	12
Denmark	0.54	10
Spain	8.81	22
Finland	1.58	31
France	18.77	31
Italy	7.4	13
Luxembourg	0.11	28
Netherlands	2.33	15
United Kingdom	13.84	24
Sweden	1.22	14
European Union	68.17	18

The Act concerning the conditions of accession to the European Union of the ten new Member States [OJ L 236, 23.9.2003] contains the ceilings for those countries for the period 1 May 2004 to 31 December 2006. Only three of those countries have population ceilings for obtaining aid under Objective 2. They are:

- the Czech Republic: 0.37 million inhabitants
- Slovakia: 0.19 million inhabitants
- Cyprus : 0.21 million inhabitants

Criteria specific to each type of area

The areas eligible under Objective 2 are those undergoing socio-economic change in the industrial and service sectors, declining rural areas, urban areas in difficulty and depressed areas dependent on fisheries. The criteria for defining them are as follows.

Areas undergoing socio-economic change in the industrial and service sectors:

- These areas must correspond to a NUTS level 3 territorial unit in the nomenclature developed by Eurostat.
- Their average unemployment rate recorded over the three years before 1999 must have been higher than the Community average.

- They must have a percentage share of industrial employment in total employment equal to or greater than the Community average in any reference year from 1985 onwards.
- Industrial employment must have been falling constantly for several years.

Geographical areas whose population or area is significant, which meet the above criteria and are adjacent to an industrial area are also eligible. These areas undergoing socio-economic change in the industrial and service sectors continue to suffer job losses, not only in the traditional industries (textiles, cars, coal and steel) but also in services. The development of new activities and retraining of workers are strongly encouraged.

Declining rural areas:

- These areas must correspond to a NUTS level III territorial unit in the nomenclature developed by Eurostat.
- They must have either a population density of less than 100 people per km², or a percentage share of agricultural employment in total employment which is at least double the Community average in any reference year from 1985 onwards.
- They must have either an average unemployment rate recorded over the three years before 1999 that is above the Community average, or a decline in population since 1985.

Rural areas with serious socio-economic problems arising from the ageing of or decline in the agricultural working population may also be eligible. Rural areas are undergoing radical change. Farming is no longer a major source of employment but continues to occupy most rural land. Revitalizing these areas and maintaining the population there requires new competitive activities and closer links with urban centers.

Urban areas in difficulty are densely populated areas that meet at least one of the following criteria:

- a rate of long-term unemployment higher than the Community average;
- a high level of poverty, including poor housing conditions;
- a particularly damaged environment;
- a high rate of crime and antisocial behavior;
- low educational standards among the population.

The urban issue is at the heart of economic, social and territorial change. Towns and cities have a high degree of development potential and cooperate among themselves in networks. But they are also home to many disparities in development, as witnessed by the existence of depressed districts where social exclusion and poverty are rife. However, although towns and cities exert high pressure on the environment, they nevertheless play a role as vectors of development for surrounding rural areas.

Depressed areas dependent on fisheries are coastal areas with a significant number of jobs in the fisheries industry as a percentage of total employment. They are also facing structural socio-economic problems relating to the restructuring of the fisheries sector, which has resulted in a significant reduction in the number of jobs in that sector.

Objective 2, therefore, concerns four types of geographical area. Areas facing or threatened by serious structural problems or a high level of unemployment arising from an ongoing or planned restructuring in agriculture, industry or the services sector are also eligible. Where there is a serious crisis in a region, the Commission may act on a proposal from a Member State to amend the list of areas during 2003, provided this does not increase the population covered within each region.

11,5% of the structural funds is dedicated to the financing of projects within objective 2. This rate represents 22.5 Billion Euros. The distribution of the ceiling of 18% is as follows:

- %10 industry and services
- %5 rural areas
- %2 urban areas
- %1 depressed areas dependent on fisheries

List of eligible regions

As a first step, each Member State draws up its own indicative list of significant areas, which it submits to the Commission together with the statistics and other information, at the most appropriate geographical level, needed to evaluate the proposals. The Commission, in close consultation with the Member States, then draws up the definitive list of areas eligible under Objective 2 for 2000-2006 for each Member State of the European Union[35].

Greece, Ireland and Portugal are not concerned by Objective 2, since their entire territory is covered by Objective 1. Estonia, Latvia, Lithuania, Malta and Slovenia are in the same situation.

Transitional support is also available for EU 15 regions which were eligible for the former Objectives 2 and 5(b) in 1994-99 but which do not qualify for Objective 2 in 2000-06. This transitional support, which decreases over time, is granted to prevent a sudden interruption in financial assistance from the Structural Funds and consolidate the progress achieved during the previous programming period. It is granted for six years, from 1 January 2000 to 31 December 2005. The transitional support for these areas is provided by the ERDF. They may also receive assistance

[35] The decisions containing these lists are available at the Inforegio website of the Directorate-General for Regional Policy.

from the EAGGF Guarantee Section for rural development, from the FIFG under the common fisheries policy, or from the European Social Fund (ESF) under Objective 3 for structural conversion.

3.3.3 Objective 3 Regions

Objective 3 regions cover the support of the adaptation and modernization of education, training and employment policies and systems in regions not eligible under Objective 1. The reform of the Structural funds under Agenda 2000 concentrates structural assistance on the most pressing development problems. The new Objective 3 of the Structural Funds for 2000-2006 thus brings together the former Objectives 3 (combating long-term unemployment, integration of young people into working life, integration of those threatened with exclusion from the labor market) and Objective 4 (adapting the workforce to changes in production). It is the reference framework for all the measures taken under the new Title on employment inserted in the EC Treaty by the Treaty of Amsterdam and under the European Employment strategy.

Objective 3 covers all activities relating to the development of human resources. Its goal is to modernize education and training policy and systems and promote employment. All regions not covered by Objective 1 are eligible under Objective 3. Training and employment measures in Objective 1 regions are already included in programs receiving assistance from the European Social Fund to that end. Commission Decision 1999/505/EC (1999) 1774: Official Journal L 194 of 27.7.1999] and the act concerning the conditions of accession to the EU of the ten new Member States fix an indicative allocation by Member State of the commitment appropriations for Objective 3 of the Structural Funds for 2000-2006 as shown below.

Table 6. commitment appropriations for Objective 3 of the Structural Funds for 2000-2006

Member State	Objective 3 (million)
Germany	4 581
Austria	528
Belgium	737
Denmark	365
Spain	2 140
Finland	403
France	4 540
Italy	3 744
Luxembourg	38
Netherlands	1 686
United Kingdom	4 568
Sweden	720
EU-15	24 050
Czech Republic	52 2
Cyprus	19 5
Slovakia	39 9

Since their entire territory is covered by Objective 1, the other Member States are not concerned by Objective 3.

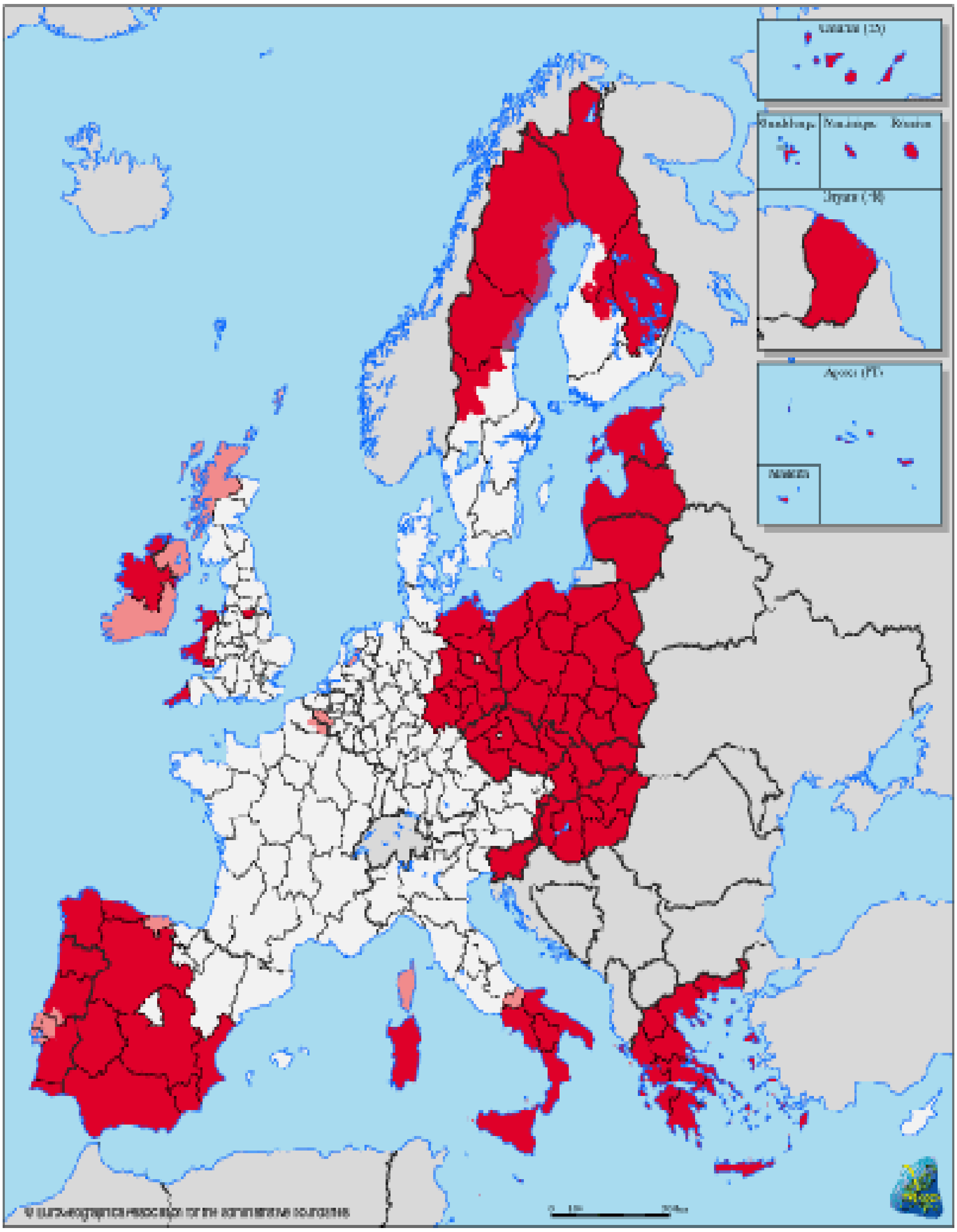
As a general rule, the contribution of the Structural Funds under Objective 3 is subject to the following ceilings: no more than 50% of the total eligible volume and at least 25% of eligible public expenditure. As only the ESF contributes to financing Objective 3, its contribution rates may be higher inside Objective 2 areas than outside them.

12.3% of structural funds representing 24.5 billion Euros are dedicated to the financing of projects within Objective 3.

Table 7: Distribution of Structural Funds According to Objectives

	Loan (Billion Euro)	**% of the Structural Funds Budget**	**% accorded to the transition process**
Objective 1	135,9	% 69,7	% 4,3
Objective 2	22,5	% 11,5	% 1,4
Objective 3	24,05	% 12,3	-
Fishery (outside objective 1)	1,11	% 0,6	-

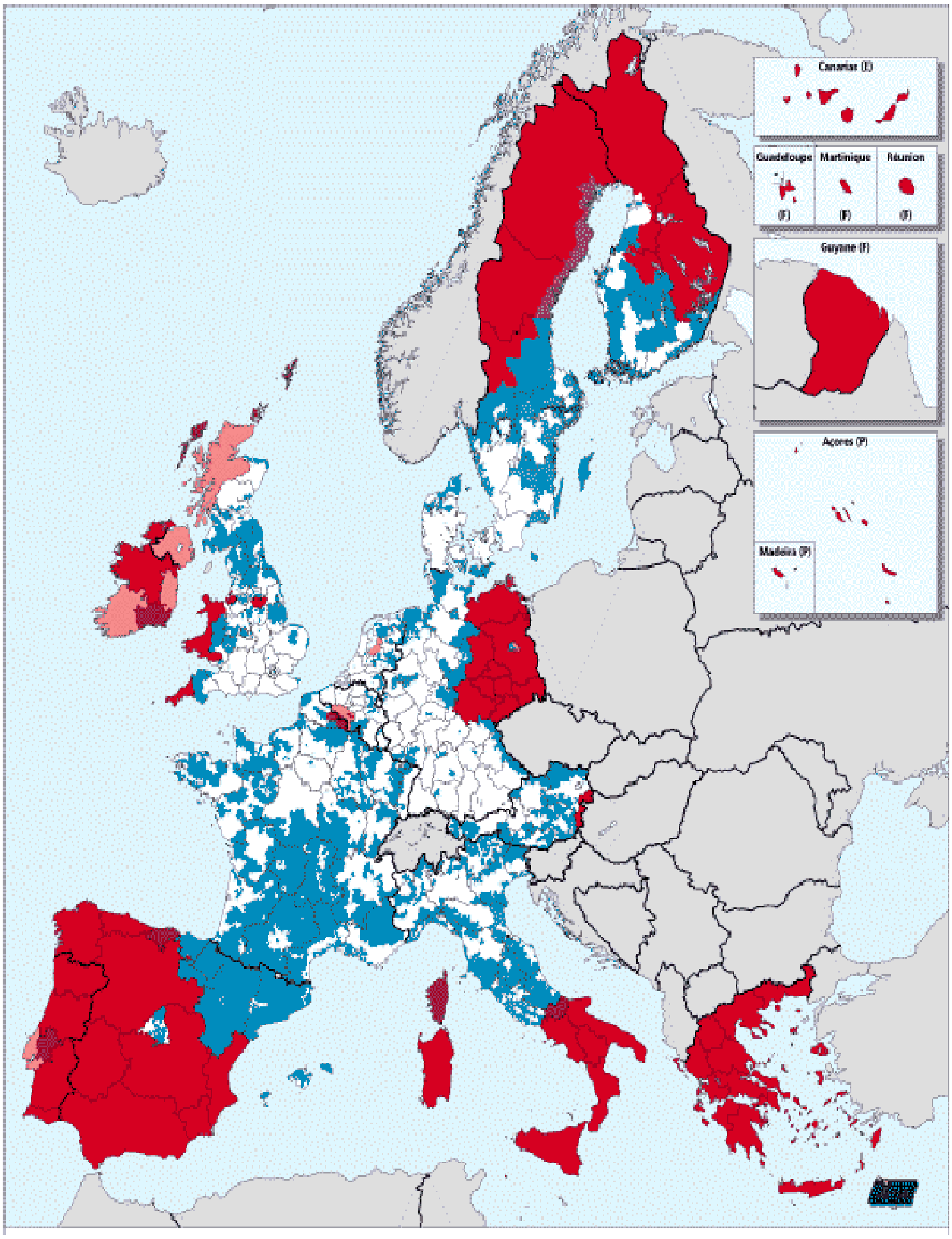
Source: www.europa.eu.int



Source: http://europa.eu.int/comm/regional_policy/objective1/map_fr.htm, 26.07.2004

Objective 1 regions
Objective 1 transition time regions
Special programs toward Swedish coastal regions

Figure 7: Objective 1 Regions and Regions in Transition Time (2000-2006)

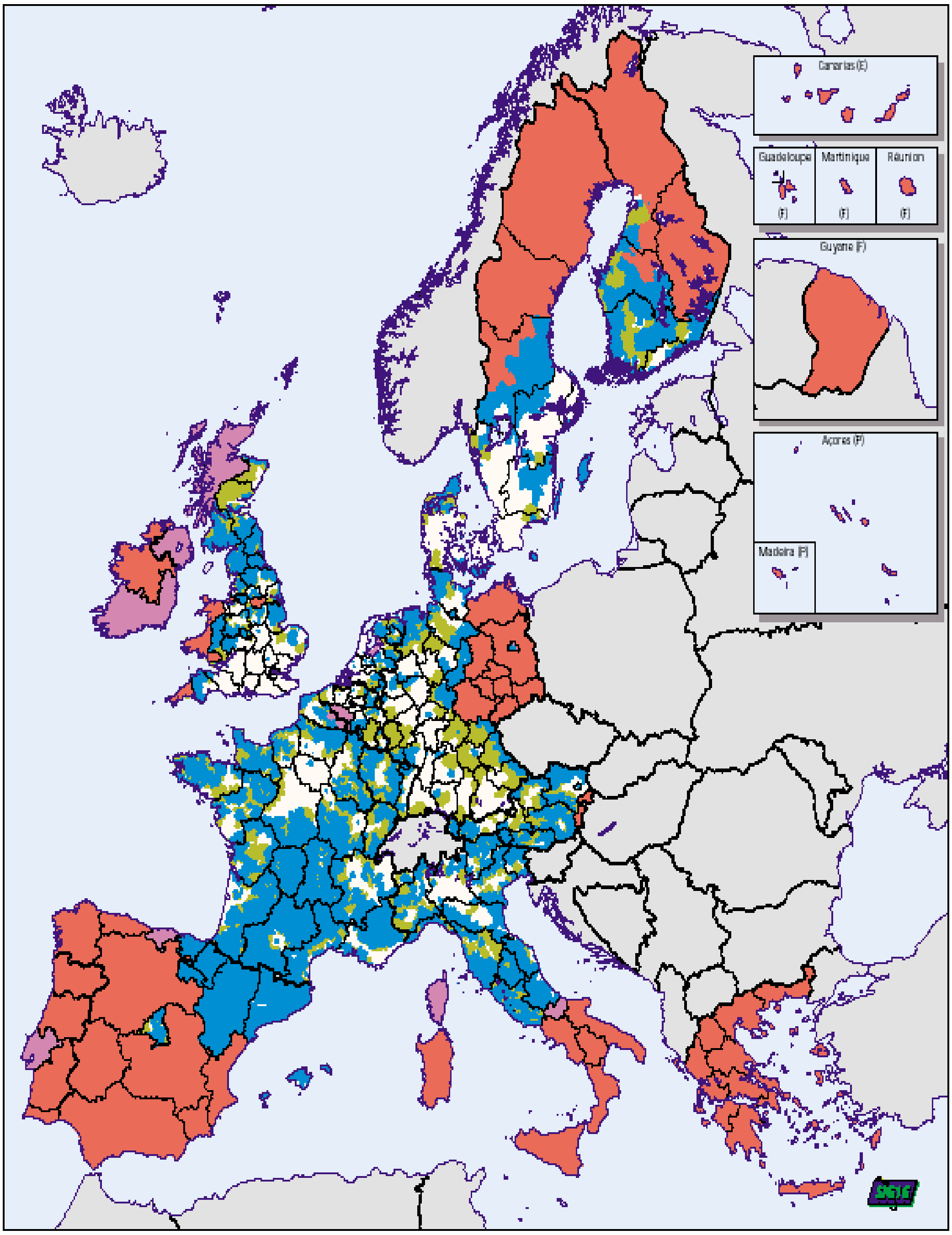


Source: http://europa.eu.int/comm/regional_policy/objective2/map_fr.htm, 26.07.2004

Objective 1 Objective 2 borders		Objective 2
Objective 1		Objective 2
Transition Time	(Until 31/12/2005)	Objective 2 (Partly)
Transition Time	(Until 31/12/2006)	
Special Program		

0 100 500

Figure 8: Objective 2 Regions (2000-2006)



Source: http://europa.eu.int/comm/regional_policy/sources/graph/maps/pdf/eur15_fr.pdf, 26.07.2004

Objective 1 borders | Objective 2 | Objective 2

Objective 1 | Objective 2

Transition Time | Transition Time

0 100 500

Figure 9: 2000-2006 Structural Funds: Objective 1 and 2 Regions

3.4 Other Instruments

There are also other instruments within regional policy apart the four structural funds we have seen at the beginning of part II. These are the Cohesion Fund, and various Community initiatives such as Interreg, Leader, Equal and Urban projects, innovative measures and technical assistances, the European Investment Bank and the Committee of the Regions.

3.4.1 Cohesion Fund

The cohesion policy provides an identifying framework for the eligibility of regions. This policy focused on the four less developed countries of the EU (Spain, Portugal, Greece and Ireland). The cohesion fund provides a financing to the environmental and trans-European transportation networks projects of the EU member states whose per capita gross national product (GNP) is less than 90% of the Community average. This fund was included in the 1993 Maastricht Treaty in order to facilitate the convergence criteria of these four countries so as they can participate to the economic and political union. Environment and transportation was the focus point of this policy and a resource of 18 billion Euros has been transferred with this aim between for the period of 2000 and 2006. Ireland who was economically successful had to accept the gradual transition, which means she will be outside the funds with the course of time. The cohesion fund which was 1.5 billion Euros in 1993 was increased to 2,6 billion Euros in 1999. The budget of each year is adjusted with inflation, thus the real volume of the cohesion fund doesn’t change. The assistance rate for each eligible country has been fixed as below at the Berlin European Council:.

- Greece 16-18%
- Ireland 2-6%
- Portugal 16-18%
- Spain 61-63,5%

Following enlargement, the 10 new EU Member States became also eligible.

Suspension of eligibility: If the GNP of a Member State benefiting from the Cohesion Fund rises above the 90% threshold, it may no longer receive funding for new projects or new stages of a project.
Conditionality: The conditionality procedure allows the Commission to alert the Council if a Member State fails to fulfill its obligations under the stability and convergence program and allows its public deficit to exceed 3%, without suspending financing pending the return of until the deficit to 3%.
Available Resources: Regulation (EC) No 1264/1999 sets the total resources available for commitments for 2000-2006 at 18 billion Eurostat 1999 prices. The Act concerning the conditions of accession of the ten new Member States grants a total of 7.59 billion Euros in commitment appropriations at 1999 prices for those countries between 1 May 2004 and 31 December 2006.

Overall resources of the Fund are allocated among the Member States depends on a number of criteria: each country's population and area, its per capita GNP and socio-economic factors such as the infrastructure it has. However, the total amount that these Member States receive from the Cohesion Fund each year, together with the assistance they receive from the Structural Funds, may not exceed 4% of their GDP.

Approval of projects: The Member States submit their applications for assistance for projects to the European Commission. Applications must contain the information relative to the body responsible for implementing the project, a project description, cost - the total cost may not be less than 10 million Euros-, location, investment timetable, assessment of the impact on employment and the environment, and information on public procurement. Applications must also comply with certain criteria designed to ensure the quality of projects (generation of medium-term economic and social benefits commensurate with the resources deployed, conformity with the priorities established by the Member States, significant and balanced contribution to Community policies on the environment - and trans-European networks, and consistency with other Community structural measures. The Commission decides whether or not to approve a project, in agreement with the beneficiary Member State, as a general rule within three months of receiving the application. The key details of the Commission's decisions are published in the Official Journal of the European Union.

Rate of assistance: The Cohesion Fund contributes a maximum of between 80% and 85% of public or equivalent expenditure on projects. Where projects generate income, as in the case of infrastructure which users pay directly to use and productive investments in the environment sector, the Commission takes account of the income generated when calculating the assistance to be granted by the Cohesion Fund. Exceptionally, the full cost of preliminary studies and technical support measures may be financed. However, the total expenditure thus incurred may not exceed 0.5% of the total resources of the Fund. Regulation (EC) No 1264/1999 also emphasizes the need to maximize the leverage of Fund resources by encouraging the use of private sources of funding.

3.4.2 Community Initiatives

Structural funds, besides the national initiative programs, finance also the Community initiative programs. These initiatives tend to develop innovative solutions to the common problems of regional development. One of their major objectives is to share of experiences between member states and regions and to develop and sustain cross-border cooperation. For the planning of 2000-2006 the number of Community initiatives has been reduced from 13 to 4 and each initiative is financed from a single structural fund. The Community initiatives own approximately 5.35% of the structural funds are constituted of four basic topics which are presented below:

a) Interreg III: This initiative seeks to achieve balanced economic and social development in the Community by promoting cross-border, transnational and interregional cooperation. INTERREG III, covering 2000-2006, has a total budget of 875 billion Euros (1999 prices), exclusively funded by the ERDF. Besides the regional cooperation within the community, the enlargement perspective here adopted an approach which allowed MEDA and TACIS[36] countries also to benefit. As the non member states can not benefit from the structural funds, the candidate countries that are neighboring the EU can use PHARE funds to face their own part. (10 countries among the candidate countries became EU members since May 1st 2004).

Following enlargement, the Act concerning the conditions of accession of the ten new Member States makes provision, as a guide, for 478.9 million Euros (2006 prices) worth of commitment appropriations under INTERREG for these countries, between 1 May 2004 and 31 December 2006. From this total budget, the Commission adopts allocations for each Member State, although programs are allocated a block budget (i.e. not broken down by country) for each whole area covered by the cooperation. The INTERREG Community Initiative is jointly financed by the Member States and the Community. The joint financing can be from public or private funds. The ERDF contribution is restricted to 75% of the total cost in Objective 1 regions and 50% in other eligible regions. After enlargement, INTERREG III focuses particularly on the Community's external borders. Cooperation involving the outermost regions of the Community, the Balkans and island regions is strongly encouraged.

INTERREG III can be implemented in three strands:

- **cross-border cooperation:** promoting integrated regional development between neighboring border regions, including external borders and certain maritime borders;
- **transnational cooperation:** contributing to harmonious territorial integration across the Community;
- **inter-regional cooperation:** improving regional development and cohesion policies and techniques through transnational/interregional cooperation.

b) Leader +[37] : The Community Initiative Leader+ is part of the Community's rural development policy, the second pillar of the common agricultural policy (CAP). In the period 2000-06, it is geared to the diversification of economic activity in rural areas by applying innovative, integrated and participative territorial development strategies. This communication defines the Commission's guidelines for Leader+, focusing on cooperation between territories and networking.

The Community budget for Leader+ for 2000-06 is 2020 million at 1999 prices under the European Agricultural Guidance and Guarantee Fund (EAGGF) Guidance Section. Leader+ supports all measures eligible for financing by the EAGGF Guidance Section, the ERDF and the ESF. All expenditure related to participating in the networks and running them, providing information, and

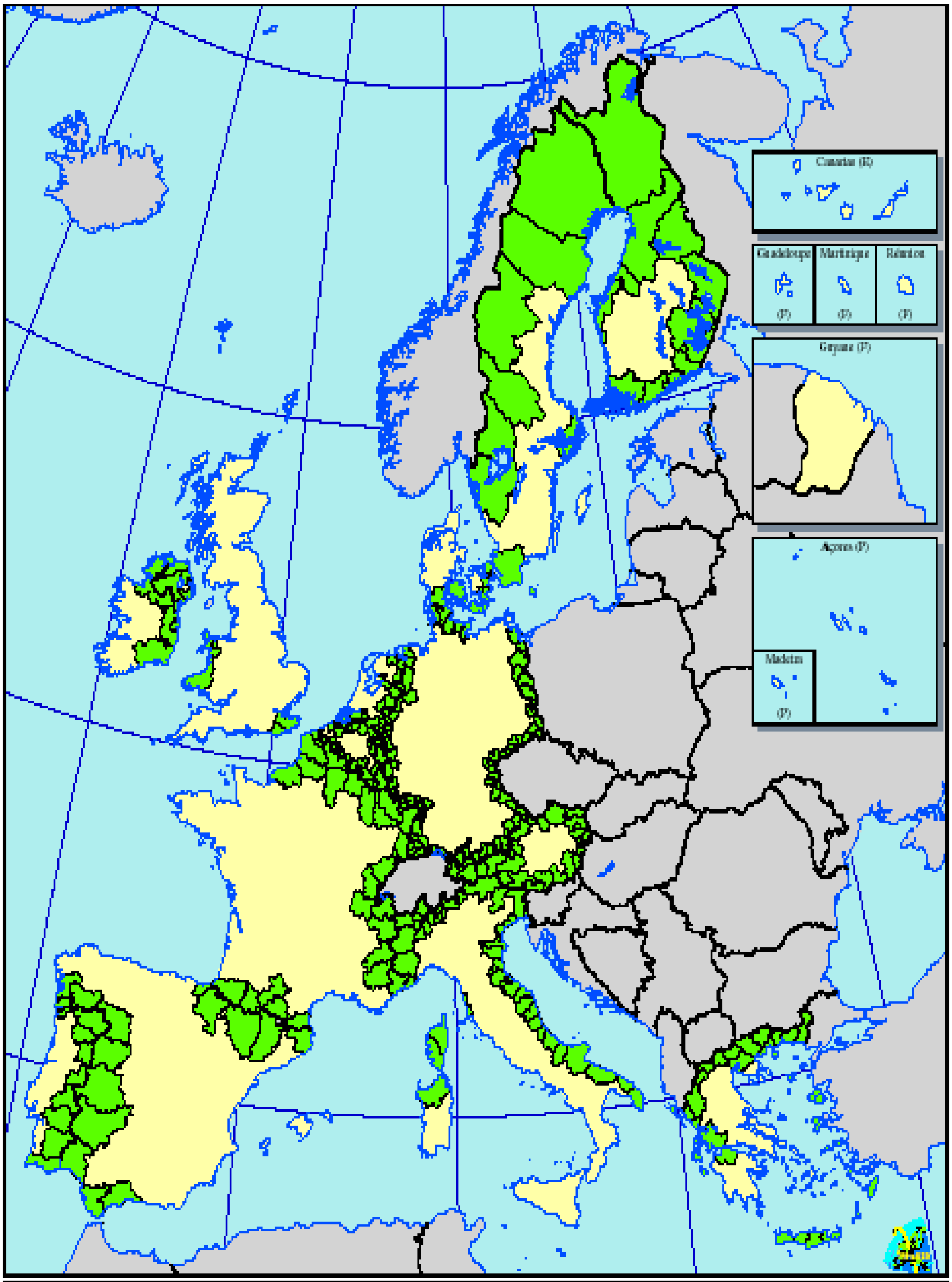
[36] MEDA: Mediterranean and Middle East Countries.
TACIS: Technical Assistance to Commonwealth Independent States (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan).
[37] Leader + Principles: Commission Announcement published on the OJ number C 139 dated May 18th 2000.

managing, monitoring and evaluating the program is eligible for part-financing. With the exception of small-scale projects, investments in infrastructure and productive investments of a unit cost higher than a certain ceiling are not eligible. The maximum EAGGF Guidance Section contribution is 75% of the total eligible volume in the regions covered by Objective 1 and 50% in other areas.

c) Equal: The aim of the Community initiative EQUAL is to promote new ways of combating all forms of discrimination and inequalities in the labor market on the basis of transnational cooperation and to facilitate the social and occupational integration of asylum seekers. The Member States and the Commission jointly co-finance EQUAL. Community funding comes exclusively from the European Social Fund and amounts to 3.274 billion euros over seven years. The provisions in the general Regulation on the Structural Funds, especially those on varying the rates of participation by the Community depending on the geographical location of the activities, apply for the purposes of implementing EQUAL.

d) Urban: Almost 80% of the European Community's citizens today live in cities. As centers of cultural, political, social and economic exchange and development, towns and cities play a crucial role in Europe. Accordingly, urban issues are at the heart of the Community's policies. The objective of Urban II is to lay down Commission guidelines on the economic and social regeneration of cities and neighborhoods in crisis in order to promote sustainable urban development. Urban II is jointly financed by the Commission and the Member States. For 2000-2006, the Community's contribution to the initiative amounts to 730 million Euros, exclusively from the ERDF, for a total investment of 1.6 billion Euros, covering a population of some 2.2 million. Community financing can fund up to 75% of the total eligible cost in urban areas covered by Objective 1 and 50% elsewhere.

These four initiatives take 5.65% of the Structural Funds between 2000-2006 (which was 9% in 1994-1999) and half of this amount is reserved for Interreg.



Source: http://europa.eu.int/comm/regional_policy/interreg3/carte/cartes_fr.htm, 26.07.2004

Eligible Objective 3 Regions

Other EU 15 Regions

Other Countries

0 100 500

Figure 10: INTERREG III Regions (2000-2006)

3.4.3 Committee of the Regions and the European Investment Bank

The Committee of the Regions was established by the Maastricht Treaty and is constituted of 222 permanent and 222 auxiliary members who are appointed by the Council of Ministers after the consultation of member states' opinion. The mandate (duty time) of permanent and auxiliary members is 4 years. The activities of the Committee of the Regions started in 1994 and its headquarter is in Luxembourg[38]. According to the Maastricht Treaty, the Council of Ministers and the European Commission have the obligation to take the opinion of the Committee of the Regions on matters with regional benefits such as education, youth, culture, health of the society, economic and social cohesion, and transport in European scale, telecommunication and energy. Besides this, the Committee of the Regions has the right to deliver an opinion on his initiative. With the Amsterdam Treaty which was signed in 1997 and entered into force in May 1999, environment, social fund, vocational education, cross-border cooperation and transport areas have also been included into the topics to be consulted with the Committee of the Regions. The treaty has also brought the rule of the consultation of the Committee of the Regions by the European Parliament. The activities of the Committee are carried by 5 General Committee Meetings per year, and 8 commissions and 4 sub-commissions.

The priority of the European Investment Bank is to strengthen the economic and social fusion by supporting investments in less developed regions. 2/3 of the financing provided by the bank is directed toward the relatively poor regions which eligible to the Structural Funds and to the Cohesion Fund. Within this context, the bank contributes to the improvement of the competition force of companies, to the support of SMEs, to the creation trans-European networks in transport, communication and energy transfer areas, the protection of environment, improvement of life quality, the more rational use of natural resources. The bank works in a non-profit style. With the aim of supporting the economic and social fusion, the EIB provides loans with the most convenient conditions. As a general rule, loans of EIB finance 50% of project costs.

3.4.4 Structural Cohesion Instruments Developed for Middle and East European Countries: PHARE, SAPARD, and ISPA

The financial dimension of the "pre-accession strategy" that EU developed to prepare Middle and East European countries and Baltic countries to the EU membership was based on three axes: PHARE, SAPARD and ISPA. The aids planned for Bulgaria Czech Republic, Estonia, Hungary, Lithuania, Latvia, Poland, Romania, Slovenia, and Slovakia between 2000 and 2006 with the intermediary of these instruments are presented in the table below.

[38] For further information on the Committee of the Regions see: http://www.cor.eu.int

Table 8. Financial Assistance Provided to Middle and East European Countries and Baltic Republics Between 2000 and 2006 (Million Euro, 1999 Prices)

	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**Total**
PHARE	1560	1560	1560	1560	1560	1560	1560	10920
SAPARD	520	520	520	520	520	520	520	3640
ISPA	1040	1040	1040	1040	1040	1040	1040	7280
TOTAL	**3120**	**3120**	**3120**	**3120**	**3120**	**3120**	**3120**	**21840**

Source: European Commission

PHARE; It is a program that offers financing to projects concerning the strengthening of the institutional capacity, development of SMEs and of industry by participating to Community programs, in the areas not covered by SAPARD and ISPA programs, including regional development policies.[39] This program is the basic instrument for the cooperation between the Middle and East European countries and the EU. It has been renewed with the aim of preparing the candidate countries to the accession. It is in the same context of the Objective 1 of Structural Funds. The 2000-2006 PHARE financial contribution amounted 10 billion Euro in total with 1,5 billion Euro per year in average.

SAPARD; (Special Accession Program for Agriculture and Rural Development) has been established with the aim of supporting the activities relative to the rural development and modernization of agriculture. This fund provided a financial assistance of approximately 3.5 billion Euros in total with 520 million Euro per year. Candidate countries have been able to benefit from SAPARD from 2000 to until the date of their accession. This fund is under the responsibility of Directorate general of Agriculture. The size of the agricultural sector which is described as the arable land is especially big in Poland and Romania. Both countries have been able to expand in great scale the soil used for agricultural production between 1989 and 1997.

Priorities of SAPARD have been defined as below:

- Investment in agricultural enterprises,
- Improving the process and marketing of the agricultural and fishery products,
- Improving the control structures of quality, veterinary and plant health within the objective of protection of food quality and consumer,
- Production methods oriented to protect the environment and rural area,
- Development and variation in economic activities,
- Creation of services toward farmers, creation of group of producers,
- Renewing and Development of villages and protection of rural heritage,

[39] PHARE is a program created by G7 countries with the aim of supporting the political and economical changing process of Poland and Hungary in 1989 and the strengthening of the private sector specially. The coordination task of PHARE was given to the European Commission and the other Middle and East European countries have been included to this program in May 1990. European Documentation: The European Community and Its Eastern Neighbors, Luxembourg, 1990, p.9 and 15-18.

- Improving soils and the new subdivision of soil,
- Creation of soil records and updating them,
- Establishment and Development of the rural infrastructure,
- Management of water sources,
- Forestry, investments of private forest owners to forest enterprises, processing and marketing forest products,
- Technical assistance, information and advertisement campaigns relative to the preparation of the program

The financial assistance is given in a method similar to Structural funds. These are:

- Programming,
- Surveillance and change of the plans,
- Control and assessment.

These pre-conditions in the transfer of resources, strict and prolonged procedures are obstructing the quick transfer of the assistance. Still, the Commission carries on following the rules very tightly with the aim of providing a reliable control on these spending.

Table 9. SAPARD Budget Annual Allocations (Million Euro*)

COUNTRIES	AMOUNT
Bulgaria	52,124
Czech Republic	22,063
Estonia	12,137
Hungary	38,054
Lithuania	29,829
Latvia	21,848
Poland	168,683
Romania	150,636
Slovenia	6,337
Slovakia	18,289
TOTAL	**520**

* With the 1999 fixed prices

ISPA; (Instrument for Structural Policies for Pre-accession)[40] provides financing for infrastructure investments in transportation and environmental protection. This program supports the establishment of transportation and environment infrastructures with an annual budget of 1040 million Euros. The context of this fund is similar to the Cohesion fund which assists the 4 poorest EU (15) countries. Turkey, with the formation of an Accession Partnership, could activate all kind of assistance in the same context as for the application of her own pre-accession strategy. After the accession, they would start completely applying the structural funds and the cohesion fund.

As we can see from the table 8, EU has allocated a total resource of 21 billion 840 million Euro between 2000 and 2006 to the development efforts of Middle and East European countries within the context of pre-accession strategy. This amount was equally divided to each year. The population of Middle and East European countries, the GDP per capita and the surface area of these

[40] Council Regulation dated June 21st 1999, number (EC) 1267/1999.

countries are the criteria which were used for the distribution of the amount of 7 billion 280 million Euro that was anticipated for ISPA. The distribution was determined as to incite the eligible countries to produce high quality projects. Within this context, the rates of ISPA resources provided to Middle and East European countries are shown in the table 10 below:

Table 10. The Benefit Rates of ISPA Resources (%)

COUNTRIES	SURFACE AREA (1000 KM2)	POPULATION (MİLLION PERSONS)	GDP (SPP) /POPULATION	BENEFIT RATE %
Bulgaria	111	8,3	4600	8 -12
Czech Republic	79	10,3	12200	5,5 -8
Estonia	45	1,4	7300	2 -3,5
Latvia	65	2,4	5500	4 -6
Lithuania	65	3,7	6200	3,5 -5,5
Hungary	93	10,1	9800	7 -10
Poland	313	38,7	7800	30 -37
Romania	238	22,5	5500	20 -26
Slovakia	49	5,4	9300	3,5 -5,5
Slovenia	20	2,0	13700	1 -2

Source: Data relative to the surface area, population and GDP are data of 1999 and taken from Eurostat. SPP: Standard of the Power of purchase

The benefit rates anticipated for the use of Middle and Eastern European countries were made possible according to the success of efforts and projects they would prepare within ISPA and their harmony with the legislations. It was decided to equally divide this financial resource of 7 billion and 280 million Euros for transportation and environment infrastructure projects. Up to 75% of projects financing is payable by ISPA resources, the rest has to be paid by local resources. However, in order to realize the general objectives of ISPA, it is possible to raise the contribution made by ISPA up to 85% for the projects which would be considered as obligatory by the Commission. However, in the case of obtaining some revenues by the enforcement of a part of the project, the contribution rate may remain under 75%. After these general explanations, the aim of ISPA and the opportunities offered to Middle ad East European countries within ISPA and the required conditions are presented in summary below.

ISPA Dispositions

ISPA has three basic objectives in the process of preparing the candidate countries to the accession:

- Allow the candidate countries to get closer to the EU policies and processes,
- Support candidate countries' harmony efforts with the Community environment standards,
- Allow the entry of candidate countries to trans-European networks and to open these networks to candidate countries.

Especially problems of water pollution, waste management ad air pollution are in more serious dimensions in candidate countries compared to member states. For this reason, there is a great need of technical and financial assistance in order to speed the adaptation of Community's environment legislation by the candidate countries. With this perspective, ISPA focused on most urgent measures including heavy investments. The provision of drinking water, waste water, rigid water management and air pollution are among the most urgent problems.

The development of an effective transportation system forms the main line of a pre-accession strategy. The financial assistance within the EU transportation field is transferred to infrastructure projects that would develop the sustainable vivacity, especially to projects in harmony with the objectives presented under the transportation topic of the Accession Partnership Document of the candidate country. Trans-European networks would be open to candidate countries with the condition that good connections and links are established between EU and candidate countries, and that national networks are well connected with each other and with European networks. The initial works in this field shown that there is a need for big investments to bring the transportation infrastructure of the candidate countries up to the EU level in order to face the growing traffic. Within this context, the EU aids are constituted of railways, highways, terrestrial ways, ports and airports. By taking the model of Cohesion Fund as a basis, ISPA provides financing to the dispositions presented below by assessing each of them as an activity:

- A project that has clearly identified economic objectives and a series of interconnected tasks about a specific technical activity,
- Project stages that are functional between them and that are independent technically and financially,
- Group projects; for example, projects that are in the same region or in the same transportation corridor, projects that form a part of the concerned region or corridor and that are supervised by a body which is responsible of observation and coordination.

In general, the projects mentioned above must have very serious effects on the protection of environment or on the improvement of transportation network. In order to spread widely the projects effects obtained from the previous applications and experiences, and assure the effectiveness of projects, the amounts of the projects must be above 5 million Euros. Projects must be chosen and accepted on the basis of national environmental and transportation programs which are forming an importing part of the Accession Partnership Program. These programs have to be formed within the context of trans-European networks in the field of environment and transportation. The principles of the use of the ERDF, ESF and ISPA are very similar. In other words, the operating of ISPA is quite similar to the operating of the structural funds which are developed for EU member states.

CHAPTER IV

APPLICATIONS OF THE EU REGIONAL POLICY

Regional Policy Practices in the EU

In this part, an analysis of the funds allocated to the EU regions until today, the less and most successful regions, the assessment of regional policy efficiency and productivity, regional policy problems within an enlarging EU and new budget anticipations are analyzed.

4.1.1 Analyses of the Funds Allocated to EU Regions and Success Stories

In the history of structural expenditures, the share of structural funds within the total EU budget increased in an important level during the period named "Delors I Plan" (17% in 1992, 27% in 1998 and 36% in 1999). It has been decided to reduce this fund to 27% for 15 EU members in 2000-2006 and the structural funds to reach 10% of the total budget for the new members. When looked from this angle, it is clear that the regional aid moves from 15 EU to new member states (redistribution)[41].

As a result of the approach of intensification, activation and simplification of structural funds, the number of "Objective Regions" was reduced from 6 to 3. Two of these objectives are defined as toward "regional", and the other one is defined as toward "human resources". While the population covered by Objective 1 and 2 is 51%, the policies which are planned to be applied foresee this rate to fall to 40% by 2006.

The amount of Structural Funds equaled 200 billion ECUs in 1993-1999, and has been increased to 260 billion ECUs in 2000-2006. The fact that 47 billion out of this increase of 60 billion was foreseen to be allocated to the candidate countries, and the use of 7 billion of this amount (pre-accession structural funds) that started in January 1st 2000 reflect the importance of the subject for Turkey too and should be followed with attention from the Turkish perspective. As agreed at the Berlin Summit in March 1999, the structural funds totaled 195 billion Euros for 2000-2006. This budget is distributed on the basis of three principles. With the thought that a sudden end of the funds could cause economic shocks, there would be gradual transitory payments to regions that would loose their eligibility due to their development. As we have seen in the table 7 in the second part of this work, 2000-2006 budget is

[41] IKV Publications, **ibid**, p. 41.

designed to intensely focus on Objective 1 regions. The total appropriation for the Structural Funds, including transitional assistance, the Community Initiatives and innovative actions amounts to EUR 195 billion. The breakdown of the Structural Funds is as follows:

- 69.7% of the total allocation goes to Objective 1, with 135.9 billion Euros, 4,3 of this amount is transferred to regions whose economies are in transition period;
- 11.5% of the total goes to Objective 2, with 22.5 billion Euros; 1,4% of this amount is transferred to regions whose economies are in transition period;
- 12.3% of the total goes to Objective 3, with 24.05 billion Euros;
- 0.5% of the total goes to the FIFG outside Objective 1, with 1.1 billion Euros.

Table 11. EU Development Funds Allocated to Member States Between 1994-1999 (With 1994 Prices, Million ECU)

Member State	Objective 1 and Lagging Regions	Objective 2 Industrial Regions	Objective 5 b Rural Regions	Objective 6 Regions with Low Population Density
Belgium	730	342	195	0
Denmark	0	119	54	0
Germany	13 640	1 566	1 227	0
Greece	13 980	0	0	0
Spain	26 300	2 416	664	0
France	2 190	3 774	2 238	0
Ireland	5 620	0	0	0
Italy	14 860	1 463	901	0
Luxembourg	0	15	6	0
Holland	150	650	150	0
Austria	162	99	403	0
Portugal	13 980	0	0	0
Finland	0	179	190	450
Sweden	0	157	135	247
United Kingdom	2 360	4 581	817	0
Total EU –15	93 972	15 360	6 862	697

Source: http://www.europa.eu.int/institutions/comm/index_en.htm

Table 12: Funds Allocated to Member States Between 2000-2006 (With 1999 Prices, Billion Euro)

Member State	Objective 1	Transition Assistance (The Former Objective 1 Regions)	Objective 2	Transition Assistance (The Former Objective 2 Regions)	Objective 3	Fishery Instrument (FIFG) (Regions Outside Objectives)	Total
Belgium	0	625	368	65	737	34	1 829
Denmark	0	0	156	27	365	197	745
Germany	19 229	729	2 984	526	4 581	107	28 156
Greece	20 961	0	0	0	0	0	20 961
Spain	37 744	352	2 553	98	2 140	200	43 087
France	3 254	551	5 437	613	4 540	225	14 620
Ireland (*)	1 315	1 773	0	0	0	0	3 088
Italy	21 935	187	2 145	377	3 744	96	28 484
Luxembourg	0	0	34	6	38	0	78

Member State	Objective 1	Transition Assistance (The Former Objective 1 Regions)	Objective 2	Transition Assistance (The Former Objective 2 Regions)	Objective 3	Fishery Instrument (FIFG) (Regions Outside Objectives)	Total
Holland	0	123	676	119	1 686	31	2 635
Austria	261	0	578	102	528	4	1 473
Portugal	16 124	2 905	0	0	0	0	19 029
Finland	913	0	459	30	403	31	1 836
Sweden (**)	722	0	354	52	720	60	1 908
United Kingdom (*)	5 085	1 166	3 989	706	4 568	121	15 635
Total EU – 15	**127 543**	**8 411**	**19 733**	**2 721**	**24 050**	**1 106**	**183 564**

Source: http://www.europa.eu.int/institutions/comm/index_en.htm
(*) Including Peace Initiative Prepared for 2000-2004.
(**) Including the special program for Swedish coastal regions.

This table doesn't comprise the Community initiatives and the innovative actions.

Table 13: Examples of Eligible Regions in 2000-2006
(According to the EC Decision of July 1st 1999)

COUNTRY	REGIONS
Germany	Brandenburg, Mecklenburg-Varpommern, Sachsen, Sachsen-Anhalt, Thuringen
Greece	Anatoliki Makedonia, Thraki, Kentriki Makedonia, Dytiki Ellada, Sterea Ellada, Peloponnisos, Altiki, Vareio Aigaio, Notio Aigaio, Kriti (bütün ülke)
Spain	Galicia, Principado de Astunia, Castilla y Leon, Castilla- La Mancha, Extremadera, Communidad Valenciana, Andalucia, Region de Murcia, Centar ve Melilla, Kanarya adaları
France	Guadeloupe, Martinique, Guyane, Réunion
Italy	Campania, Puglia, Basilicata, Calabria, Sicilia, Sardegna
Ireland	Border Middlanda ve Western
Austria	Burgenland
Portugal	Norte, Centro, Alentefo, Algarve, Azores, Madeira

Source: http://www.europa.eu.int/institutions/comm/index_en.htm

As we can see from these tables (11, 12 and 13), the EU Structural funds relative to development are densely given to Greece, Spain, Italy, Portugal, France and UK. The Commission divided the funds to member states for 200-2006 by considering the criteria of these objective regions and the situation of employment. After the first assignment of funds, the Commission also decided to preserve 4% of each national allotment as a reserve in the beginning of the period in order to be able to face all possible reaction during this long period between 2000 and 2000. During the mid term assessment, the Commission, in cooperation with member states, would allocate this reserve to the programs with the best performance. A series of quantitative indicators determined by member states would be used to measure the performance of the programs. These indicators are designed to consider the effectiveness, management, financial application and the mid term results in relation to the initial objectives of the programs. We can say that this method is developed by the Commission with the aim of developing a competition for the best use of the assistance resources among the member states.

The financial resource which is allocated is transferred to the member states' budget in one time. Member states have to follow very strict planning procedures for the actual use of these resources and stay in accordance with the Commission about the details of the projects. In case member states don't present successful plans to the Commission or don't have the national resources for the co-financing of the projects, it is anticipated that the allocated resources won't be transferred to the regions, would be redistributed among member states in proportion of their contribution to the EU budget[42].

Success Stories: The four poorest countries of the EU increased their GNP per capita from 65% of the EU average to 76.5% of the EU average between 1986 and 1996. Besides, the revenue per capita increased from 41% of the EU average to 50% of the EU average in ten regions wit the lowest GNP per capita. Still, unemployment continues to be a chronicle problem with its serious consequences for some regions and social groups. For this reason, the EU regional policy continues to support the reconstruction in regions that have considerable imbalances.

- *The creation of a Work Center in Sigoules*

Sigoules, which is a little municipality located 15 km away from the Bergerac city in the region of Dordogne in France, has a small population; below 700 persons. The mayor, in order to stop the emigration from the village, decided to create a work center for local professionals, which would provide a work area and common administrative services such as a telephone central, an accounting service, a meeting room etc. The Bergerac Chamber of Commerce and Industry, with the cooperation of Dordogne Chamber of Tradesmen and the Federation of SME Employers, obtained a donation from the ERDF for the establishment of the center. Today, there are workshops of 960 square meters with 10 companies of 25 staff at this work center. In addition, this work center created new synergies: different companies come together and present joint proposals at public and private tenders[43].

- *Miracle of Continuous Water*

Algores and its beaches is one of the most touristy cites of Portugal. Nevertheless, it is one of the driest regions in summer times. In order to face the water demands and find a solution to the saltiness of the land, seven municipalities in east Algarve, established a company named "Aguas de Sotavento Algarvio" with the Government, with the aim of canalizing the surface water into the region. A barrage was established next to an existing barrage, and these barrages were connected to each other in order to maintain the water at the same level at both side. A bigger feeding (nourishing) canal going beyond both barrages was also established. Now, the water goes to a purification (refining) station and is distributed to various reservoirs of municipalities. The ERDF was used for this project (and the Cohesion Fund after 1995).

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[42] IKV Publications, **ibid**, p. 44.
[43] Web Site of the European Commission To Turkey, http://www.deltur.cec.eu.int/ab-politika.html,

- *The Modernization of an Education Center*

Dresden Chamber of Commerce and Industry which supervises education programs in East Germany realized that the courses were not updated and that old skills increase the risks of unemployment. The Chamber cooperated with Munich Chamber of Commerce and Industry in order to renew an old education center and form a modern training program comprising exams for certificates and maintain the costs at minimum level. With the EU contribution, this partnership provided the most advanced training technology on the market for 1000 training places in the sectors of trade and industry.

- *Project of Bicycle Road Mapping*

The regions of Baviera and Tyrol in Germany and Austria decided to facilitate the cross-border bicycling holidays in order to develop the small scaled local tourism. Besides the advertisement campaigns, a common map of bicycle roads for the whole border regions was prepared, local tourist information services were provided and a a center for "Bike Renting" was established. With the support of Interreg funds, the project develops the local employment by creating employment in the tourism sector.

- *CREATE: The Re-Evaluation and Education of the Community*

"Create" is an enterprise dedicated to the re-evaluation and education of the Community, created in a district of the city of Liverpool in the UK, aiming to offer jobs to unemployed people. The persons who were trained learned to repair fridges, ovens and laundry machines. These devices were then sold to reasonable prices. After a training period of three months, the trained people could practice the new skill they acquired in real working environments. They get paid for the work they do and obtain the skills and experience that employers are looking for. CREATE is a model of the mixture of private sector work knowledge, experience of the voluntary sector and public investment. In conclusion, products at reasonable prices are offered to the Community, the amount of waste products thrown into garbage is reduced and most important, training and real employment opportunities are offered to the local people. This project was funded within the framework of EU Pilot Action designed for "long-term unemployed people".

- *M40 Periphery Way of Madrid, Spain*

The construction of a periphery way around the capital of Spain was considered as necessary to reduce the traffic problems in Madrid; one of the most condensed European cities. This way contributes to reduce the impact of traffic in centers of population, reduce pollution and loud noise levels, reduce the travel durations and increase road security. As Madrid is located in the network of country's main roads, this periphery way facilitates also the connection between the major main roads of the country.

- *The Urban Program Applied in the City of Lahey in the Netherlands*

Community initiatives (Leader, Urban, Equal and Interreg) are instruments that are well adapted to action on local levels as they focus on individual themes or geographical areas. These programs are programs that are not applied without the direct participation of the concerned parties. As an example, the urban program, which was applied in the city of Lahey in the Netherlands, gave the opportunity of reconstructing Vermeerveld, which was an open space area with high criminality rate located in the city center. People who live in this area, through this Urban Program, converted this open space into a park where social, cultural and sport activities are organized. This project was realized with the contribution of people living in the area at each stage from the preparation of the park plans to the upkeep of the park.

- *Partnerships to Help The Unemployed People*

The city of Liege, located in East Belgium was once the center of industrial coal and steel. With the regression of this sector, there is today a high rate of unemployment in the city. Local actors developed certain innovative partnerships. On the first hand, a training center was established in 1994 to improve the skills of unemployed people. The program consisted of 1 year course comprising a 6 months work experience. This initiative was started by three partners: Liege Chamber of Commerce and Industry, a Trade School and a Regional Bureau. On the other hand, a joint initiative entitled "Enterprise, Employment and Training Connections" was started by the Chamber of Commerce and a non-profit association in 1995. The aim of this initiative is to help SMEs by adapting the profiles of unemployed people with the needs of employers. Thus, the different local actors contributed to the fight against unemployment in Liege.

4.1.2 Regional Policies Can't Be Effective In Same Levels Everywhere: Comparison of Ireland and Greece

Ireland has been a country that obtained many positive results and successful examples as a conclusion of the applied EU regional policies. However, Greece didn't have the same success in result of these policies, not many positive conclusions were obtained. We can understand from the Irish example that supportive conditions and rationalist policies contribute to success. We can enumerate the supportive condition as follows:

- Ierland is an entry point for production in a Europe with no boundaries that prepares to the single market, and big direct investments from multinational companies from Asia and America due to the tax reduction that made this country more attractive,
- The closeness of Ireland to the important European markets (UK, France, Germany),
- The presence of an international language: English,
- Government policies in research and development fields, infrastructure and an educated industrial workforce to low cost,
- The gradual devaluation of Irish money to support export

However, these positive conditions are not valid for Greece. At this point, should an effective and productive financial support be given to regions that don't have the sufficient development potential and that don't follow an appropriate national policy (macro-economic elements, education, research & development, suitable laws, tax regimes etc) even if they make some efforts? In economical sense, the answer to this question would be no in both cases as this financial assistance would be considered as "waste of resources". However, this waste would continue in political platforms for the sake of compromise and peace in the EU.

4.1.3 The Problems of Regional Policy in an Enlarging EU

The accession of candidate countries to the EU is acceptable as a principle; the enlargement provides wider cooperation opportunities in the EU with the positive outcomes of the economic integration. The first consequence of EU's last enlargement in May 2004 (with ten new member states) is the expansion of the single market from 370 million to about 455 million consumers. Moreover, the Union's position on the international political scene and world markets is expected to be strengthened. However, the structure of the EU went through a radical change due to the big difference of the economic structures of the new members. Infrastructure and investment programs will have now to be directed eastwards and reach out to the accession countries.

- A big population joined the EU but most countries are less developed compared to EU standards. With the admission of ten new members, the EU population and its landmass increased by about a fifth[44]. (The area and population of the Union increased by one third but its GDP by only 5%. Of the 105 million people living in these countries, over 98 million live in regions where per capita GDP is less than 75% of the average in the enlarged Community),
- Agriculture covers a wider area compared to EU 15 but the productivity in the agricultural production is relatively low and the food processing industry and the industries providing a revenue to the agricultural sector are not effective enough,
- With unemployment and poverty, the transition to the market economy is not yet fully realized, infrastructure insufficiencies are damaging management operations,
- The needs of these countries are enormous in all sectors of the economy and society: industry, services, transport, the environment, agriculture and skills for their human resources. Substantial efforts will have to be made to expand national transport networks and integrate them into trans-European networks.
- Environmental situation is quite behind the EU standards. The most acute environmental problems concern water and air pollution and waste management.

New members are eligible for support from the two EU policies: CAP and Regional Policy. Despite the concerned new members will pay their shares to the EU budget, there would be a need for a net

[44] Picciotto Robert, "Towards a New Policy Framework for the Enlarged Europe: Investing for Growth and Modernisation", Journal of European Integration, Vol 26. Issue 4, Dec 2004, p. 476. (King's College, London).

payment flew for a long time from Brussels to these new EU countries. The pressure on the EU budget regarding the application of both policies may bring the delicate subjects such as the reduction of the funds for the old member states or the rise of the EU contributions (especially for those big contributors like Germany). At this point, the most important element not to forget is that politicians and electors still tend to see their national interests above the "EU and solidarity" spirit.

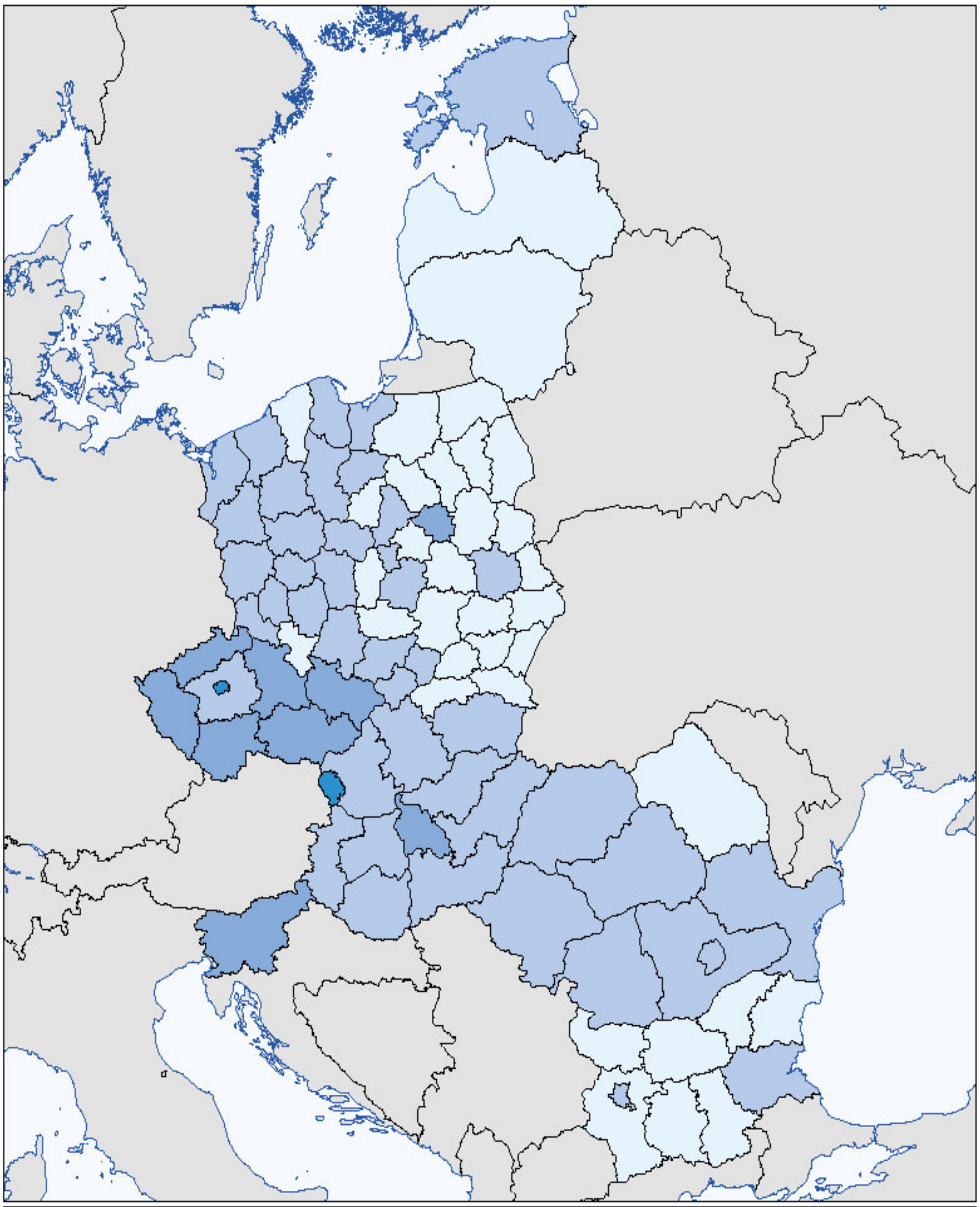
4.1.3.1 Implication of Enlargement in EU Regional Policy and New Budget Foresights

The EU regional policy, since its conception and creation in 1975 has gone trough a continuous change and development. The accession of the new East European countries within the EU enlargement also necessitated the re-evaluation and adaptation of this policy within new conditions. In general, the EU regional policy was increased in the new countries' accessions and the subsidized regions were re-identified. However, this approach changed with the accession of former communist East European countries which have weak economies. For example, the recent enlargement has transformed Spain's relative position to one of the middle-income country in the Union, placed new demands on European cohesion funds and further eroded Spain's entitlement to funding[45]. The candidacy and accession of these countries brings two difficulties to the EU regional policy.

1) The Difficulty in the EU Budget

The EU budget is equipped with two major expenditures: the CAP and Structural Funds. The economic recessions of many East European countries in which communist regimes collapsed in the beginning of 1990's and the decision of the rapid integration of these countries to the EU have brought the question of "how would the EU face this financially? As an answer, the CAP and Structural Funds were determined as the resources. The fact that almost all regions of new member sates are eligible for high level subsidies constitutes the biggest difficulty on Structural funds. As an example, as we can see from the figure 11, the GDP per capita was above 75% of EU average in only two small regions (Prague and Bratislava) in this country bloc in 1996 (this criteria is forming the Objective 1). All regions are automatically eligible for Objective 1 regions in the two most prosperous countries of this bloc: Poland and Czech Republic. Besides, the difficulty regarding CAP is that Poland and Hungary are big agricultural producers and specialized in cereals and milk, which are the products that EU subsidizes.

[45] Salmon Keith, "Adapting to European Enlargement: Spain and Cohesion Policy", International Journal of Iberian Studies, Vol. 18 Issue 2, 2005, p. 101.



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ource: the EC Report entitled "The Situation in the Regions"
http://europa.eu.int/comm/regional_policy/document/pdf/document/radi/en/7_s4_en.pdf 16.08.2004

Index, EUR15 = 100

< 30

30 - 50

50 - 75

≥ 75

No data

Bulgaria, Czech Republic and Romania: 1995

Regional figures are estimated.

0 50 250 km

Figure 11. GDP Per Capita in Middle and East Europe in 1996

At the beginning, it was thought that EU budget couldn't face the cost of enlargement to the East Europe. With this kind of thoughts, the Heads of States had to take pretty difficult decisions while programming the EU 2000-2006 Budget at the March Berlin 1999 Summit As we can see from the table below, the decision that was taken was "to spread the financial burden". The funds allocated to member states were less than what they expected and extended through a longer period of time. It was decided that the pre-accession assistance funds for the countries that would gradually be member states would be 3.12 billion ECU per year until 2006.

Table 14: EU 2000-2006 General Budget Commitments (With 1999 Prices, Billion Euro)

	2000	2001	2002	2003	2004	2005	2006
EU 15 – Structural Funds and Cohesion Fund	32.045	31.455	30.865	30.285	29.285	29.595	29.595
EU 15 – CAP	40.920	42.800	43.900	43.770	42.760	41.930	41.660
EU 15- Other Domestic Policies	5.900	5.950	6.000	6.050	6.100	6.150	6.200
EU 15- Foreign Policies	4.550	4.560	4.570	4.580	4.590	4.600	4.610
Administrative and Reserves	5.460	5.500	5.350	5.200	5.300	5.400	5.500
Pre-Accession Assistance: Structural Funds	1.040	1.040	1.040	1.040	1.040	1.040	1.040
Pre-Accession Assistance: Other	2.080	2.080	2.080	2.080	2.080	2.080	2.080
Post-Accession Assistance: Structural Funds	-	-	3.750	5.830	7.920	10.000	12.080
Post-Accession Assistance: Other	-	-	2.700	3.200	3.700	4.200	4.700
Total Budget Allocation	91.995	93.385	100.255	102.035	103.085	104.995	107.040

Source: European Council, (1999) Ali Agraa, page 408

The pre-accession assistance fund is generally in form of the existing PHARE Program but in addition to this, 1.04 billion ECU of Structural Funds per year and 0.52 billion ECU of CAP Fund per year were allocated. As seen from the table 14, while the post-accession assistance was only 6.45 billion ECU in 2002, they reached 16.78 billion ECU in 2006. Objective 1 forms a big part of this amount. These structural funds are considered as the necessary minimum assistance amount for the economic adaptation of these countries in short time; they are in no way an investment that would solve definitely the economic problems of these countries.

How can the extra money of the new member states be supplied? The answer to this question could partly be the stable and continuous economic growth of the EU 15. In parallel to this growth, the decision to keep the EU budget at the level of 0.46% of the combined total GNPs of the 15 members of the EU would also partly cover the funds needed. However, as we can see from the table 14, the rest of the money would be covered by the Structural Funds of the 15 member of EU. The structural funds of EU (15) are decreased from 32.045 billion ECU in 2000 to 29.170 billion ECU in

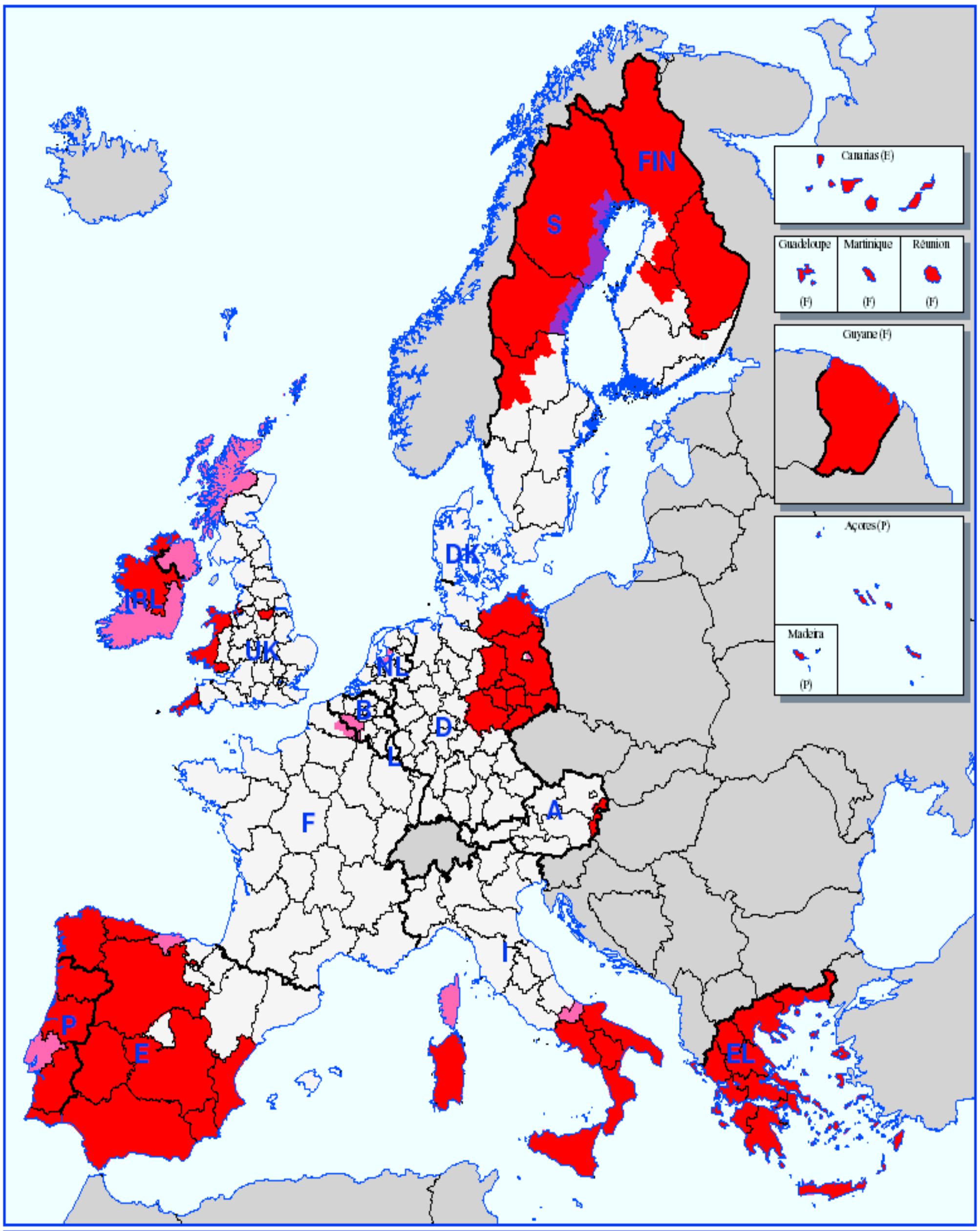
2006. Despite the precautions that the European Commission took for a "soft landing", the cuttings in the structural funds and Cap funds of 15 member states had a big impact. In the Agenda 2000 proposals, the EC, while trying to protect the guidelines of the 1989-1999 Structural Funds System (programming, partnership) on one hand, was trying to cut the spending of 15 EU on the other and. The EC took two big dispositions for this:

a) The Reduction of Eligible Regions for Subsidy

The number of prior objectives was reduced from 6 during 1994-1999 budget program to 3 for the 2000-2006 budget program. According to the new definition, Objective 1 regions (lagging regions) are regions with GDP per capita below 75% of thee EU average, as in the last Objective 1 definition. However, Sweden, Finland, Canary Islands, Azores Island and French overseas departments which were in Objective 6 before (regions with scarce population) are now transferred to the Objective 1 regions.

The new Objective1 regions are indicated in the figure 12. The regions that are shown as eligible for the transition assistance received Objective 1 assistance in 1994 and 1999; however, this assistance is gradually decreasing in 2000-2006. For example, while the wide areas of Ireland, the entire North Ireland and the highlands and islands of Scotland are no more eligible for this assistance, some areas of South Yorkshire, Welsh region and South-West region in the UK became eligible for Objective 1 in 2000-2006. Transition assistances are given to provide a "soft landing" to the regions that would gradually loose their eligibility status for Objective 1. Besides, the subsidies given to Sweden coastal areas are also "transition assistance". In parallel, from 2007, the EU's regional policy is expected to focus on the goals of greater competitiveness and dynamism; Spain, Germany and Italy allocate the highest proportion of structural funding to research and innovation[46].

[46] Outlook on Science Policy, "Structural Funds Key Role in EU Innovation", Vol. 27 Issue 8, Sep 2005, p.87.



Source: http://europa.eu.int/comm/regional_policy/newsroom/document/pdf/newsletter/66_99_en.pdf , 16.08.2004

Objective 1 Regions

Objective 1 Transition (assistance) Regions

Special Program for Swedish Coastal Regions

0 100 500 km

Figure 12. EU Regions Eligible for Objective 1 Structural Funds for 2000-2006

The rate of eligible regions for Objective 1 is now lower with the changes in the new Objective 1 definition. This rate was reduced from 25% to 20%. A similar situation is also present in Objective 2 regions, the rate was reduced from 25% to 18%. The new Objective 2 (the economic and social conversion of regions that have structural crisis) covers now the old Objective 2 (industrial regression) and 5b (rural areas) had disadvantaged urban areas and fishing communities. The new objective 3 (human resources) covers the Objective 3 and 4 which were the old ESF objectives (it is applied in regions not covered by Objective1 and 2). Despite a security measure such as the transition assistance, we can clearly see that most of the regions that benefited from Structural funds between 1994 and 1999 lost this assistance in 2000-2006.

b) The Reduction of the Community Initiatives of EU 15

The number of the Community Initiatives had a radical reduction, they passed from 13 to 4, and the share of Community Initiatives within the Structural Funds which was 9% in 1994-1999 decreased to 5% in 2000-2006. Even though the Agenda 2000 reforms are used as a tool in local and regional level for simplifying the bureaucracy, creating trade unions, and increasing partnerships with voluntary organizations, the cuts in eligible regions constitute the most important lines of this budget. These measures were taken with the aim of liberalizing the resources for the need of the demands that would result from the enlargement of the EU.

2) The Difficulty of the Regional Effect of the East European Enlargement of EU

Enlargement poses particular problems for European regional policy given not only the low Gross Domestic Product (GDP) per capita of Central and Eastern European (CEE) countries but also their centralized administrative structures[47]. The east enlargement of the EU has some regional impacts on the 15 countries of the EU. The most beneficial countries are expected to be the new members (until 20% extra GDP) and the GDP in 15 EU is expected to increase of ¼ of the total GDP of 15 EU[48]. From this angle the most beneficial countries would be the most prosperous countries such as Germany, France and UK.

In conclusion, besides the cuttings in the 15 EU Structural Funds and the reduction of Objective 1 regions, there would be many difficulties with the increase in "regional disparities" in the new enlarged EU. The territorial expansion of the EU to the new central and eastern member states raises difficult changes for European spatial planning[49].

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[47] David Bailey, Lisa De Propris, « EU Structural Funds, Regional Capabilities and Enlargement: Towards Multi-Level Governance? », Journal of European Integration, December 20020 Vol. 24, Issue 4, p. 303.
[48] Agraa, **ibid**, p. 411.
[49] Pallagst Arina, "European Spatial Planning Reloaded: Considering EU Enlargement in Theory and Practice", Vol. 14 Issue 2, Mar 2006, p. 253.

4.1.3.2 Difficulties in Regional Policy with the Enlargement of the EU

New difficulties and most specifically regional problems were expected to come with the process of gradual reach to the EU convergence criteria and the transition process to the single currency while the EU Treaty was signed in 1992 (for example, the reduction of public debts within the convergence criteria would affect more the poor regions than the richer regions). For this reason, Heads of States, at the Edinburgh Summit of December 11th and 12th 1992, decided to increase the budget of the Structural Funds from 19.8 billion ECU in 1993 to 2.4 billion ECU in 1999. In addition, the budget of the new Cohesion Fund that was established in 1993 was 1.5 billion ECU, and 2.6 billion ECU in 1999. However, the effects of the Single European Currency didn't end in 1999. The structural funds have now to fight not only with the regional impacts of the EU enlargement, but also with the permanent impacts of the common market and the difficulties that would be imposed on the new member states that could still not realize the convergence criteria of the financial union.

In conclusion, the difficulties that may come along with EU enlargement in the regional policy can be summarized as below:

- The Objective 1 regions in well developed countries won't be eligible for the fund nor for the transition assistance fund in 2007 and thus the interest of these countries regionalization would decrease,
- A separate CFS and OP would be prepared, financed and managed for each Objective 1 region. With the participation of new 51 Objective 1 regions the number of Objective 1 regions doubled, this can seriously threaten the absorption capacity of the Commission.
- The assessment of the Commission is in the form that there is not enough and reliable planning, programming, application and support structures in all regions of the new member states and that this can threaten the suitable use of the funds.
- Regionalization was on the agenda at a moment when the share given to the Structural Funds was highly and rapidly expanded. But nowadays, the funds and the eligible regions have to be decreased. Besides, it is decided from now on that the population of Objective 2 regions can not exceed 18% of the total of the Community.

Impact of Regional Policy

European regional policy constitutes a rather enduring and long-standing challenge for the administrative and institutional structures of the member states. At the same time it provides opportunities for institution building and network creation at the national and sub-national levels, even if the pre-existing institutional capacity is poor. A Commission report published on the regions in 1994 pointed to evidence of real economic convergence in regional economics performance[50]. It estimated that by 1993 the ERDF accounted for about 6% of gross fixed capital formation in the four poorest member states (Commission, Fifth Periodic Report, 1994, p. 131). The report estimated that in the same year, the structural funds and the Cohesion Fund added 2.3% to the GDP of these

[50] Jones, Robert A. 1996. *The Politics and E conomics of the European Union.* UK: Sheffield University Press Cambridge. P. 159.

countries. It estimated that since 1986, average economic growth in Spain, Portugal and Ireland has been between 0.75% and 1.75% above the Union average, although this had not resulted in significant falls in unemployment in these areas. The rate of net job creation in Objective 2 areas between 1986 and 1993 was up 13%, almost twice the Union average. But convergence is a very slow process: some regions have indeed made progress, but others have stagnated or even declined.

Empirical studies have shown significant variations between countries concerning the Structural Funds' interventions in a multi-level governance system[51]. There are differences with regard to the political influence of the State government vis-à-vis the sub-national level in programming, implementation, monitoring and evaluation of European regional policy.

The territorial organization of Poland that has been in force since 1999 is based on a new, three-tier model (commune, poviat, voivodeship) working on the principles of decentralization and self-government. In consequence, the voivodeship government prepares operations and puts them into practice under a new model of regional policy and the voivodeship map has changed fundamentally: instead of the old 49 voivodeship, 16 large ones have been created which have the character of territorial regions[52]. The new territorial shapes and entrusting them with tasks and powers connected with regional development have been a crucial step in Poland's adjustment to EU regulations.

Another example of the influence of EU regional policy can even be seen in South Africa. President Thabo Mbeki on global approaches to poverty eradication and economic development compares the EU Regional Policy with development in Africa[53]. "Market forces alone will not result in balanced economic development across the Union's as a whole".

The change in Italy's main regional policy (for the south) in the course of the 1990s also provides a prima facie case of Europeanization for scholars of Europeanization. A new policy was adopted that was evidently inspired by the European regional policy launched in 1988[54].

In the Irish case, regional policy is a relatively recent phenomenon stemming from the reform of regional European Structural Funds in 1988[55]. Prior to this there was no real distinction between regional policy and national development policy. By 1988 it had become apparent that although the country as a whole breached the threshold for "objective 1" status, by using the existing network of NUTS III regions the Border, Midlands and West regions could still qualify. The Irish government therefore opted to negotiate new regional arrangements in the context of the Agenda 2000Agreement.

[51] Getimis Panayotis, "Improving European Union Regional Policy by Learning From the Past in View of Enlargement", European planning Studies, Vol. 11, Issue 1, Jan 2003, p. 82.
[52] Churski, Pawe&slash, "Problem Areas in Poland in terms of the Objectives of the European Union's Regional Policy", European Planning Studies, Jan 2005, Vol. 13, p. 54.
[53] New African, "Mbeki Followig the European Example", Issue 442, July 2005, p. 22.
[54] Bull Martin, Baudner Joerg, "Europeanization and Italian Policy for the Mezzogiorno", Journal of European Public Policy, Vol. 11 Issue 6, Dec 2004, p. 1058.
[55] Mullally, "The Strıuctural Funds and Sustainable Development Reflections on the Irish Experience", Innovation: The European Journal of Social Sciences, Vol 17. Issue 1, March 2004, p. 26.

This resulted in the designation of two new NUTS II regions: the Border, Midlands and West region, which retained "Objective 1" status, and the Southern and Eastern Region, which qualified for structural funds under the heading of "Objective 1 in transition".

If we look at the impact of EU regional policy in Greece, we can say that this is a positive impact. EU regional policy seems to enhance firm's entry via its effect on economic development variables, in contrast with the Greek Development Law, which turns out non-influential. EU's assistance ensures availability of necessity pre-conditions for a potential investor on top of ensuring stability and further development[56]. If we take a look to the Slovenian case, we can say that regional development has been one of the most complex issues in Slovenia's negotiations with the EU, and participation in the EU's structural policy has triggered significant adjustments in Slovenia's legal order[57]. These adjustments have visibly embraced the formation of a suitable institutional structure for implementing the EU's structural policy, and (still unfinished) changes in Slovenia's territorial organization.

The reorganization of Italian decision-making structures, both in Italy and in Brussels, during the 1990s, led to increased control by Italian authorities over the implementation of the Structural Funds and to their improved participation in the 2000-06 negotiation round[58]. The Italian councils, proceeded through an incremental "learning-by-doing" trail to secure the EU funds. The Italian organizations learned step by step which resources were needed, and how to acquire and manage them. The English local councils developed structured and all-embracing local partnership (which included a wide local community), while the Italian councils created ad hoc partnerships responsible for the implementation of specific projects[59].

In Poland, local authorities have the power to exercise control, as they have public rights. The fights of local authorities are determined by norms of positive law and this is the source of local authorities' freedoms. The freedoms constitute a public law association of a corporate character. This corporation fulfills public tasks autonomously on its own behalf and under its own responsibility. That is why it has the attribute of a public law subject, separate from government administration[60].

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56 Filippaios Fragkiskos, Kottaridi Constantina, "Investment Patterns and the Competitiveness of Greek Regions", Review of Urban & Regional Development Studies, Vol 16. Issue 2, July 2004, p. 102.
57 Lajh Damjan, "Responses to the Process of Europeanization and Regionalisation: Domestic Changes in Slovenia", Perspectives: Central European Review of International Affairs: Vol 23, Winter 2004/2005, p. 45
58 Brunazzo Marco, Paitonni Simona, "Negotiating the Regulation of the Structural Funds: Italian Actors in EU regional Policy-Making", Modern Italy, Vol 9. Issue 2, Noov 2004, p 160.
59 Stefania Zerbinati, "Europeanization and EU Funding in Italy and England. A Comparative Local Perspective", Journal of European Public Policy, December 2004, Vol. 11 Issue 6, p. 1016.
60 Nowacka Ewa, "New Challenges Facng Public Administration and Regional Policy in Poland", European Public Law, Vol 9, Issue 3, Sep 2003, p. 337.

CHAPTER V

REGIONAL POLICY CONCEPT in TURKEY and the APPLICATIONS of the EU REGIONAL POLICY

The concept of regional development, regional disparities and the application of the European regional policy and the current harmonization works as well as the funds allocated to Turkey are analyzed in this part. Also, a survey relative to the topic of this research paper covers the last part of this study.

5.1 The Concept of Regional Policy in Turkey and its Applications

Turkey has a unitary state where the centre is a dominant actor in the sense of scheduling and implementing the activities. Recent progress of the regional policy governance imposes that such a centralized approach undermines the ability of local structures to meet local needs. In such a big country, it is viewed that central government officials are essentially far way from local potentials and problems[61]. The principle of "region" doesn't exist in the administrative structure of Turkey. The concept of region has been introduced and developed according to the topographic and whether conditions and the country has been divided into seven geographical regions. In Turkey there is no tradition of programming for regions with the exception of GAP (Southeastern Anatolian Project). Regional plans, to the extent they existed, composed of individual project proposals. There are annual programs for national investments prepared by the SPO, however, they are not always fulfilled due to macroeconomic imbalances[62]. The EU requests the formation of "regions" from the candidate countries during their negotiations, based on statistical criterion such as their GDP per capita, the size and density of the population, and acts according to these data and "regional division" for the financing of regional development projects. Turkey approved the Turkish National Program relative to the adoption of the "Acquis Communautaire" via Ministers' Council Decree on March 19th 2001; which is one of the most important aspects of the pre-accession strategy; and the "Program" was published again at the Official Journal of March 24th 2001.

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[61] Gülhan Bilen, "Novel Regional Policy of Turkey in Line With EU Standards", Development Bank of Turkey, p. 4.
[62] Ebru Loewendhal-Ertugal, "Europeanisation of Regional Policy and Regional Governance: The Case of Turkey", European Political Economy Review, Vol. 3. no. 1, Spring 2005, p. 26.

5.1.1 The Concept of Region and Regional Development in Turkey

As it is mentioned above, the concept of region was developed in accordance with the topographic and climatic conditions of Turkey. There are huge regional disparities in Turkey.

There are serious regional differences with several socio-economic indicators such as GDP per capita, unemployment and illiterate rates. Regional development disparities arise from factors such as insufficient dispersion of resources, lack of effective use of resources, unsuitable topographic structure, hard climatic conditions, remoteness to domestic and foreign markets, dispersed settlement structure and insufficient investments. Many problems such as unemployment, illegal constructions and environment problems come along with migration.

According to the census of 1997, 25.8% of the country population is condensed in the Marmara region. This rate is 16.9% in Central Anatolia region, 13.4% in the Aegean region, 12.8% in the Mediterranean region, 12.5% in the Black Sea region, 9.8% in the Southeastern Anatolia region and 8.9% in Eastern Anatolia region.

The population of Turkey increased of 1.5% in the period of 1990-1997. Considerable disparities exist in population increases between regions. The annual population increase speed is 2.8% in the Marmara, 2.4% in the Southeastern Anatolia, 1.9% in the Mediterranean, 1.5% in the Aegean, 0.9% in Central Anatolia and 0.7% in Eastern Anatolia. The Black Sea region is the only region where there is a fall in the increase rate of the population (0.5%). This situation can be explained by high migration.

The infant mortality rate between 0-5 years old babies was 50.6 per thousand between 1990 and 1995 in Turkey. The rate doubles in rural lagging regions compared to western regions. This rate varies between 72 and 74 per thousand in priority regions in development.

The number of doctor per capita is below the national average in the Southeastern Anatolia, Eastern Anatolia, Black Sea and Mediterranean regions. The number of hospital bed in Marmara region represented 39.9% of the total number of Turkey in 1999. This rate was 8.9% in the Eastern Anatolia region.

According to the Turkish Statistical Institute data, the annual average GDP growth rate was 4.1% between 1987 and 1998, at 1987 prices. The Marmara region owns the highest growth rate with 4.7%. Regions which have a growth rate superior or close to the Turkish average are the Southeastern region (4.2%), the Mediterranean (%4.1%) and the Aegean region(4.2%); while the regions which have a growth rate inferior to the national average are the Central Anatolia (3.4%), the Black Sea (3.3%) and the South Anatolia (2.0%) regions.

When regions' shares in GDP are considered, the Marmara region comes first with the biggest share with 37.8% in 1998. While the share of GDP of the Southeastern Anatolia region increased from 3.9% to 5.2%, the share of Eastern Anatolia decreased from 4.5% to 3.3 %, between the period of 1983 and 1998.

Within the aim of eliminating regional disparities, three basic tools are used for economic development:

- Policies and incentives towards public sector,
- Private sector incentives and
- Regional development and rural development projects.

For a more effective use of incentives; three separate group of regions were determined by the Turkish State Planning Organization:

- Developed regions,
- Priority regions in development and
- Normal regions

Developed Regions:

The area inside Ankara, Izmir, Bursa, Adana, Antalya, Istanbul and Kocaeli city borders are considered as developed regions.

Priority Regions in Development[63]

49 cities and 2 districts are been included in the "Priority Regions in Development" by the Council of Ministers. These cities are Adıyaman, Ağrı, Aksaray, Amasya, Ardahan, Artvin, Bartın, Batman, Bayburt, Bingöl, Bitlis, Çanakkale (Bozcaada and Gökçeada districts), Çankırı, Çorum, Diyarbakır, Elazığ, Erzincan, Erzurum, Giresun, Gümüşhane, Hakkari, Iğdır, Kahramanmaraş, Karabük, Karaman, Kars, Kastamonu, Kırıkkale, Kırşehir, Kilis, Malatya, Mardin, Muş, Nevşehir, Niğde, Ordu, Osmaniye, Rize, Samsun, Siirt, Sinop, Sivas, Şanlıurfa, Şırnak, Tokat, Trabzon, Tunceli, Van, Yozgat and Zonguldak. The notion of priority regions in development is used since 1971 in Turkey. The "Priority Regions in Development" is determined according to socio-economic development indicators of regions. Some of the economic and social indicators used in the determination of development level are as the following:

- Population,
- Education,

[63] Turkish National Program Relative to the Adoption of the Acquis Communautaire; Official Journal of March 24th 2001, Issue 24352 (reiterated), p. 327-329.

- Health,
- Industrialisation and mining,
- Trade and financial developments,
- Agricultural development and modernisation,
- Communication and transportation,
- Social and cultural development etc.

Normal Regions:

These are regions which remain outside the "developed" and "priority regions in development". While Turkey had gone through development disparities, it also took some steps towards the elimination of the problem. Turkey is in fact determined as "the country that has the most serious regional problems among the candidate countries" by the EU[64]. The regional and rural projects that Turkey prepared are below:

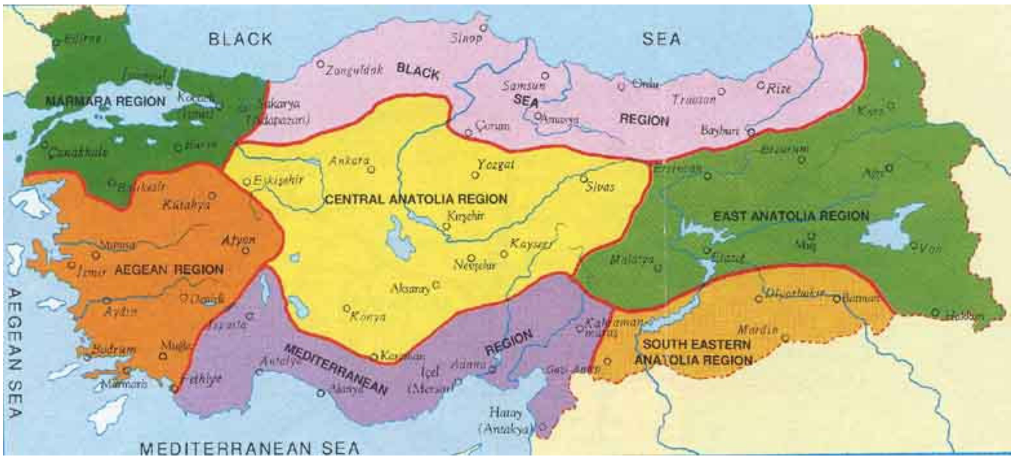
- Southeastern Anatolia Project (GAP),
- Zonguldak-Bartın-Karabük Regional Development Project,
- East Anatolia Project,
- East Black Sea Regional Development Plan,
- Çankırı-Çorum Rural Development Project,
- Erzurum Rural Development Project,
- Bingöl-Muş Rural Development Project,
- Yozgat Rural Development Project and
- Ordu-Giresun Rural Development Project.

However, besides the incentives provided for economic and commercial activities, the application of the above mentioned regional or rural development projects haven't been effective enough due to complications faced in financing.

5.1.2 Regional Disparities in Turkey

Regional disparities continue to remain a big issue in our country. The existing disparities from the historical, settlement units and potential resources point of views have lead to an unequal development: the western regions of the country cached the trend of a rapid growth and development; while the other regions had been negatively affected by this trend and the existing disparities grew even more. The principal reasons of regional disparities can be classified as the high level of the population increase, the low level of education and inter-regional migration.

64 Delegation of the European Commission to Turkey, **Agenda 2000: Enlargement- 1999 Progress Reports of Candidate Countries,** 1999, p. 84.



Source: http://www.adiyamanli.org/road_map.html, March 31st 2006

Figure 13. Geographical Regions in Turkey

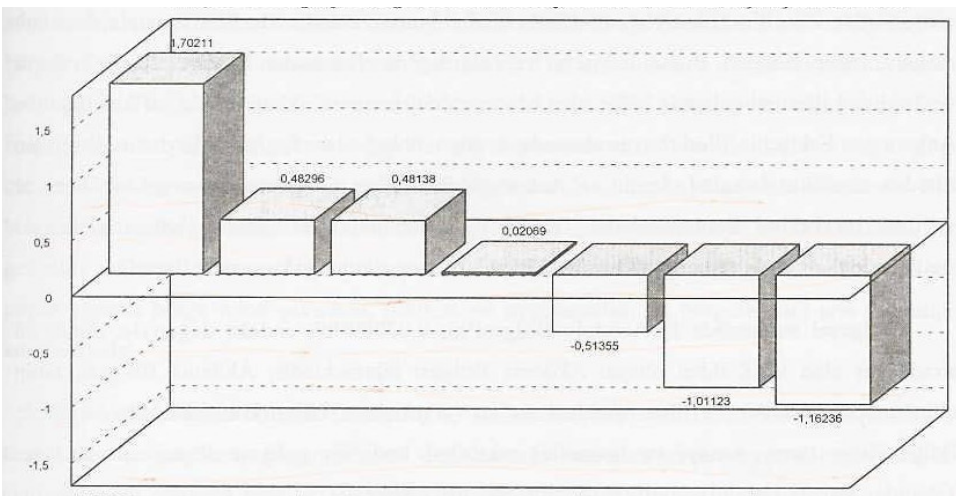
The high level of the population increase is a factor that speeds up regional disparities. The increase rate of the population of lagging regions is higher due to the effects of socio-economic conditions and the traditional structure. The high level of the population growth, while it complicates the means of subsistence, it also leads to insufficient public services and employment opportunities. There are also regional disparities in the dispersion of the population. According to the 1997 general census results, 25.8% of the total national population live in the Marmara region, 16.8% live in Central Anatolia, 13.4% in the Aegean, 12.8% in the Mediterranean, 12.5% in the Black Sea, 9.8% in South East Anatolia and 8.9% in Eastern Anatolia region.

When compared to the national average, the low education level, the incapacity of family planning and women' statutes are striking in East and Southeast Anatolian region. Out of the 74 total universities, 29 are located in the Marmara, 16 in the Central Anatolina, 9 in the Aegean, 7 in the Mediterranean, 5 in East Anatolian, 5 in the Black Sea and 3 in Southeastern Anatolian regions. There are great insufficiencies in the number of education staff member, physical infrastructure and equipments in lagging regions. Furthermore, the social infrastructure that would keep the qualified human force in the region is also non- existing.

Another problem caused by regional disparities and the rapid population growth is inter-regional migration. In parallel to inter-regional migration, there is also a migration from rural areas to cities in a single region. Negative effects of migration are intensely felt in Ankara, Bursa, Istanbul and Izmir; which are followed by the cities of Adıyaman, Antalya, Diyarbakır, Batman and Içel. Inter-regional migrations cause socio-economic problems such as urban structure, unemployment, accommodation, education and health; cities are insufficient in accommodating the existing population in the region. In addition, within security precautions and especially after 1990's, rapid and massive migrations from rural areas to cities in the Eastern and Southeastern Anatolian, especially to the center of Adıyaman, Diyarbakır and Van lead to substantial increases in the population and problems of these cities. The unhealthy constructions, energy and water deficiencies, pollution, transportation problems and unemployment that occur in metropolitan settlement areas remain serious. The development deficit between the Marmara region which has the highest income level per capita and other regions is of 14 years in the Mediterranean, 128 years in the Eastern Anatolian, 5 years in the Aegean, 72 years in the Southeastern Anatolian, 18 years in the Central Anatolian and of 20 years in the Black Sea region[65].

Socio-Economic Development Scale According to Geographical Regions

As it can be seen from the figure 14, according to the scale results made upon the existing definition of geographical regions, the Marmara region which comprises 11 cities is placed first among the 7 regions across the country, with the index value of 1.70211, which reflects the socio-economic development level. The basic indicator of the socio-economic development level of this region is that Istanbul, which is traditionally the most important pole of the country, reveals again the same characteristic here. The intensification of industrial and commercial activities of the country in Istanbul is the main reason behind the rapid development of the city and the region. Industrial and commercial activities in Istanbul, by spreading with time into the whole region, made Marmara the most dynamic development target and an attraction center of the country. Among the regions, despite the differences between Istanbul and the other cities, the Marmara tends to become more homogenous.



Marmara Aegean Central Anatolia Mediterranean Black Sea Southeast Anarolian East Anatolian

Source : SPO, Research on Socio-economic Development Scale of Cities and Regions, (İllerin ve Bölgelerin Sosyo-Ekonomik Gelişmişlik Sıralaması Araştırması), 2003, p. 75

Figure 14. Socio-economic Development Index According to Regions 2003

[65] IVth Turkish Economy Congress, Regional Development Workshop Bulletin, May 5th - 9th 2004, Izmir, p. 7.

The Marmara region is followed by the Aegean region comprised of eight cities with an index value of 0.48296. There is approximately 2/3 of difference between index values of the Marmara and the Aegean. The spatial development trends observed in the Marmara are also present in the Aegean region which is the second most developed region of the country after Marmara. Development activities started spreading with time to the whole region from Izmir; which is the natural development center of the region. Basic economic activities are agricultural industries and especially tourism that developed a lot after the 1980's.

Central Anatolian which consists of 13 cities comes third with the index value of 0.48138. The index values of the Aegean region and the Central Anatolian are quite similar. It can be said that the Aegean and the Central Anatolian regions have a similar socio-economic development level. Agricultural activities occupy an important place in the Central Anatolian region, especially the production of cereals. In addition to this, industrial activities became widespread in the region with new industrial centers such as Konya, Eskişehir and Kayseri, that entered a fast industrial process. Besides, in addition to the developing industry, Ankara the capital, which is the commercial center of the region, increases economic and social indicators of the Central Anatolian region. Istanbul, Izmir and Ankara, while they have both attractive and spreading status in their region, they are also cities that gained the biggest metropolitan position in the country.

After the Central Anatolian region, the Mediterranean region which comprises eight cities is placed at the fourth rank in regional scale, with an index value of 0.02069. Sectors of agriculture, industry and services are in a rapid development process in the Mediterranean. Çukurova which is specialized on the production of industrial plants and greenhouse activities which are spread into the whole region occupy an important place in agriculture. Besides the agricultural industry, basic industry branches such as iron-steel and petro-chemicals have an important place in the economy of the region. International ports and free zones that are present in the region contributed to the development of the commercial activities. Furthermore, tourism acitivites enriched the economical strucutre of the region.

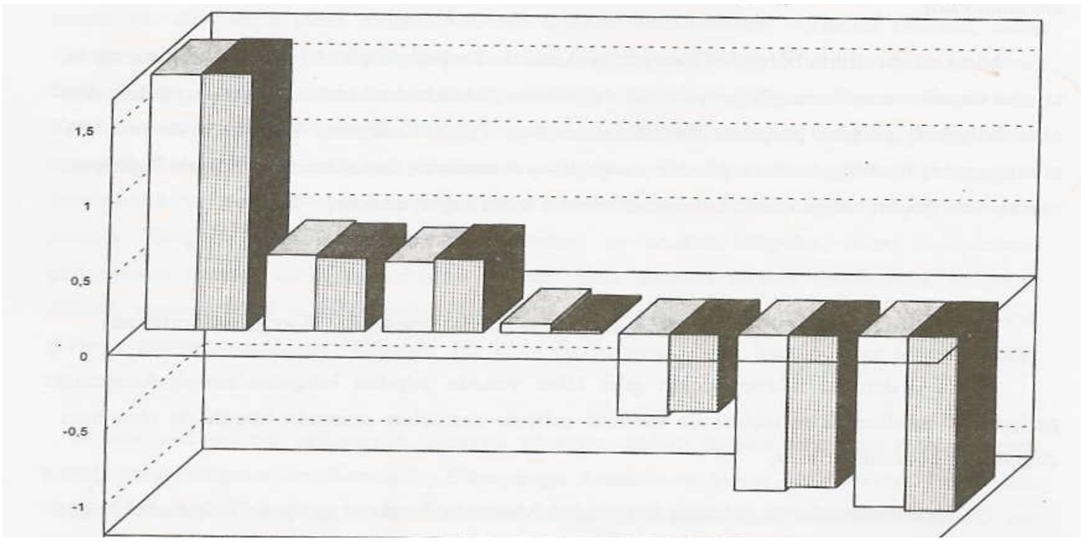
Regions that remain below the average of the country with their socio-economic index values are the Black Sea, Southeast Anatolian and East Anatolian regions. Among these regions, the Black Sea region which is comprised of 18 cities with the index value of -0.51355 comes fifth at the regional classification. From the socio-economic development level perspective, the Black Sea region which has the most cities among the regions is close to the national average, but still below.

Southeastern Anatolia and East Anatolia regions which are placed at sixth end seventh rank, have similar index values, like the Aegean and Central Anatolian regions. Southeastern Anatolia which comprises 9 cities comes sixth with the index value of –1.01123. The regions placed at the last rank are the East Anatolia region, comprised of 14 cities, with the index value of -1.16236.

As it can be seen from the socio-economic development scale results, specially Eastern Anatolia, the mountain areas of the Black Sea region and some areas of the Southeast Anatolia region are below the national average in revenue, employment and in prosperity in general. Due to these reasons, there is an intense migration from these three regions toward other regions. However, especially with the Southeastern Anatolia Project (GAP) in the region, it is expected that aqua-agriculture and industries based in agriculture would change the direction of the migration. Besides, as it is remarkably considered at regional development projects and the 8th Five Years Plan that are applied, regional development centers which would be selected and supported in these regions, would contribute greatly to keep the migration inside the region[66].

Comparison of a Regional Research For 1996 and 2003

As it can be seen from figure 15 below, according to the results of the 1996 and 2003 periods, regional development values of the Marmara, Central Anatolia, Black Sea and Southeast Anatolia regions increased. However, with the same periodical survey results, there is a decrease in regional development values of the South Anatolia, the Aegean and the Mediterranean regions.



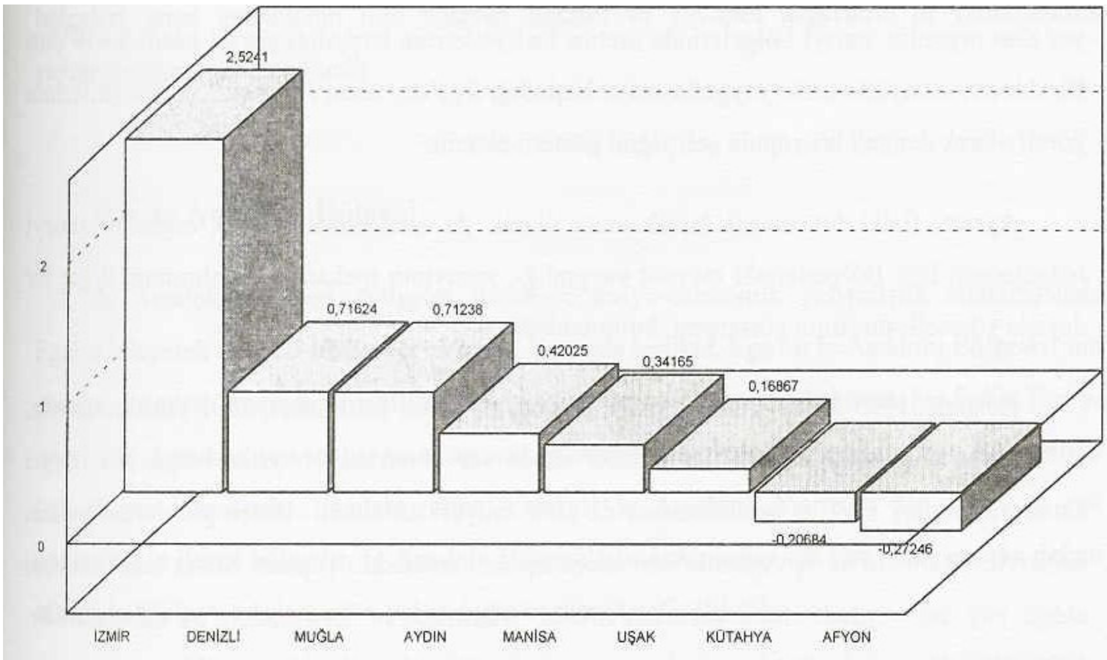
	Marmara	Aegean	Central Anatolia	Mediterranean	Black Sea	Southeast Anarolian	East Anatolian
1996	1,69436	0,50073	0,46045	0,06154	-0,54364	-1,03631	-1,13713
2003	1,70211	0,48296	0,48138	0,02069	-0,51355	-1,01123	-1,16235

Source: SPO, Research on Socio-economic Development Scale of Cities and Regions, 2003, p. 78.

Figure 15. Development Index Values of 1996 and 2003 Surveys

66 SPO, **Research on Socio-economic Development Scale of Cities and Regions** (İllerin ve Bölgelerin Sosyo-Ekonomik Gelişmişlik Sıralaması Araştırması), Ankara 2003, p. 77.

A great emphasize is given to the Aegean region and the Aegean cities development indexes in this part. The Aegean region which comes second at the inter-regional socio-economic development scale, is the third most populated region across the country with its 8,9 million people according to the 2000 census results. Approximately 3.4 million of the population is condensed in Izmir which is the center of the Aegean region, which counts 8 cities. The most populated city after Izmir, is Manisa with 1.3 million people. The other cities have a population below 1 million. The Aegean region where there are 100 persons per 1 km square comes second after the Marmara region in the perspective of population density. The region owns 61% of urbanization rate, and average household size is 3.8 while the fecundity rate is 2.17 per thousand. Based on both indicators, the Aegean region has the best values after the Marmara region, according to its demographic indicators, exposes a relatively balanced configuration.



Source: SPO, Research on Socio-economic Development Scale of Cities and Regions, 2003, p. 83

Figure 16. Development Indexes of the Aegean Cities

The Aegean region has the biggest industrial employment rate with 13.8% after the Marmara. Great developments also occurred in trade and industry in the Aegean where agriculture is modernized in big scale. Especially the center, Izmir, is the city where industrial and commercial activities are concentrated. The rate of workers in trade (10.1%) is above the national average (9.7%). On the other hand, the rate of workers in financial institutions (2.6%) is below the national average (3.1%). The Aegean region exposes a rather equitable socio-economic development level. The balanced development observed in economic and social sectors is also valid for spatial level. From the spatial dispersion of the population, to the spatial dispersion of industry, there is an equitable regional development performance inside the region. According to the index value of the region, even though Afyon and Kütahya are the only cities which remain below the national average, the socio-economic development index rates between these cities and other cities are very close. All cities located in the Aegean region, except Izmir, had values similar to the national average.

5.1.3 Administrative Constitution in Regional Policy

A rather centralist approach prevailed in the field of regional policy until now in Turkey. The central administration is constituted of general directorates and other units which are formed of ministries within specific targets.

The State Planning Organisation (SPO) in the central administration is directly responsible from regional policy in Turkey. The SPO Undersecretary which is attached to the Prime Ministry, prepares long term projects and annual programs and is responsible from the application and the control of the execution of these plans and programs across the country. SPO which was established by the 1960 Constitution, defines, coordinates and controls the application of economic development models which are based on central planning since 1963. The establishment of the SPO and its functions are defined with the 540 Law rule. Regional development projects are prepared by the coordination of SPO as a sub-group of economic development and carried out in coordination with other relative institutions on projects basis. Within this aim, a Directorate General of Regional Development and Structural Adaptation was established within SPO. Besides, within the regional development and cross-border cooperation programs carried out within EU-Turkey Financial Cooperation and within the aim of assuring a coordination between regions and central institutions, "The Presidency of EU Regional Programs Department" has been established within the Directorate General of Regional Development and Structural Adaptation[67].

KOSGEB, which is the Turkish Small and Medium Industry Development Organization, was established with the aim of allowing the rapid adaptation of SMEs to technologic innovations, increasing their competition forces and their contribution and effectiveness to the economy, on April 20th 1990 via the 3624 law. KOSGEB which has a judicial personality is a public institution attached to the Ministry of Trade and Industry and is subject to private law rules in its operations. Regional development services that are provided by KOSGEB are in form of counseling in guiding for investments to potential entrepreneurs in priority regions in development, preparing a pre-project or a feasibility report, bringing solutions to investments that stopped or left half. Besides these, KOSGEB has also the following tasks determined in the description of its functions: contributing to the creation of new employment fields, developing and practicing solutions to unemployment problems, increasing the income rates of people who live in priority regions in development, encouraging new entrepreneurs to establish new works by providing education and counseling. Furthermore, an Institute of Regional Development was formed in 1988 within KOSGEB, with the aim of supplying regional development and supporting SMEs and investors. This institute has undertaken the tasks of reducing regional disparities, increasing national and international activities of companies on regional

[67] SPO, **2003 Pre-Accession Economic Program,** Ankara, August 2003. p. 92.

and sectoral basis and developing programs for an equal repercussion of development into regions. The Institute of Regional Development focused its activities on primary target regions which are East, Southeast, Eastern Black Sea, Central Anatolia and Western Black Sea.

Ministry of Trade and Industry, Ministry of Public Works and Settlement and Ministry of Agriculture and Rural Affairs are the other institutions that have an impact on regional development. The Ministry of Public Works and Settlement is responsible of territorial planning which is a sub-scale of regional plannings. As institutions attached to this ministry, the General Directorates of Highways and Banks of Cities also contribute to this territorial planning by realizing the basic transportation and environment and infra-structural investments of Turkey.

Other actors operating at local level in the process of regional development are the City Administration, Municipalities and Village or Neighborhood Executive Offices. These councils are presided by elected people and are responsible of assuring services at local level. City Administrations have the authority and responsibility of central government, the Governor represents the government as the president of the administration. The City Administrations are constituted of the City Assembly and the City Permanent Council which are the decision making organs and the Governor who is responsible of the application. The Municipality Assembly and Mayor, who are the decision making organs of municipalities established in city and district centers as well as in places where the population exceeds 2000, are responsible from the application. In villages, the head of the Executive Offices is responsible from the administration and management. The village administration is more often subject to the city administration and central government as it has a very limited authority and budget. Within this context, the tasks of local authorities are as the following:

- Planning and applying activities related to regional development,
- Leading the entrepreneurship on regional basis,
- Providing the necessary information to the central administration (SPO) for development plans and programs.

Regional development policies started to be applied by the beginning of the 1960’s with the transition to “Planned Economy”. However, the authorities of local administration that seem wide in theory are quite limited in practice. Besides, they also remain insufficient in realizing their responsibilities due to budget difficulties. Other institutions that act within regional policy directly or indirectly are; Ministry of Forest, Ministry of Labor and Social Security, Ministry of Energy and Natural Resources, Ministry of Treasury, Turkish Statistical Institute, Banks of Cities, Directorate General of State Water Supplies, Presidency of GAP Administration (Southeastern Anatolian Project), Development Bank and Halkbank[68].

[68] IKV Publications, ibid, p. 72.

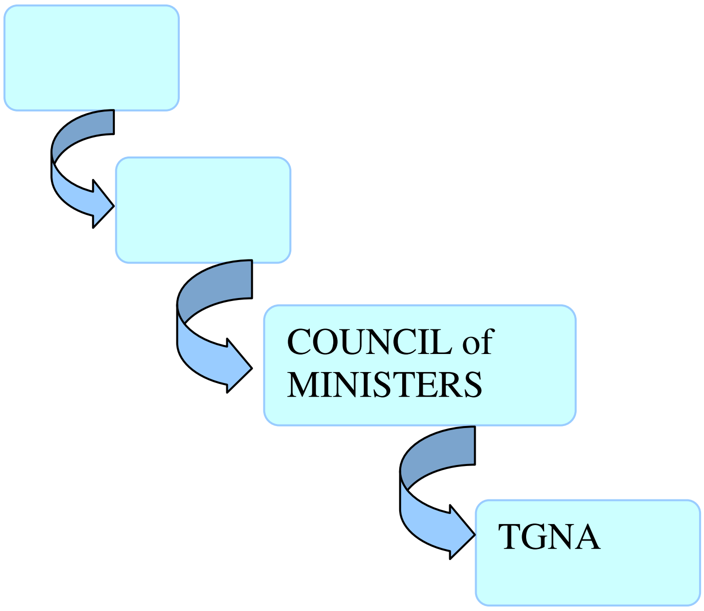
The SPO Undersecretary, by auditing regional development project activities of institutions or their relative investment projects, approves the ones that it estimates appropriate and proposes the necessary appropriations from the next year (or years) budget to the Council of Ministers. Regional development projects are in big part financed through appropriations and relevant funds of the institutions that own the project, or through foreign resources allocated to the project. The amount and instruments of the financing are determined in annual budget of each year according to Annual Programs which are prepared within the Five Years Plans; and the resources designated to city administrations are assigned through Banks of Cities. Besides, Ziraat Bank and Halkbank play also an important role with the loans they provide at low interest rates, in the financing of rural development projects and assisting SMEs. The differences between the market interest and this low interest are paid to the relevant banks by the Treasury under the name of "Duty Damage".

5.1.3.1 Regional Policy Regulations in Turkey

There is not only one single framework law within regional policy in Turkey; but a rather dispersed configuration. As detailed explanations concerning regulations of Ministries and relevant institutions' functions would be out of our topic, such an analysis is not done here. As there are many institutions in the process of regional development and the planning of various activities is scattered into a wide inter-institutional network, insufficiencies occur in both the coordination of the execution and in the effective distribution of financing resources. Therefore, in order to get an effective financial discipline and projects' controls, central government has to ensure a very strict coordination and gather financial resources under a single framework and allocate them according to priorities. Since its foundations, the experience and method that the EU followed in regional policy area can enlighten the reform of the existing structure in Turkey.

5.1.3.2 Five-Year Development Plans

The main approach in Turkey between 1923 and 1950 was to spread the population and investments across the country. This can be indicated by the fact that Ankara was declared the capital of the country and that Turkish State, besides Istanbul and the Marmara region, turned towards Central Aegean and Central Anatolian regions in the establishment of industrial plants. However, in the period of 1950 and 1960, private sector investments were concentrated in Istanbul and the Marmara region. In this concentration, factors such as relatively developed economic infrastructure, transportation infrastructure and a convenient geographical position in Istanbul and the Marmara played a big role. Even though State wanted to spread public investments all over the country, the eastern part of the country could not get sufficient share in the distribution. With the "planned economy" period that started since the beginning of the 1960's, the task of regional planning was given to the SPO and regional development and planning approaches were included in the Five-Year Development Plans. The SPO, while preparing the Five-Year Development Plans (FYDP), seeks the opinion of all public institutions, universities and private sector institutions and representatives, and drafts upon the reports and suggestions of the "Special Specialization Commissions" which are constituted of these relevant parties. The institutions which intervene in the approval of the FYDPs are summarized in the scheme below.



SPO ⇒ Prime Minister ⇒ High Planning Council (is formed of SPO Undersecretay with the Ministers that the Prime Minister designates) ⇒ Council of Ministers ⇒ TGNA (Turkish Grand National Assembly).

The plans approved by the Turkish Grand National Assembly (TGNA) have a binding effect for all public institutions and these institutions have to conform to the FYDPs while preparing their activities. The preparation of a plan is realized through an intense information flow between SPO, Ministries and institutions and takes approximately 2 years and a half.

How is FYDP drafted? There are five stages in the preparation of the project:

- The first stage is the determination of the general potential of the economy.
- The second stage is the formation of the macroeconomic model which will be used in the plan and the solution of this model in respect of external factors and parameters.
- The third stage of the plan is the selection of the most suitable alternative as a political decision. SPO afterwards prepares a more detailed draft based on the selected alternative.
- The fourth stage is the works towards the preparation of the sectoral plan targets and the allocation of the resources.
- The fifth stage is the works towards the determination of the annual targets.

First FYDP Period (1963-1967)

At this first planning period, basic elements and methods have been defined under the chapter of "Regional Planning and Development". Some concrete steps have also been taken in the application process.

- Health services have been provided to wider parts of the population.
- A reduction in revenue taxes has been provided to investors in lagging regions.

Development regions and sectors have been detected across the country. It has been foreseen that East Marmara would progress with industry, Çukurova with agriculture and industry, and Antalya would progress with agriculture and tourism.

Second FYDP Period (1968-1972)

At this second period, in addition to the approach of the first period, it has been assumed that regional planning is independent from the national planning. In this planning period:

- Growth centers have been suggested; the idea behind was that these centers would enhance economic and social development and spread it to the surroundings.
- It was decided that public investments would be concentrated in these centers. With the completion of the infrastructure, the attraction of private sector investments into these regions was anticipated.
- As means of incentives, in addition to the tax reductions, the idea of increasing loan possibilities and establishing organized industrial zones was developed.

Third FYDP Period (1973-1977)

In this planning period, the evaluation of country's development as a whole and the consideration of regional development projects as "integrated aspects" supporting and completing this structure was the basic approach. It was thought that trying to eliminate regional differences in short time would cause economically ineffective distribution of resources which would slow down the general economy. The failure of rationality in the determination of regional development projects, in the choice of places and in the expected development proved the necessity to change the existing approach. Regarding national scale investments, it was agreed in the plan to select the places in accordance with economic criteria. It was anticipated that regional differences would disappear in the long-term by the activation of regional resources and by the effective works of local authorities. It was more focused on "priority regions in development" in this plan.

Fourth FYDP Period (1979-1983)

In this plan, the following points were anticipated: to fix a division of labour to ensure economic development, to reduce planning decisions to the spatial level, to ensure an equitable distribution of services, industry and infrastructure across the country. Besides, it was decided to make the priority regions in development incentives more attractive and to increase the investments in the relevant regions. After 1981, it was tried to take some precautions in economic, social, cultural and education fields especially in East and Southeast regions.

Fifth FYDP Period (1985-1989)

In this period, the weight of regional development in progress and planning increased and the need to elaborate regional plannings became obvious. In order to speed up development and to ensure a better use of resources, it was decided to fix regional plannings in developing regions and in regions which had the potential to progress on certain sectors. In the determination of regions in the plan, a notion of region independent from administrative boundaries was taken in principle, and it was targeted to create "Functional Regions" in settlement areas which have the most mutual relations in various topics. The objective was to create attraction areas in these selected centers and to spread development into the surrounding areas. In this framework, the centers of the determined regions are: Istanbul, Bursa, Eskişehir, Izmir, Ankara, Konya, Adana, Samsun, Kayseri, Sivas, Malatya, Gaziantep, Trabzon, Erzurum, Elazığ and Diyarbakır. It was agreed in the plan that public sector would first invest and work on the improvement of infrastructure. Within this framework, in order to improve urban infrastructure opportunities and to ensure that local authorities provide better services, "Çukurova Metropolitan Area Urban Development Project" works started in the Çukurova region which was rapidly urbanizing.

Sixth FYDP Period (1990-1994)

In this plan, there has been a switch from the notion of "regional planning" to "regional development"[69]. The 16 regions that were selected in the previous plan have been left aside and the approach of regional planning for priority regions in development prevailed. Besides, the consideration of the EU regional and environmental policies in economic and physical plannings was on the agenda. In the period that followed Turkey's membership application to the EU (1987), since the EU policies were to be gradually applied to Turkey, all EU developments started to be followed with more attention and closely.

[69] IKV Publications, ibid, p. 80.

Seventh FYDP Period (1966-2000)

In this plan, in difference to previous plans, regional development, city planning and metropolitan regulations were included under the title of "Regional Balances". The basic approach of the seventh plan is to reduce regional disparities with the aim of ensuring "sustainable development" as a whole from economic, social, cultural and political perspectives and of providing national entity. Within this objective, the preparation of regional development projects for lagging regions of the country, especially for the Eastern and Southeastern regions was anticipated. These projects had to consider the resources and development potentials of the regions. Activity plans at regional and sub-regional level for cities which have a geographical entity in the East and Southeast regions were thus put into practice.

Eight FYDP Period (2001-2005)

At the eight plan, the principles of sustainability, inter-regional cohesion, balance between social and economic aspects, the improvement of life quality, equality of opportunities, cultural development and participation have been considered as the founding principles in the application of regional development policies. The acceleration of regional policies adaptation to the EU policies and the intensification of cooperation on regional policies were also included in the objectives of the plan. A radical new approach was put forward in this plan for regional planning. In this plan, SPO puts people and information in the center of planning works[70].

It is stated in the plan that state aid policies for investments would be determined within the context of regions' socio-economic structures and potentials, and that within national preferences, necessary precautions would be taken for the specialization of regions in their existing sectors or sectors that are likely to improve. A coordinated approach was foreseen for the solution of problems that have a social connection such as migration, infrastructure, accommodation, health and education.

Besides the FYDPs, there is a State law (number 5804) with regional development perspective, which allows the allocation of investments incentives to cities where annual revenue per capita is under 1500 USD. This practice is quite new and even though it aims regional development, it distorts competition force between two neighboring cities. For example, while Kahramanmaraş is not included in this incentive program Malatya is. A textile factory in Adıyaman and another in Kahramanmaraş have to compete with 50% difference in energy. While Trabzon is excluded from the incentives program with 1506 USD, Kırşehir is included with 1488 USD. As it is seen, a difference of 18 dollars can change the destiny of cities; one is considered rich, and the other poor[71].

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[70] IVth Turkish Economy Congress, ibid, Izmir, p. 19.
[71] Akşam newspaper: http://www.aksam.com.tr/arsiv/aksam/2004/08/10/ekonomi/ekonomi.html, 10.08.2004

Regional Planning Experiences in Turkey

- East Marmara Planning Project
- Çukurova Region Project
- Zonguldak-Karabük-Bartın Regional Development project
- East Anatolian Project (DAP)
- East Black Sea Regional Development Project (DOKAP)
- Yeşilırmak Basin Development Project
- South East Anatolian Project (GAP)
- Rural Development Projects
- Çorum Çankırı Rural Development Projects
- Erzurum Rural Development Project
- Bingöl-Muş Rural Development Project
- Yozgat Rural Development Project
- Ordu-Giresun Rural Development Project

The GAP Regional Development Program (47 million € budget and 5 year duration) can be described as the first EU-funded regional development initiative for Turkey although it was not conceived as an integrated program but rather as three individual components that complement the activities carried out under the Turkish government's major GAP development scheme for Southeast Anatolia, which envisages the construction of 19 dams and 22 hydroelectric power stations. The GAP scheme started as a series of ad hoc projects in the late 1970s, which were all brought together under one umbrella with the setting up of the GAP administration in 1989, which, since then, has been the only regional administration in the country. According to the draft law on RDAs, the GAP Administration will eventually be replaced by regional development agencies.

The Eastern Anatolia Development Program - EADP (45 million € and 3 year duration) covers four provinces around the Van Lake (Van, Hakkari, Bitlis and Muş) that later became one NUTS II region. EADP was intended to be the first integrated regional development project in Turkey. Its main components are agriculture and rural development (including livestock), SME development, tourism and environment. It also includes a social component.

The Samsun, Kastamonu, Erzurum NUTS II Regional Development Program (with 52.33 million € budget of which the EU contribution is 40 million € and a 2 year duration) was the first of such regional programs, although in terms of content and delivery mechanism it is not very different from the earlier programs.

Under the 2004 EU budget for Turkey 70 € million were allocated for the Malatya, Ağrı, Konya, Kayseri NUTS II regions, comprising 13 provinces. Turkey will provide a further 20 million € in co-financing. The content of the program is similar to that of the above program, but will also include extensive training for the agricultural sector. It is too early to make an assessment of the impact of these programs in the regions concerned, but it is evident that programs of this nature cannot in themselves reduce regional disparities. What they can do, however, is give a welcome stimulus to regional economies and, above all, encourage a participatory approach to regional development, by inviting local stakeholders to think about regional needs and potential, and to design appropriate projects responding to these for the benefit of local communities[72].

Incentives Provided in the Context of Regional Development

a) State aids provided within law number 4325 in extraordinary circumstances regions and priority regions in development

- Exception of revenue and corporation taxes,
- Postpone of employees' taxes,
- Exception of taxes and fees in operations,
- Shares of Employers' insurance premium,
- Assignment of investment place free of charge.

b) State aids decisions in investments:

- Exception of duty taxes,
- Investment reduction,
- Exception of value added tax VAT,
- Exception of taxes and fees,
- Fund resources and loans.

c) Investments that can benefit from assistance in developed regions:

- Investments of electrical energy production,
- Infrastructure investments,
- Investments that will be done within "build-operate" and "build-operate-transfer" models,
- Investments directed to protect environment,
- Priority investments in technology determined by the High Technology Council,
- Electronical industry investments,
- Investments of ship and yacht construction,
- Shipbuilding investments (plants that produce and restore ships),
- Service investments in techno-parks, information technology, education, health and tourism,

[72] Teresa Reeves, "Turkey's Regional Policy on the Road to the EU", Turkish Policy Quarterly, Fall 2005, p. 10.

- After the transfer of the existing investments to "priority regions in development" or abroad, investments that would be considered as suitable with the condition of realizing them in the same place (the deserted place),
- Investments of expansion, modernization, renovation, quality arrangement, integration and complementary investments,
- Investments that would be considered as suitable among investments which necessitate advanced technologies that have a high added value, that will increase revenue taxes and employment and that have a fix capital superior to 50 million USD.

Even though these incentives measures encourage investors in practice, they remain insufficient in eliminating regional disparities and providing fast and sustainable economic development. The basic reasons behind this are the greatness and size of the resources that Turkey needs for the elimination of economic, social and other problems, the lack of savings, the ineffective use of the existing resources and management (mismanagement)[73].

5.1.3.3 Regional Development Agencies' (RDAs) Works of the Aegean Foundation for Economic Development (EGEV) and Izmir Chamber of Commerce

Regional policies are developed in Western European countries for approximately 50 years. Regional policies that were quite important part under social and political interventions between 1950's and 1970's, they started changing in the 1970's. The most important change in this process was that the importance given to the redistribution of economic activities was replaced by the importance given to internal development. The establishment reasons of RDAs and their policy areas can differ, however, nowadays; RDAs in Western Europe undertake important functions toward regional development.

Table 15. Periods of Establishment of RDAs in European Countries

	Before 1950 and 1950's	**1960's and 1970's**	**1980's**	**1990's**
COUNTRIES	Austria	Germany	Greece	Bulgaria
	Belgium	Great Britain	Spain	Czech Rep.
	France	Italy	Finland	Estonia
	Ireland	Netherlands	Denmark	Hungary
				Lithuania
				Poland
				Portugal
				Slovakia
				Sweden
				Ukraine

Source: http://www.eurada.org/ EURADA –European RDA's Internet Page

These institutions that were established before 1950's in European countries and that expanded in 1970's, with the influence of the EU, started being established in Central and Eastern

[73] IKV Publications, ibid, p. 91.

European countries, in transition countries in other words (new EU member states) after the second half of the 1990's. This process takes place as the expansion of regional policies that are changing in the transition countries with the influence of the EU. In these countries, instead of programs designed to give instant reactions to regional policy, regional development plans are elaborated as part of national strategy. Besides, as there were no administrations that would execute regional development plans, in addition to regional administrations, various institutions started working on regional development. The most important are RDAs which are designed differently in each country. Today, there is no transition country without a RDA, however, the agencies of the transition countries were created upon different experiences[74]. All of these countries faced difficulties in defining RDAs' functions in establishment stage. It is true that these RDAs were created with the influence of the EU. The RDAs were created by the experts that the EU assigned and they were financed in their first stage by the EU again. The 1990's cover a period in which this kind of institutions were imported to the transition countries, where positive and negative impacts were lived together. These institutions that were administered by public sector in the beginnings started being privatized especially after 1996. The first two transition countries example from the new EU member states are Poland and Czech Republic. Regarding RDAs in Turkey, the works of EGEV and Izmir Chamber of Commerce are analyzed below.

Aegean Foundation for Economic Development

The Aegean Foundation for Economic Development was founded in 1992, with the leadership of Izmir Governor Mr. Kutlu Aktaş, and the participation of municipalities, chambers and associations, with the aim of promoting the region to foreign investors. EGEV started covering the whole Aegean region with nine cities apart Izmir in 1998, by the participation of governorships, municipalities, universities, chambers of commerce and industry, associations of industrials and businessmen of the region (Afyon, Aydın, Denizli, Muğla, Manisa, Kütahya, Çanakkale, Balıkesir, Uşak).

The mission of EGEV is determined as "assuming the leadership in the design and application at a development model specific to the Aegean region and based on common wisdom and participation". The vision of EGEV is determined as "balanced and sustainable development of the Aegean region through the efficient utilization of human and natural resources"[75]. After EGEV was founded, even though it carries the name of Aegean region, it has concentrated its activities on Izmir and promoted the city abroad with several activities. Within EGEV works, the establishment of the Aegean Regional Development Agency (ARDA) has been supported with 300.000 ECU by the EU MEDINVEST program which is designed toward Mediterranean countries, and also been assisted by

[74] Istanbul Chamber of Commerce Publication, **Local/Regional Economic Development and the Increase of Competition Force: Regional Development Agencies,** (Yerel/Bölgesel Ekonomik Kalkınma ve Rekabet Gücünün Artırılması: Bölgesel Kalkınma Ajansları), Istanbul Akser Printhouse, Istanbul, January 2003, p. 37.
[75] Web site of EGEV, http://www.egev.org/english.php, April 5th 2006.

French consultants and various European RDAs. ARDA which its basic objective is to ensure the economic and social development of the region was thus founded as a legal organ of EGEV[76]. The basic strategy of ARDA is to promote Turkey, Izmir and the Aegean region. Currently ARDA exists and operates within EGEV as a joint stock company but can not realize its RDA duties properly.

Izmir Chamber of Commerce (IZTO) has also worked on the establishment of a RDA in Izmir. This work was started with a group of British experts and IZTO cooperated with Shropshire Chamber of Commerce in Great Britain and with Chartres Chamber of Commerce in France in 1999. In cooperation with these chambers, IZTO prepared the "Socio-Economic Development Project of Izmir and the Aegean Region" and organized a series of seminars and conferences about the economy of the region. In conclusion of these works, it was revealed that the development of the Aegean region was possible with common objectives and participations through RDAs. Within this objective, IZTO signed a cooperation agreement with Trade Partners UK; the commercial branch of Trade Ministry in Great Britain; in 2001. Meetings with foreign and local experts have been organized and hosted, and the "Final Communiqué" was published on the web site of IZTO. The communiqué indicated the necessity of the legal status of RDA within national level, and the necessity of the participation of the whole region for RDA works. In 2003, the AKP government's Emergency Action Plan (EAP, 2003) and its revised National Program for the Adoption of the Acquis (NPAA, 2003) promised to meet all EU criteria in the field of regional policy, including the establishment of RDAs[77]. The SPO currently released the decree regarding the establishment of RDAs in Turkey and it is now awaiting to be approved by the Council of Ministers, in order to gain its legal status. However, the hand of central government is very evident in the administrative structure of RDAs. The draft law forwarded to the EC for information indicates that they will be under direct control of a governor who will be chairman both of the Development Council and of the Administrative Board[78].

5.2 Applications of the EU Regional Policy in Turkey

5.2.1 EU's Expectations in Regional Policy: Progress Reports

The EU stated its opinion concerning regional development disparities and regional development policy in Turkey in the 1999 and 2000 Regular Reports and presented its expectations in the Partnership Document. Therefore, it would be useful to analyze EU's expectations first. The European Commission made the following evaluation regarding regional policy in its 1999 Progress Report for Turkey[79]:

"Turkey has the most serious regional problems among the candidate countries. The main reasons for this are the level of domestic imbalances and the big difference between the GDP per

[76] Istanbul Chamber of Commerce Publication, ibid, p. 81.
[77] Loewendhal-Ertugal, ibid, p. 38.
[78] Teresa Reeves, ibid, p. 7.
[79] Delegation of the European Commission to Turkey, **Agenda 2000: Enlargement- 1999 Progress Reports for Candidate Countries,** 1999, p. 84.

capita in average in Turkey and the EU average. The second reason is the size (greatness) of the population (38% of the population is classified as lagging regions)".

"Contrary to the other candidate countries, Turkey developed a regional policy for a long time. However, this policy has been applied within a central planning system. For this reason, regional dimension is not properly considered in the priorities of public investment budget (regional indicators are not used in the selection of projects). Besides, the service unit responsible of regional policy has few staff (25 officers) and they have no regional representatives".

"In preparations for membership, priority should be given to the formation of an effective regional policy for lagging regions. Turkey should in this sense adopt its central administration to this priority by allocating considerable human and financial resources, improving administrative methods and implementing functional structures in regions".

The European Commission stated the following points in its 2000 Progress Report in addition to its statements of 1999 report[80]:

- Despite the existence of regional policy in Turkey, preparation of structural policies' application hasn't started in real sense.
- Regarding regional organization, Turkey should propose its NUTS classification which plays an important role in the application of structural policies, in accordance with EU regulations,
- Turkish regional policy regulations determine a list of cities that would be assisted and allocates some subventions to the companies that settle in thiese areas. Cities that are described as "priority" represent more than the half of the total superficy of the country and more than one third of the population. GDP per capita in these cities equal 56% of the national average and 19% of the Community average. However, this policy hasn't been successful until today,
- Regarding preparations for the programming, when public investments are analysed, a significant effort for the benefit of less developed regions can not be seen,
- Despite numerous regional and rural development projects prepared by SPO, the chances of applying them have been limited,
- Regarding administrative cooperation, regional policy is managed through central planning in Turkey. SPO has no regional organization. Regional organization should be formed at both central and regional level and the existing structures should be reinforced,
- Regarding regional statistics in Turkey for the determination of the eligibility for assistance, the existing data are only valid for INTERREG criteria. After a description of NUTS 2 classification, the GDP per capita with purchase power standards should be calculated. Regional statistics based on Eurostat standards should be formed.

The 2002 Progress Report of the EU Commission focused on the following points:

[80] Delegation of the European Commission to Turkey, **2000 Enlargement Strategy**, 2000, p. 72-73.

There have been some progresses in regional policy area since last year Progress Report. However, more efforts should be made for ensuring the application of regional policy at central and regional levels. Appropriate institutions equipped with sufficient human force and financial resources should be made available. In environmental policy Turkey made limited progresses in some areas but the adoption to the Acquis communautaire remains low in general. More efforts should be made in all areas of environmental policy in both regulation and application. Social and regional differences are considerable. GDP per capita with purchase power standards was 22% of the EU average in 2001 and 23% in 2002. Revenue disparities are still striking. Imbalances in the business world increased even more. Unemployment rate continued increasing; it was 9.3% in 2002 and 10% in the second half of 2003. Unemployment rate differed in urban and rural areas; it was 13.2% in urban areas and 6.3% in rural areas. Unemployment rate of young people reached 20%. Despite the serious distortions in revenue levels in previous years, a real poverty didn't occur. Basic reasons behind this are strong traditional family relations and unrecorded daily jobs. Growth based on exports increased regional growth disparities in favor of regions which are exporting.

The 2003 Progress Report of the European Commission[81] states that Turkey accepted in September 2002 the NUTS II system which defines 26 regions and that 81 cities of Turkey have been classified according to their economic and geographic characteristics with the new NUTS II system.

- Regarding institutional structure, a new division is established within SPO towards the end of 2002 which would deal with regional programs in the pre-accession period.
- In the field of programming, SPO would prepare by the end of 2003 the National Development Plan which will cover the years of 2004-2006.

The 2004 Progress Report also mentions that serious efforts should still be made in the improvement of the existing capacity for the application of regional policy in central and regional levels, and that relevant institutions should be established and equipped with necessary human and financial forces[82].

The 2005 Progress Report concludes that there has been some progress establishing the legislative framework for the decentralization of Turkey's public administration, and this should help to promote a participatory approach to regional policy. There has also been further progress in the introduction of financial control provisions and in the compilation of statistics relevant for regional policy. Framework legislation needed to implement the acquis under this chapter, in the areas of public procurement, environment and multi-annual budgeting in not in place yet. The establishment and early accreditation of managing and paying authorities for the implementation of the planned EU Instrument for Pre-accession Assistance (as precursors of structures under the Structural Funds) should be addressed as a matter of priority. These steps must be taken urgently, if the bodies concerned are to be accredited in time to implement the new instrument from 2007. Turkey may consider delegating responsibility for sectoral strategy, implementation and monitoring to the sectoral

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81 Web site of Ecoonomic Development Foundation IKV www.ikv.org.tr Informal traduction of 2003 Progress Report: Part 21, Coordination of Regional Policy and Structural Instruments, 15.07.2004.

82 Web site of the Turkish Secretariat General for the EU Affairs, 2004 Progress Report, p. 114 http://www.abgs.gov.tr/uploads/files/ilerleme_raporu_2004_tr.pdf

ministries and to regional structures so that the SPO could focus on its planning mandate and its role as a coordinator. The establishment of, and provision of institution-building support to, permanent structures, namely to RDAs, could go a long way to redressing the shortfall in administrative capacity at regional level[83].

As a general evaluation, after these progress reports, Turkey made some progress regarding the application of a regional policy in harmony with the EU structural policies, especially within the context of regional institutionalization and the preparation of the National Development Planning. Turkey has the necessary financial infrastructure for both the adaptation of the EU regional policy and the use of structural instruments. But an effective capacity has to be formed for the application of the latter.

5.2.2 Cross Border Cooperation Program and Partnership Document

The cross border cooperation program has a specific importance for the EU; it serves regional develeopment and aims to;

- Enhance crossborder economic, social and cultural links,
- Contribute to the development of the economic potential of border regions.

Within the Crossborder Cooperation Program between Bulgaria and Turkey, it was decided for 2003 to create “Joint Small Projects Fund” and to transfer regular resources to this fund each year. The priority areas for the “Joint Small Projects Fund” projects are as the following;

- Increasing institutional capacity,
- Economic development,
- Environment and tourism,
- Cultural exchange,
- Planning and development.

The priority areas for the “Joint Programming Document” within 2004-2006 Crossborder Cooperation between Bulgaria and Turkey are:

- SMEs,
- Support of regional entrepreneurship,
- Infrastructure.

[83] EU Official 2005 Progress Report, p. 103 available at http://www.europa.eu.int/comm/enlargement/report_2005/pdf/package/sec_1426_final_en_progress_report_tr.pdf

There have been some important progresses in Turkish-Greek crossborder cooperation program, priority areas have been determined during workshops organized in Brussels, Athens and Ankara; these are infrastructure, environment, economic development and technical assistance[84].

The 2003 Partnership Document which contains EU's expectations from Turkey, indicated the following steps for Turkey in regional policy in the short and middle-term:

In the short-Term:

- The development of a national economic and social cohesion policy with the application of regional development plans at the National Development Plan and Level II of NUTS Classification,
- The approval of the legal framework that would facilitate the application of the regional policy regulations,
- The formation of multi-annual budgeting that would put forward the priorities regarding public investments towards regions,
- The strengthening of administrative structures that would manage regional development are requested.

In the middle-Term:

The formation of regional units which would allow the application of regional development plans in NUTS II levels is expected.

The 2005 Partnership Document of the Council of the EU published on January 16th 2006 states the following regarding regional policy and coordination of structural instruments[85]:

- Continue to develop the strategic framework for economic and social cohesion, aimed at reducing regional disparities,
- Establish the necessary legislative and administrative framework to absorb EU pre-accession funds.

Within these priorities and with the aim of contributing to the necessary arrangements, the works carried by Turkey as Preliminary National Development Plan are explained below.

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[84] SPO, **Pre-National Development Plan Turkey 2004-2006** (Ön Ulusal Kalkınma Planı 2004-2006), Directorate of Publication and Printing House Ankara, December 2003, p. 53.
[85] Official 2005 Partnership Document of the Council of the EU, p. 21 available at http://www.euturkey.org.tr/abportal/uploads/files/APD_st15671.en05.pdf

5.2.3 Turkish Preliminary National Development Plan

It was decided at the European Helsinki Summit in 1999 that Turkey was a candidate country for the EU membership and as other candidates, within the existing European strategy, it should benefit from pre-accession strategy which would support and accelerate its reforms. Following this decision, the EU Council approved the EU-Turkey Partnership Document in 2001 and Turkish government accepted the National Program (NP) relative to the adoption of the Acquis Communautaire.

EU requested in October 2001 as with other candidate countries a Preliminary National Development Plan (PNDP) from Turkey covering the periods of 2004 and 2006 with the aim of forming a strategic framework relative to the programming of pre-accession financial aids regarding economic and social cohesion of Turkey. Later on, this aspect has been stressed again in the 2002 and 2003 progress reports. In these documents, the PNDP is requested to be transformed in future stages into a plan for Objective 1 regions like in the EU member states. Besides, PNDP is requested to be in harmony with the EU planning and programming documents and to be updated in parallel to the strategy of the economic and social cohesion of Turkey with the EU. PNDP and an economic and social cohesion policy was developed with the aim of preparing regional development plan that would reduce regional disparities in NUTS II levels.

This first PNDP of Turkey was prepared in order to use the EU pre-accession financial aids for Turkish the economic and social cohesion between 2004 and 2006. The pre-accession financial assistance for Turkey is regulated with the Council directive 2500/2001/EC of December 17th 2001 and Council directive 390/201/EC of February 26th 2001[86]. Turkish 2004-2006 PNDP was approved by the decision number 2003/61 of December 22nd 2003 of the High Planning Committee. PNDP and regional development strategy works are carried out within SPO Undersecretary. The PNDP which drew the basic lines of the economic and social cohesion policy covers the years of 2004 to 2006 and contains the following points:

- Progresses in economic and social fields,
- Turkey-EU comparison based on economic and social indicators,
- National development strategy and macro-economic framework,
- Regional development strategies and regional policies,
- Investments,
- Sectoral reform fields,
- Regional development plans, projects and works,
- Financial framework, application and observation

The PNDP, before being transmitted to the European Commission on December 10th 2003;

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[86] SPO, **Preliminary National Development Plan of Turkey 2004-2006** (T.C. Ön Ulusal Kalkınma Planı 2004-2006, Directorate of Publication and Printing House, Ankara, December 2003, p. I.

- Was prepared within the basic aspects obtained from a workshop organized with national and foreign experts,
- Within the works of the National Development Plan, regional policies were developed by a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) that was realized for 10 NUTS II level regions.
- PNDP was prepared with the contributions of the concerned institutions and presented to the High Planning Committee.

Regarding the planning of regional development policies as mentioned in 2003 Partnership Document in NUTS II levels, within the 2003 Financial Cooperation of 2003, regional development projects started in NUTS II levels covering the period from 2003 to 2006 in Samsun (cities of Samsun, Tokat, Çorum, Amasya), Kastamonu (cities of Kastamonu, Çankırı, Sinop) and Erzurum (cities of Erzurum, Erzincan, Bayburt). The Southeastern Anatolian development project which is supported by the European Mediterranean Partnership "MEDA" program covers the period from 2003 to 2006 A number of workshops have been prepared for the creation of these projects with the evaluations of local authorities, private sector representatives and NGOs. Projects notes include agricultural and rural development, development of SMEs, development of tourism and marketing, administrative structure, human ressources and environmental components.

Some other regional development projects have been prepared and applied for NUTS II levels in Kayseri (cities of Kayseri, Yozgat, Sivas illeri) and Konya (cities of Konya and Karaman) in 2004. Besides, there are some master plans prepared for Southeast Anatolian Project (GAP), East Anatolian Project (DAP), East Black Sea Regional Development Project (DOKAP) and Zonguldak-Bartın-Karabük Regional Development Project, which are expected to turn into regional development projects.

Development Axes That Form the PNDP Strategy

PNDP sets four development axes relative to middle-term objectives and priorities of Turkey; three of these axes carry sectoral characteristic. Priorities within the development axis are specified below:

1) Development Axis 1: Increasing companies' competition force

- Increasing competition forces of SMEs,
- Increasing competition forces of agricultural and industrial companies by improving their technology and quality levels, considering EU environmental norms.

2) Development Axis 2: Improving Human Resources and Increasing Employment

- Active employment policies,
- Strengthening the education system.

3) Development Axis 3: Improving Infrastructure Services and Protecting the Environment

- Increasing security in highways and main roads,
- Determining the important projects that can benefit from EU structural funds in the future by preparing a technical study for ensuring the integrity between Trans-European and European-Middle East transport networks and national networks,
- Developing port capacities that would provide effective services within EU transportation network and increasing maritime security,
- Increasing quality and effectiveness in transportation services in the cities,
- Protecting water sources, increasing productivity in drinking water and canalization services and in the administration of solid (rigid) waste.

4) Development Axis 4: Increasing Economic Forces of Regions, Reducing Regional Development Disparities and Accelerating Rural Development

- Supporting and strengthening SMEs,
- Supporting small size infrastructural constructions,
- Supporting local initiatives,
- Creating and strengthening institutional capacity.

Financial Framework of PNDP and Application

The financial assistance provided by the EU to Turkey since 2002 have been compiled under a single framework. Within this context, Turkey still receives some resources under the framework of "Pre-Accession Financial Assistance for Turkey". A total assistance of 1050 million Euros is anticipated to be allocated to Turkey for the period of 2004 to 2006 as "pre-accession financial aid, and the application should be made within the rules of PHARE. However, the insufficiency of the resources provided for Turkey between 2004 and 2006, and the limitation of EU funds for economic and social cohesion within PNDP by 35% have played a restricting role in the formation of the PNDP.

As it can be seen from table 16, within the mentioned limitations, the financial framework of PNDP has been designated as 528 million Euros in total. Within this context, the part of 371.2 million Euros of the total budget has been allocated as EU contribution, and the rest is formed of national contributions in public and private forms, as required by the principle of co-financing in EU funds. In reality, Turkey needs in the future resources toward projects like SAPARD and ISPA especially.

Table 16. General Financing of the Preliminary National Development Plan (2004-2006)

Development Axes	Estimated Total Cost	Total Public Contribution	Total EU Cont.	Total National Public Cont.	Private Sector Cont.
Development Axis 1: Increasing companies' competition force	135	100	85	15	35
Development Axis 2: Improving Human Resources and Increasing Employment	70	70	48,5	21,5	
Development Axis 3: Improving Infrastructure Services and Protecting the Environment	116	116	86	30	
Development Axis 4: Increasing Economic Forces of regions, Reducing Regional Developmet Disparities and Accelerating Rural Development	207	502	152	53	2
Total	528	491	371,5	119,5	37

Source: SPO, Preliminary National Development Plan Turkey 2004-2006, p. vii

Program and plans that are in PNDP would be subject to the principles and rules of Decentralized Implementation System (DIS) which is currently used in programs and projects in Pre-Accession Financial Assistance for Turkey. The Ministry circular 2001/41 of July 18th 2001 sets the basic elements of DIS in Turkey. With this circular, the National Coordination Office of Financial Assistance, National Fund, Central Finance and Contracts Unit, Financial Cooperation Committee and Joint Observation Committee have been established with the aim of managing the financial cooperation with the EU. The financial cooperation programming is managed through this new structure since 2002; this system has been accredited by the European Commission in October 2003.

5.3 General Evaluation For Turkey

5.3.1 Turkey's Adaptation to the EU Regional Policy

Turkey was accepted as a candidate country to the EU membership in equal condition with other candidates at the Helsinki Summit realized on December 10th-11th 1999. In the summit declaration, besides the candidacy of Turkey in equal conditions as with other candidates, it was also mentioned that a Pre-Accession Strategy would be developed for the realization of the necessary reform for Turkish membership. In addition, in the accession process, it was also expressed that Turkey could benefit from the Community Programs which are addressed to member states and participate to the meetings that EU would hold with other candidates. As expressed above, Turkey clarified its applications by preparing a National Program relevant to the Adoption of the Acquis Communautaire. "Regional Policies" is thus placed among the chapters prepared in this National

Program by Turkey. The requirements to set up NUTS II regions (territorial units for statistical classification of regions in the EU) was met in 2002 by the establishment of twenty six new statistical regions. The new provisional NUTS II regions group Turkey's eighty one provinces into clusters with geographic or economic similarities. The adaptation works do not allow the release of appropriate regulations only, but also the legal and administrative assurance relative to the application of the regulations. One of the most important motives of the creation of EU is to provide an equal and balanced development between countries and regions. The importance of regional policy increases in parallel with EU's enlargement strategy. The existence of regional disparities within EU member states and in each member state borders on one hand and regional disparities that come along with EU's enlargement on the other hand increase the importance of efforts in reducing regional disparities. EU's conditions in the area of regional policy require both policy and institutional changes, which point to a certain model of regional governance.

Table 17. Comparison of Regional Policy in Turkey and the EU

Criteria for comparison	**Turkey Regional Policy**	**EU Regional Policy**	**Remarks**
Partnership	No tradition; non-existence of regional agencies in most cases, especially at the NUTS 2 level	Different practice	A draft law for establishing RDS_As at NUTS 2 level
Programming	No tradition except for GAP region; but recently some progresses under EU influence	Already the third generation of programming documents	Excessive emphasis on analysis in regional plans, weak strategic component
Concentration	Weak	Focus on the most needy	
Implementation Structure	Prevailing sectoral approach	Different systems	
Approach to Regional Policy	Narrow conception of regional policy and its insufficient coordination with other policies	Integrated multi sectoral approach	Attempts towards an integrated approach in GAP
Selection of Projects	Problems with transparency, no separation of functions	Clear separation of management, monitoring and control function	
Evaluation of Efficiency and Effectiveness	Weak tradition, performed infrequently and ad hoc	Systematic attention and pressure for further enhancement	
Involvement of Private Sector	Low participation for preparation and limited awareness of regional policy	Strong role, often significant initiative	

Source: Ebru Loewendhal-Ertugal, "Europeanisation of Regional Policy and Regional Governance: The Case of Turkey", European Political Economy Review, Vol. 3. no. 1 (Spring 2005), p. 24.

5.3.1.1 Evaluation For The Turkish Perspective

The EU regional policy is constituted of instruments and arrangements towards the elimination of regional development disparities inside the EU, the membership of new EU member states is also considered within this structure. The designation of the allocated funds and of the areas in which these funds would be canalized consider the needs of the concerned candidate countries undoubtedly, however, the main objectives are the principles and priorities of the EU. The aim of the EU regional policy which develops the necessary guides and principles is to ensure that national regional development policies of member states and mechanisms and instruments supporting these policies are in harmony with the European competition rules and state aids rules, and thus allow the maximum use of the opportunities provided by the economic integration process by all member states. Allowing member states' societies to get closer to each other by improving their prosperity is perceived as a necessity for the size of the market and the solidarity. In the enlargement process, development disparities especially between new member states and existing member states have been an important factor in the development of regional policy instruments. Approximately 1/3 of the total annual EU budget is dedicated to the financing of regional policy. After the inclusion of Turkey to the EU enlargement process, EU-Turkey financial relations have been put into a new framework with the "Pre-Accession Strategy". It was decided at the Helsinki Summit to compile the aids provided by te EU to Turkey during this candidacy period under one structure. Within this context, the EU approved the regulations forming the legal basis of the financial assistance which EU wanted to provide to Turkey within its full membership process and Partnership Document, at the General EU Affairs Council Meeting on February 26th 2001. According to this, the grants which were approximately around 90 million Euros in average per year between 1996 and 1999 (1.4 Euro per capita in average), have doubled in 2000 (180 million Euros; 2.8 Euro per capita in average). In other words, it was only 1/10 of the quantity allocated to Central and Eastern European countries per capita. In conclusion, the elimination of regional development disparities is a topic rather difficult to be solved by one country only. It requires a big finance and the application of multi-oriented system. However, the pre-accession strategy anticipated for Turkey is far from financing the efforts devoted to reduce regional development disparities. This situation unfortunately also affects the direction of foreign direct investments. As it can be seen from table 18, the increase in the foreign direct investments toward Central and Eastern European countries after their candidacy is certainly not a coincidence; the impact of the EU structural contributions seems evident.

Table 18. Entry of Direct Foreign Investment to Central and Eastern European Countries (Million USD)

COUNTRY	1988-93 annual average	1994	1995	1996	1997	1998	1999
Estonia	114 (1)	214	201	151	267	581	306
Hungary	1 033	1 146	4 453	2 275	2 173	2 036	1 944
Lithuania	36 (1)	214	180	382	521	357	366
Latvia	20 (1)	31	73	152	355	926	486
Poland	478	1 875	3 659	4 498	4 908	6 365	7 500
Romania	72 (2)	342	420	265	1 215	2 031	961
Slovakia	111 (3)	245	195	251	206	631	322

COUNTRY	1988-93 annual average	1994	1995	1996	1997	1998	1999
Bulgaria	35 (3)	105	90	109	505	537	770
Czech Rep.	502 (4)	869	2 562	1 428	1 300	2 720	5 108
Slovenia	49	128	176	185	321	165	90
TOTAL	**2 450**	**5 169**	**12 009**	**11 005**	**11 771**	**16 349**	**17 853**

Source: UN, World Investment 2000.

(1) annual average for period of 1992-93; (2) annual average for period of 1991-93; (3) annual average for period of 1990-93; (4)) annual average for period of 1989-90.

Consequently, the dimension of Turkey-EU financial cooperation should be considered not simply as financial aids that the EU would provide solely, but also as the message that these aids would give to foreign investors. The future of the relations would be related to the decisiveness in the engagement of Turkey in its membership duties and to the improvement of the financial cooperation.

Turkey's accession would increase regional disparities in the EU in statistical terms. The changes brought about by the recent enlargement as well as those implied by the inclusion of Bulgaria, Romania and Turkey are illustrated in table 19[87].

Table 19. Impact of Previous and Potential Upcoming Enlargements of the EU

	Increase in surface area	**Increase in population**	**Increase in total GDP (*)**	**Change in per capita GDP (**)**	**Average per capita GDP (**) EU15=100**
EU 15/ EU 25	23%	20%	4.7%	-8.8%	91.2
EU 25 / EU 27	9%	6%	0.7%	-4.3%	87.4
EU 27 / EU 27 + TR[88]	18%	15%	2.2%	-9.1%	79.4

(*) in Euros
(**) in PPS, 2003 GDP data
Source: Eurostat, NSI, calculations DG REGIO

While upon accession Turkey's whole population would be covered by Objective 1 criteria, some regions in EU 27 would lose their eligibility because of the lowering of the EU acerage GDP level. Tentative estimates on the basis of current income level suggest that this effect would be similar to that in the enlargement to EU 25, so that the net overall increase in population eligible for Objective 1 support would also be on a comparable scale. Turkey's GDP per capita in terms of PPS is 28.5% of the EU 25 average. There are significant disparities between the 26 NUTS II regions in Turkey, which are associated with substantial differences in geographical features, climatic conditions as well as migration flows. 63% of the Turkish population are living in roughly half the land area, accounting for 78% of national GDP and with GDP per head 23% above the national average. GDP per capita ratio is 60 for eastern Turkey and 123 for western Turkey (2004 national average =100).

[87] Issues Arising From Turkey's Membership Perspective, p. 38 available at www.dtm.gov.tr/Ab/SonGelismeler/ ilerleme%20raporu/issues_paper_en.pdf
[88] Without prejudice to the accession of any other country in the meantime, e.g. Croatia

5.3.1.2 NUTS II Levels Application in Turkey

The need of "the preparation of a national development plan at NUTS II level toward priority regions which would include integrated regional development plans for the period of 2002 and 2005, and the preparation of the next FYDP (2006-2010) in harmony with European standards, including regional elements" was stated in the 2002 Progress Report[89].

In the adaptation works with EU regional policy, within the aim of compiling regional statistics, performing regional socio-economic analyses, determining the framework of regional policies and establishing a statistical data base in harmony and comparable with EU regional statistics system, the decree number 2002/4720 of the Council of Ministers relative to the definition of NUTS classification across the country came into force with the publication at the official Journal 24884 of September 22nd 2002[90]. Thus, the compilation of statistical data at NUTS II level started across the country. Within this context, a work has been published by the SPO in April 2003 containing data at NUTS II levels, entitled "Various Indicators". In addition to these, preparation for law relative to the reform of local authorities is carried on by the Ministry of Interior Affairs. Again, concerning the decree number 1260/1999, rural development program works are carried out by the Ministry of Agriculture and Rural Affairs.

With the aim of adapting to the EU regulations regarding regional policy and the coordination of structural instruments and putting forward the necessary structure for the application of these regulations, a workshop group has been formed with the participation of all concerned institutions, within the coordination of the Secretariat General for EU Affairs, which started working in 2003. The Ministry of Interior Affairs, Ministry of Finance, Ministry of Labor and Social Security, Ministry of Trade and Industry, Ministry of Agriculture and Rural Affairs, Ministry of Environment and Forest, Ministry of Public Works and Settlement, Undersecretary of SPO, Undersecretary of Treasury, Banks of Cities and GAP Regional Administation participated to this workshop group.

The formation of Multi-Annual Budgeting Methods which Define the Priorities Criteria Relative to the Public Investments for Regions

Public investments in NUTS II levels are distributed and observed according to multi-annual budgeting methods within the Preliminary National Development Plan prepared for 2004-2006 by SPO. Within the reforms of public and local administrations, it is anticipated to transfer some authorities relative to local public invetsments to city administrations.

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[89] SPO, **Research on Socio-economic Development Scale of Cities and Regions** (İllerin ve Bölgelerin Sosyo-Ekonomik Gelişmişlik Sıralaması Araştırması), Ankara, 2003, p. 102.
[90] SPO, **Pre-Accession Economic Program 2003** (2003 Yılı Katılım Öncesi Ekonomik Programı), Ankara, August 2003. p.91.

The Strengthening of Administrative Structures which will Manage Regional Policy and the Formation of Regional Units at NUTS II Levels

With the financial contribution of 15.3 million Euros allocated from the 2001 budget within MEDA, a project of improving the Turkish statistical system by creating regional data base within State Statistical Institute was started.

Statistical Regional Units

- Level 3: There are 81 statistical regional units within level 3 and these are all cities. Each city defines a statistical regional unit.
- Level 2: There are 26 statistical regional units which are completed by the grouping of neighbouring cities within Level 3.
- Level 1: There are 12 statistical regional units which are completed by the grouping of regional units within Level 2 [91].

Within the program devoted to the strengthening of SPO's capacity regarding regional development in 2002;

- A series of seminars were hold with the participation of relevant institutions,
- SPO experts visited member and candidate countries in cooperation with the European Commission,
- Swot analyses and field visits were organized within the development programs of Central Black Sea and Yeşilırmak Bassin.

As it was mentioned previosuly in this paper, within 2003 EU-Turkey Financial Cooperation programming which covers regional development and crossborder cooperation programs, with the aim of ensuring the coordination between regional and central institutions, "The Presidency of EU Regional Programs Department" has been established within the Directorate General of Regional Development and Structural Adaptation.

With the Council of Ministers decree number 97/9991 dated September 23rd 1997, the Service Unit of Yeşilırmak Bassin City Special Administrations was formed by city governorships located in Samsun NUTS II region. With the Ministers decree number 2003/5318 dated February 24th 2003, Central Black Sea Development Unit was formed with its main office in Kastamonu. Within East Anatolia Development Program (Van, Muş, Bitlis, Hakkari), a Project coordination Unit and a Regional Development Institute was formed with its main office in Van.

[91] SPO, **Research on Socio-economic Development Scale of Cities and Regions** (İllerin ve Bölgelerin Sosyo-Ekonomik Gelişmişlik Sıralaması Araştırması), Ankara 2003, p. 103.

In accordance with the principles and policies considered in Development Plan and Annual Programs, with the aim of accelerating regional development, ensuring the effective use of resources, applying EU programs, developing the cooperation between private sector and NGOs and public sector and ensuring the coordination between cities, the national law regarding the establishment of RDAs in NUTS II levels has been prepared and is expected to be approved.

5.3.2 Funds Allocated to Turkey

Overview of the Financial Cooperation (1964-2006)[92]

A) Before Helsinki Period (1964-99)

1. Ankara Agreement and Financial Protocols: EU provided financial assistance to Turkey via the EU budget or the European Investment Bank (EIB) loans which provide long-term financing, independently from the political waves that occurred occasionally between Turkey and the EU. Ankara Agreement was approved in 1963 with a partnership regime, including a financial cooperation between Turkey and the EU. Three separate financial cooperations were signed covering the period of 1964 to 1981 with the aim of assisting Turkey's economic and social development of Turkey. Turkey benefited from an assistance of 752 million Euros in this period; 115 million Euros were from EIB loans, 637 million Euros were from Community loans with low interest rates.

- First Protocol (1964-1969): Community loans with low interests worth 175 million Euros,
- Second Protocol (1973-1976): EIB loans with low interest rate worth 195 millon Euros,
- Third Protocol (1979-1981): Loan worth 310 million Euros (of which 220 millon Euros are Community loans and 90 million Euros are EIB loans).

2. Fight with Drugs: Turkey benefited from 760.000 Euros from Community aids between 1996 and 1999 in fighting with drugs.

3. Population Policies and Family Planning: Turkey benefited form 3.3 million Euros between 1992 and 1998 in population policies and family planning activities.

4. LIFE - Third Countries: Turkey benefited from an assistance of 4.9 million Euros between 1992 and 1999 for environmental projects supported within Life-Third Countries and "Environment Projects in Developing Countries".

5. Earthquake Aids: Urgent Assistance and Rehabilitation Activities; a special budget worth 30 million Euros was allocated for urgent situation and rehabilitation activities after the Marmara earthquake of August 1999. Besides, an exceptional aid of 1 million Euro was attributed by the EIB to assist rehabilitation activities after the earthquake.

6. Special EIB Initiative (TERRA): With this special EIB initiative, a loan of 600 million Euros covering a period of 3 years is allocated to Turkey for the rehabilitation of damaged regions in Marmara and Düzce earthquake.

[92] http://www.deltur.cec.eu.int/ei-prehel.html, 17.08.2004

7. European-Mediterranean Partnership: MEDA I Program: Bilateral and Regional Cooperation: The European-Mediterranean Partnership, which is established by the Barcelona Declaration approved in 1995, is an extension of the regional integration policy of the EU in the Mediterranean. The budget of the European Commission devoted 4.6 million Euros for the financial cooperation among EU-Mediterranean partners between 1995 and 1999. 3.4 million of this budget was contracted within MEDA I Program which is the main instrument of this partnership. Both national and regional programs were developed in order to benefit from the MEDA I program. These grants provided by the European Commission, have also been assisted by the long-term loans supplied by the EIB (2.3 million Euros were devoted to this partnership between 1997 and 2000). In addition to the 15 EU member states, 12 Mediterranean countries are also member of this partnership: Algeria, Turkey, Egypt, Malta, Tunisia, Administration of Palestine, Lebanon, Jordan, Israel, Morocco, Cyprus and Syria.

B) After Helsinki Period (2000-2006)

1. Pre-Accession Strategy for Turkey MEDA II: The European Commission took a series of decisions for the purpose of increasing the financial aids provided to Turkey after the Helsinki period. Within MEDA II Program, the amount reserved to Turkey between 2000 and 2006 doubled and thus reached 890 million Euros (The grants that would be managed by the Commission). The amount devoted to Turkey within MEDA II in 2000 equaled to 190 million Euros. Besides, Turkey also benefited from the loans supplied by the EIB within MEDA II European – Mediterranean Partnership worth 6.245 billion Euros. Turkey was entitled to benefit from 210 million Euros per year (1.470 billion Euros for 6 years). The aids devoted to Turkey are directed to support pre-accession preparations. What is the Pre-Accession Strategy? The pre-accession strategy is a framework which covers the definition of priorities, preparation to negotiations via technical and financial assistance for candidate countries. It helps candidate countries to adapt to the Acquis Communautaire before they join the Union. The pre-accession strategy especially focuses on the participation to the European Community Programs and organs of accession partnerships (with candidate countries that signed the standard European agreements). The works of Turkish Pre-Accession Strategy and Partnership Documents are carried out by the Secretariat General for EU Affairs based in Ankara.

Table 20. Regional Development Programs Assisted by the EU in Turkey (2003-2004)

Place of the Program	**Starting Date**	**Duration**	**Budget (in Euro)**
Border regions of Turkey and Bulgaria	2004 Fall	18 months	Contribution of the EC: 500.000 Total: 500.000
Public administration at central and regional level in Turkey	6 months later at the latest after the signature of the financing protocol	18 months	Contribution of the EC: 800.000 Total: 800.000
VAN NUTS II regions that cover the cities of	January 2004	36 months	45.000.000

Place of the Program	Starting Date	Duration	Budget (in Euro)
Van, Bitlis, Hakkari and Muş in the east of Turkey			
Districts of Fatih-Fener and Balat in Istanbul	January 2003	4 years (end of 2006)	Contribution of the EC Technical Assistance Team 1.885.720 Restoration of Houses 3.864.280 Social Center 1.000.000 Solid Waste Management 100.000 Improving of Halat Market 150.000 Total EU Assistance 7.000.000
Southeast Anatolian Cities	Component 1: May 2002 Component 2: May 2004 Component 3: March 2003	5 years years 4 years	Total Budget of the Program: 47.000.000 Contribution of the EC: 7.590.000 Contribution of GAP Regional Development Administration 225.000 Contribution of the EC: 24.200.000 Contribution of the EC: 15.000.000
The first component would be realized in the Marmara earthquake region. It would cover the cities of Izmit, Gölcük, Adapazarı, Yalova, Düzce and Bolu where damages are at maximum level. The second component would be used in Sakarya and partly in Kocaeli as pilot project.	May 2001	3 years	Contribution of the EC: 20.000.000 Contribution of Turkish Government 5.500.000: Contribution of Common Municipalities 2.500.000 Total: 28.000.000
Turkey (NUTS II regions of Samsun, Kastamonu and Erzurum)	First quarter of 2004	21 months	Contribution of the EC: 40 million Contribution of Turkey: 12.33 million Total: 52,33 million
Şanlıurfa Municipality Area, City of Şanlıurfa	December 2001	6 years (end of 2007)	Contribution of the EC: 21.300.000

Source: European Commission Delegation to Turkey
available at http://www.deltur.cec.eu.int/main-t.html

EU-Turkey 2005 Financial Cooperation

Within financial cooperation, the EU intends to provide a total assistance of 1.050 billion Euros to Turkey for the period of 2004 and 2006. Within the accepted projects for 2004, 250 million Euros were supplied to Turkey in 2004, 300 million in 2005 and 500 million Euros for 2006. The priority assistance topics are the adaptation to the Acquis Communautaire, economic and social cohesion, elimination of regional disparities and the increase of Turkey's potential in general[93]. Besides, the famous guest professor at London School of Economics, Kristy Hughes stated on the

[93] Akşam Newspaper 23.08.2004

Financial Times Newspaper that if Turkey joins the EU, it would receive a payment between 12 and 15 billion Dolars in the first three years like Bulgaria and Romania[94]. The EU, while accepting the ten new members put some limits to the attribution of structural funds. According to this, a fund of maximum 4% of GNP can be reached. If Turkey becomes subject to the same conditions put forward to the other ten new members, Turkey could receive a gross fund between 15 and 18 billion dollars in the first three years of its membership; which is a considerable but a manageable amount for the EU[95].

Regional Projects with EU Funds: Approximately 90 million Euros were devoted to regional projects within the 2004 EU-Turkey financial cooperation which was 250 million Euros in total. These resources were used in regional development of Konya-Karaman, Kayseri-Sivas-Yozgat, Malatya-Elazığ-Bingöl-Tunceli and Ağrı-Kars-Ardahan-Iğdır. One third of the 250 million Euros are devoted to economic and social cohesion projects, approximately two third of the total 250 million Euros are devoted to the projects relative to take on membership obligations, and 7% of this amount is used in projects relative to the performance of political criteria[96].

Table 21. Matrix of Regional Development Policy Commitments (Thousand Euros)

	2003	**2004**	**2005**	**2006**
Regional Development				
A. Application Profile		x	x	x
B. Net Budget Implication		15.740	25.910	29.910
B.1. Direct Impact on the Budget Expenses		15.74,	25.190	29.910

The amounts given in this table are forecasted amounts calculated from the budget allocations for regional development projects carried with the EU[97].

5.3.3 Survey Study

This survey study evaluates the results of the survey relative to regional policy realized with the members of the Izmir Chamber of Commerce. A survey is been realized in order to measure the knowledge of the members of Izmir Chamber of Commerce regarding the EU regional policy and funds, and with the aim of defining the priority regions in development in Turkey. The target mass of the survey are members of Izmir Chamber of Commerce. This survey has been realized through the chamber's web site and via e-mail announcements; 102 replies were received in total.

[94] Dünya Newspaper, 06.07.2004
[95] Yeni Asır Newspaper, 06.07.2004.
[96] Dünya Newpaper, 06.07.2004.
[97] SPO, **Pre-Accession Economic Program 2003** (2003 Yılı Katılım Öncesi Ekonomik Programı), Ankara, August 2003. p.92.

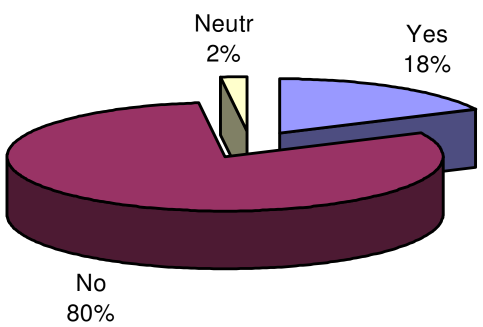
The frequency distribution method has been used in the evaluation of the survey results. The survey is comprised of 5 questions; the sample form can be seen in annex 1. The first question is directed to know if the company that participated to this survey is aware of the EU Regional Policy.

Table 22. Are You Aware of EU Regional Policy?

	Frequence	Percentage
Yes	18	17,6
No	82	80,4
Undecided	2	2
Total	102	100

18 "Yes" and 82 "No" came in reply to this question, and 2 persons left this question unanswered. Table 21 shows the percentage breakdown of answers to this first question.

Figure 17. Rate of Awareness of EU Regional Policy & Funds



Results of the first question show that 82% of the members that participated to the survey are not aware of the EU regional policy and funds.

The second question of the survey is: "Do You Think it is Obligatory to be a EU Member to Benefit from EU Regional Funds?

Table 23. Is it Obligatory to be EU Member to Benefit from EU Regional Funds?

	Frequency	Percentage
Yes	19	18,7
No	62	60,8
Undecided	21	20,5
Total	102	100

19 companies said "Yes", 62 companies said "no" and 21 companies left this question unanswered. The percentage breakdown of the answers is shown at figure 18.

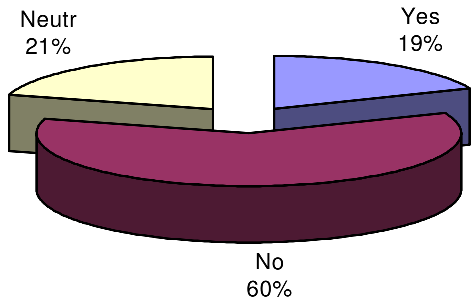


Figure 18. Rate of Awareness Relative to the Obligation of EU Membership for the Use of EU Regional Funds

The results show that 60.8% of the companies think that regional funds can be used without being EU member state. The third question of the survey is as follows: "How Effective are EU regional policies for the development of the regions?

Table 24. How Effective are EU Regional Policies for the Development of the Regions?

	Frequency	Percentage
Little	10	10
Middle	35	34
Very	34	33
Undecided	23	23
Total	102	100

10 companies replied by "Little", 35 by "Middle", 34 by "Very" and 23 left this question unanswered. The percentage breakdown of the answers is presented in figure 19.

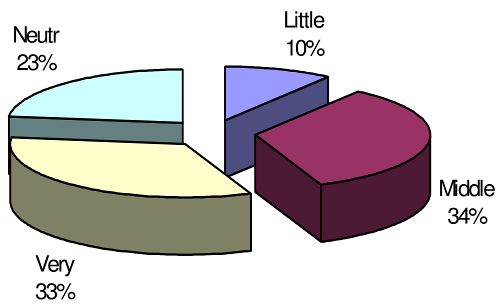


Figure 19. Rate of Impact of EU Regional Funds on Regional Development

34% of the companies think that EU regional funds have middle impact on regional development and 33% think that EU regional funds affect it very much. The fourth question is relative to the determination of the region which should be developed in priority: Which region should be developed in priority in Turkey?

Table 25 Which Region Should Be Developed in Priority in Turkey?

	Frequency	Percentage
Mediterranean	1	1
Black Sea	3	3
Cetral Anatolia	6	6

	Frequency	Percentage
Undecided	8	8
Aegean	17	17
Southeastern Anatolia	27	26
East Anatolia	40	39
Total	102	100

The majority came to “South Anatolia” by 40 companies, 27 companies voted for “Southeastern Anatolia” and 17 voted for the “Aegean”. These are the regions that received the most votes. The percentage breakdown of the answers is as in figure 20.

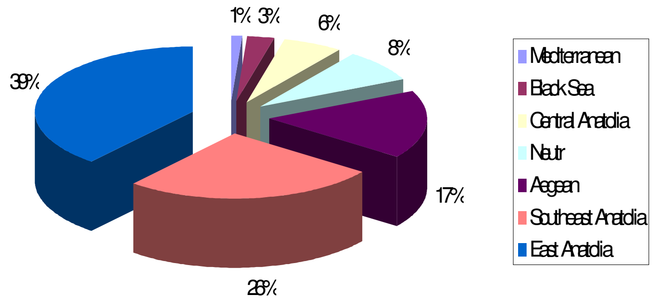


Figure 20. Which Region Should Be Developed in Priority in Turkey?

The fifth and last question of the survey is as follows: Do you think regional development would be accelerated if Turkey joins the EU?

Table 26. Would Regional Development Be Accelerated if Turkey Joins the EU?

	Frequency	Percentage
Yes	83	81
No	15	15
Undecided	4	4
Total	102	100

83 companies said “yes” and 15 said “no” while 4 companies left this question unanswered. The percentage breakdown of the answers is as in figure 21.

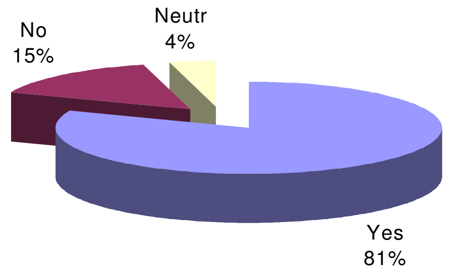


Figure 21. Would Regional Development Accelerate if Turkey Joins the EU?

At the end of this survey, some companies presented their opinion and point of view which are in general "promoting more EU regional policy". Besides this survey realized with Izmir Chamber of Commerce members, there is another survey which attracts great attention: according to this survey, which is realized by the Economic Development Foundation (IKV) in mid 2004, 94.5% of Turkish population are in favor of EU membership of Turkey. The biggest support comes from Southeastern Anatolia with 97.7% while the Mediterranean region is placed the last among regions with 86.6%, which is still a very high level of support. 3342 persons participated to the IKV survey from 24 cities and different ages and professional groups. The highest support to the EU membership of Turkey is from Erzurum with 100%, Van with 98.5%, Sivas with 95.5% and the lowest cities are Kars with 83.1 and Isparta with 72.6%[98].

[98] Dünya Newspaper, 06.07.2004.

CONCLUSION

As it is seen in this paper, there are serious economic and social development disparities between EU member states and Turkey and among Turkey's 26 NUTS II regions. For this reason, the EU attached great importance to regional policy and aimed regional development by means of structural funds. The EU Agreement made the economic and social cohesion the basic target of the Union since November 1st 2003, and developed a reference and a framework for the regional policy of the Union by creating the Cohesion Fund, the Committee of the Regions and Trans-European infrastructure. The objective of economic and social cohesion gradually became an obligation. However, the funds transferred to lagging regions are not a "gift" given to these regions. Regional policy is also in benefit of other regions as new markets are created in these lagging regions, structural actions allow the growth of the whole union in general. Within general economy and globalization of markets, it is no longer possible to define geographical and industrial regions as net and independent segments. European companies produce within the EU and with other countries as well.

The EU earmarks about 30 billion Euros each year for payments to its poorer regions, in the hope of helping them to get richer. The accession countries will all qualify for shares of that money, though some may get less than they expect in the first year or two because they have been slow or careless in applying for it. However, in the end, it is national polices, especially in the areas of taxation and labor law, which determine a country's attractiveness to investment[99].

In this long-term process of accession negotiations, it is not only important to increase and use effectively all the foreseen European funds (Structural Funds, Phare, ISPA, SAPARD, etc.) but also to take common innovative actions with the member states, especially at the cross-border regional level, and gain experience from partnership and networking (like MEDA, Interreg III…).

It can be said that the EU regional policy has been successful, the GDP per capita in the poorest regions of the union slowly approached the union average. Between 1986 and 1996, the GDP per capita in the poorest 10 regions increased from 41% of the EU ratio to 50%. GDP per capita increased from 65% of the EU average to 75% in four countries within the cohesion policy. Structural and cohesion policies have been very effective in obtaining these results. However, a more intense support program is needed for regional differences which increased with the new East European

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[99] Economist, "Suspect Subsidies", Vol. 369, Issue 8351, 11/22/2003, Section: A Survey of EU Enlargement.

countries. As it can be seen from this paper, at the 1999 structural funds reform, economic and social cohesion works were condensed in the neediest regions in the EU and candidate countries have been assisted by pre-accession aids.

However, despite the increased budget resources allocated to the structural funds, when these resources are considered in proportion of the tasks of regional policy, the resources remain clearly insufficient. Structural funds form only 0.46% of the total GDP of EU member states. Even Great Britain that applied a national regional policy and funds with a greater percentage of its GDP in 1960, these funds couldn't eliminate regional disparities; the EU regional policy is therefore not sufficiently financed.

We have seen in this paper that regional problems are also in serious proportions and characteristics in Turkey, and despite this, we can not say that there is an effective policy directed to inequalities. Regional development competent authorities are non existing. High priority should be given to the strengthening and modernization of regional policy that would reduce big regional disparities between regions, in harmony with EU standards. In this perspective, considerable public investments should be clearly attributed to lagging regions, investments to human resources should be increased, infrastructure differences should be reduced, a convenient environment should be created for private investment and a serious improvement in life standards should be ensured.

The structural problems in Turkey represent a major challenge for cohesion policy, of a similar scale to the most recent enlargement. Turkey's low level of GDP per head and wide regional disparities would require significant support from the Structural and Cohesion Funds over a long period of time. On the basis of the current data and eligibility criteria, the entire territory of Turkey would be eligible for assistance under Objective 1 of the Structural Funds as well as for assistance under the Cohesion Fund.

There are many reasons for membership efforts of Turkey to the EU. As it was also confirmed at the Helsinki Summit, full membership negotiations with Turkey are subject to the condition of respecting the Copenhagen criteria. As it is known, Copenhagen criterions include a series of political, administrative and economic conditions. Turkey has to activate its own financial and human forces in order to be able to prepare to the EU membership. Indeed, it is obvious that Turkey wouldn't receive European funds that would be able to solve Turkey's problems on their own.

In conclusion, the elimination of regional disparities is not a topic that one country can solve solely. A multi-directed and financially supported system has to be developed and applied. The EU developed its regional policy within this perspective. Turkey that wishes to join an EU which has integrated a single currency unit, ensured its budget discipline and solved in important level its economic problems, should behave within financial discipline, not waste its limited resources for political reasons and act quickly. This situation would be an important indicator not only from its integration with the EU but also from a higher prosperity level of Turkey.

Another reality is that regional problems would not be solely solved by regional political steps. Regional policies should be supported by macro-economic policy and social policy reforms. Consequently, Turkey would accelerate its route towards the EU by completing its restructuring in economy, fulfilling its deficiencies in social policy, structuring its agricultural policy in harmony with the CAP and national needs, completing the necessary reforms and by especially stopping non-registered economy and trade, thus ensuring a stable environment.

Regional policy funds should be considered within harmony with other Community policies too. The adaptation to the CAP would have clearly positive impact on regional and rural development policies. However, when the size of the EU budget for agricultural production and rural development is considered (half of the EU budget), the immense budget size that Turkey would need appears clearly.

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IZMIR CHAMBER OF COMMERCE

APPENDIX A. SURVEY FORM FOR EU STUDIES

Dear Member,

Within the studies related to the EU regional policy, your answers to this short survey with the following questions below would make a great contribution to our researches. You are kindly asked to fill this form and fax it to 446 22 51 or send by email to dilara.sulun@izto.org.tr e-mail address.

1. **Are You Aware of EU Regional Policy?**

   Yes .... No ....

2. **Do You Think It Is Obligatory to be EU Member to Benefit from EU Regional Funds?**

   Yes .... No ....

3. **In Your Opinion, How Effective are EU Regional Policies for the Development of the Regions?**

   Little..... Middle ...... Very ....

4. **Which Region Should Be Developed in Priority in Turkey?**

   ....

5. **Would Regional Development Be Accelerated if Turkey Joins the EU?**

   Yes .... No ....

Name Of Company:
Name and Title Of Company Representative :
Tel / Fax:
E-mail:
Field Of Activity: