The Comparison between Hungary and Turkey: Regional Development Agencies

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Abstract

In this paper, Hungary and Turkey will be compared according to their Regional Development Agency practices. Hungary is chosen as a comparison country with Turkey because they are similar in many respects. Both countries have an understanding of regional policy of their own even before the candidacy decision, a centralised administrative structure, having deep historical legacy as an ex-parts of Austria–Hungary and Ottoman Empires, and adapted their regional development strategy to the regulations with the pre-accession funds and challenged their centralized state system. Therefore, Hungary is a good example for comparison with Turkey regarding territorial restructuring, institution building, the evaluation of the roles of actors participating in the regional development agencies and the factors affecting the functioning of these agencies.

Key words: Turkey, regional development, Hungary, regional development agencies, public administration, local governance, institution building

JEL Classification: F15, O10, R11, R58

Introduction

The Regional Development Agencies (RDAs), which have been established since the 1950s in many Western European countries, play an intermediary role in regional development. They provide an environment for actors of a particular region to make decisions on development policies. RDAs produce and implement development projects, utilize local capacities, provide services for local business in order to foster development of their regions. They can be either established by central government or by local initiatives, and certainly maintain their differences in their forms of establishment, legal status and functions. The establishment of such organisations has also been widely supported by the European Union (EU) (Halkier et al, 1998). Furthermore in many former Central and Eastern European Countries (CEECs), RDAs have been established along with the candidacy processes. In the scope of regional policy, the EU emphasizes that the candidate countries to harmonise their local and regional governance structures by establishing regional institutions with decentralised power in order to enhance regional capacity.

It must be noted that the requirements of the EU for adopting the acquis in the field of administrative policy and its proper implementation have an institutional impact on local development and local governance. In this context, the European Commission systematically...
addressed the dimension of local governance in EU conditionality in the member states after the 1988 reforms and during the pre-accession of CEECs. There was a steady consolidation of a preference for a particular kind of administrative uniformity in territorial organisation, which was reflected in the uniformity of conditions imposed by the EU (Hughes et al, 2001: 151). From the late 1990s onwards the Commission identified regional institutional capacity as a core requirement. For example, Hughes et al (2001: 164) observe that the response of the CEECs in terms of institutional design of systems of regional governance can be broadly categorised into two main types: democratisation reforms, which are designed to promote an effective regional development policy, and improve administrative efficiency, service delivery and the implementation of policy at the regional level; and administrative reforms, which are aimed at preparing for EU membership with no political institutional component.

The requirements of the Commission demand the parallel development of national and regional governance and a balanced interaction between them, each with its well-developed institutional capacities. Apart from this, the Commission has had a particular preference for a certain model of regional governance: “The Commission favoured a symmetric model that would reconfigure and harmonise their candidate countries’ regional and local governance by establishing elected regional institutions with decentralised powers” (Hughes et al, 2004: 3). Yet, despite this particular preference, regional governance in the cohesion countries and in the CEECs did not become uniform, but followed diverse institutional forms. In the next sections Hungary and Turkey will be compared according to their RDAs.

**Hungary**

The state system in Hungary was almost continuously centralised during the hundred years of its history. The primary reason for this was the continuous wars of Hungarian state since its the foundation against the other European countries and empires more developed than Hungary. The national goal of modernisation, and occasionally of the preservation of the national sovereignty provided a reason for insisting on the strong centralised state as a foundation of the national unity. The adaptation of external patterns and centralisation became traditional features of the Hungarian state.

In Hungary, the counties (hungarian regions) have particularly deep historical roots and strong identities among the population. These counties’ borders have not changed too much for centuries, except for some border-counties. During the communist era the counties became solely implementing bodies of the ruling communist party. Even the local level lost its self-governance function almost completely. Public administration was organized alongside the model of the Soviet Union, based on the principle of democratic centralism. The planned economy regions established in 1971 aimed not at decentralizing the state, but improving party control over the administrative system. Therefore, until the systemic change of the political system, the structure of the state has been strongly centralized (Horvath, et.al., 2002).

In 1985, a parliamentary decree and subsequent ministerial resolution marked the first effort for systematic regional development as opposed to economic sector-specific development in Hungary. This program was starved of resources and focused on only two eastern counties and had little lasting effect, but it did indicate some indigenous impulses to economic disparities in something other than sectoral terms. An important consequence of the mainly sectoral orientation of all communist-era development policies was that the large heavy industrial factories that were one hallmark of such policies were among the first to close after the onset of market liberalization. Thus instruments of communist-era development were often the most vulnerable market forces and gave only temporary relief to affected regions (Jacoby, 2005: 95).

In the immediate transformation of 1989-1990, all major parties agreed to modifying the Hungarian constitution and introducing law No. LXV/1990 on local self-governance, thereby
reintroducing local and regional self-governance. In this process municipalities could regain a much stronger standing compared to counties. As early as the beginning of the transition, the EU significantly influenced policy-making in Hungary, notably through PHARE\(^1\), the major EU programme that provided technical and financial support in key economic areas of CEECs. Nearly 7\% of the total PHARE budget dedicated to Hungary during the 1990-1999 period was directed to regional development, in particular to human resources, institution building, local development and innovation, regional tourism and business-related infrastructure. Another important PHARE contribution includes the credit guarantee instruments for rural business, assistance to infrastructure funding and the introduction of modern management methods. The programme was also instrumental in urging the government to undertake institutional reforms at a territorial level (Gwiazda, 2002).

**Regional Development Agencies in Hungary**

Regional development means in EU terms first of all to cope with these inequalities, by mobilizing regional resources in an optimal way. This is why the regions in Hungary have to be organized. Hence, the organization of regions and the management of regional resources presuppose and not exclude the redistribution of state assistance within a given country for decreasing regional inequalities. In fact, this is so central in the EU requirements that the entire development policy, that is to say, pressure on the candidate countries to create regions, is aiming at the organization of the institutional pre-conditions for EU assistance to decrease regional inequalities in the accession states.

The formal policy-making structures for regional policy, however, were established in the period 1996-1999 very soon after the EU candidacy decision for Hungary in 1997, by the Act on Regional Development and Physical Planning 1996 (amended 1999) and the creation of a three-tier system of Regional Development Councils at the county, regional and national levels of government. The main administrative innovation in terms of regional policy has been the establishment, in 1999, of the seven administrative regions/Regional Development Councils (NUTS II), as the main focus for coordination of the activities of de-concentrated government departments (Kaiser, 2004). The year 1996 also brought the formation of Regional Development Councils’ subsets; that is to say, RDAs. These councils responded to EU demands by devolving decision-making and management control to the regional level and were meant to be key actors in implementing regional development programs in Hungary but in few cases; these councils had different boundaries and different competences than when first set up on a voluntary basis. Yet, they remain a weak link in the overall administrative structure dominated by the central state and local government (Agh, 2004).

In Hungary, the Regional Development Councils constitute the main institution for the participation. At the central state level, the National Regional Development Council was viewed as the most important forum for the new actors, despite its consultative role in policy formulation. At the regional and county levels the crucial role of the respective Development Councils, as forum for interest intermediation, dialogue and policy consultation was revealed by their central position within the regional policy network. Thus, at the regional level, the development council was assisted by a non-profit RDA, operating as a public utility company and participating in the management of the PHARE programmes. Moreover, the level of private sector and its participation in the Hungarian policy process was generally low. The only significant actors were associational actors, namely Chambers of Commerce, but with limited representation at the Development Councils (Kovács, 2005: 7-8).

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\(^1\) Poland and Hungary: Assistance for Restructuring their Economies - *PHARE*
Although local development was popular in Hungary because of the experience of PHARE, resistance to the changes in the public policy styles that it entailed was significant. This could be explained either by high compliance costs, vested interests or long lived institutional traditions. Despite the fact that it was difficult to clearly identify institutionalised veto points, there were certain actor constellations that had some strong motivation to resist change. These included: central government actors; territorial interest groups; and other vested interests (elite professionals, technocrats etc.). In Hungary, there are low level of cooperation, weak civil society, and political clientelism (Kovács, Paraskevopoulos, Horváth, 2004: 447).

However, there has been extensive institutional restructuring at the regional and local levels. Overall, there is strong evidence that Hungary’s forerunner status among the accession states and relatively good level of institutional infrastructure should be attributed to the early starting up of the reform process under the previous regime before the EU process. However, the worrying phenomenon in the public administrative sphere in Hungary is still its politicization, being the legacy of the communist system. As political scenes in the applicant countries are still in the state of flux, with political parties alternating in popularity, with deep ideological cleavages, it results in the lack of the continuity of powers. The extent to which the institutional systems are politically driven, differs among the new members, but in Hungary, which has made a civil service reform, it is still a problem, as subsequent governments have always taken the opportunity to change personnel in public administration (Rozsas and Agh, 2004: 21).

Turkey

Since the Ottoman era, Turkey has always had a highly centralized system of government and this centralization is reflected in its regional policies and projects as well as in its institutional structures. Even though regional development policies and projects mobilized certain local and regional resources to a some extent, the aim of eliminating regional disparities has been far from being accomplished. In this sense, the failure in the implementation of regional policies can mainly be attributed to the lack of an effective institutional structure with corresponding distribution of financial resources at the local and regional level (Akpınar, 2004: 27). In the absence of any dedicated agency or ministry for regional policy at national level, regional development policy has been managed by a central organisation; the State Planning Organisation (SPO) since the 1960s, whose main task has been to prepare five-year development plans, largely on a sectoral basis (Reeves, 2005).

In addition to this, there are no regional administrative units and regional divisions other than geographical regional boundaries in Turkey. Therefore, regional disparities among regions constitute a significant problem with regard to regional development. Although SPO has been preparing five-year development plans for local development, there are also other public and private organisations as well as Non-Governmental Organisations (NGOs) that are involved in regional development issues both at central and local scales. However, it can be claimed that Turkey has adopted a top to bottom approach for regional development policy, which has not provided the necessary tools to solve its regional development problems to a great extent.

With the application of pre-accession strategy with the period of 2000-06 and continuing with the IPA strategy 2007-13, Turkey has committed itself to conforming its governance structures and procedures to that of the EU policy area, including regional policy. In this sense, legal and institutional frameworks are developed in order to enable the integration of Turkey to the EU. Moreover, legal and institutional frameworks, which are designed for establishing RDAs in Turkey, bring about the need for all economic and political actors of a particular territory to make a collaborative effort in designing and managing regional policies and achieving regional development (Beleli, 2005).
Regional Development Agencies in Turkey

The regional development projects that had been designed and implemented prior to Turkey’s intense adjustment and re-arrangement process for EU membership lacked the emphasis on local political and economic actors to a considerable extent. In this sense, institution building and governance approach encouraged by the EU will provide significant potential for maintaining integrative forces through legal and institutional frameworks in the context of regional policy making and regional development projects. Therefore, the law on RDAs² gives the impression that they are being created primarily for the purpose of administering EU funds, and the law also discusses at length the failure of past approaches to regional policy in Turkey and the need to adopt a new approach emphasising endogenous development based on local and regional resources and co-operative networking between stakeholders in order to achieve innovative learning regions able to compete in the global economy. Therefore, although the motivation of the law was to meet EU requirements in order to be eligible to apply for EU funding, it seems the EU pre-accession process was also providing an opportunity for policy-learning based on the perceived failure of past approaches.

In order to establish these dedicated agencies for regional policy and to maintain necessary integrative forces at the regional levels, the Law on the RDAs has been enacted on January 2006 to facilitate and to regulate the establishment of RDAs. These agencies are expected to play a critical role in managing regional policy, achieving regional development as well as in mobilising support and funding for regional development projects while integrating the public and private sectors along with NGOs into regional development. The law stated the aim of RDAs as to institute co-operation between the public and private sectors and civil society institutions in order to mobilise local resources and to institutionalise a regional development mentality. Another aim of the law was stated as transition from traditional regional policy composed of non-selective incentives and devoid of local economic strategies towards modern and new regional policies which emphasise regional economic competitiveness (SPO, 2006).

The organisational structure of the RDAs consists of a Development Council, an Administrative Board and a General Secretariat. The Development Council is composed of representatives from the public and private sectors, civil society institutions, universities and local administrations, meeting at least twice a year. The main function of the Development Council is to advise the Administrative Board. The main aim of Development Councils is to institute co-operation between different stakeholders and thereby increase regions’ “social capital”, i.e. norms of reciprocity, trust and networks, and ensure their participation in economic development.

The Administrative Board is the decision-making organ. The President of the Administrative Board is the governor (of the central province in each region, which rotates annually), who represents the RDA. The difference in the composition of Administrative Board between one-province (or metropolitan) regions and the rest is, developed metropolitan regions give more access to the private sector and the civil society in the decision-making process. The law justifies this by citing that policies in developed metropolitan regions will emphasise private sector led development focusing on high technology and innovation, whereas in other regions economic development will be more led by public sector investments. The main functions of the Administrative Board include the approval of annual programmes, revision of the RDA’s budget and the selection of projects and activities to be supported (EUSG, 2006).

The General Secretariat is the implementing organ of the RDA. It implements the decisions of the Administrative Board, prepares annual programmes and the budget, gives technical support

² The word regional was not approved by the Constitutional Court of Turkey for not stressing too much on the regions in Turkey. Therefore, in Turkey the term Development Agency is used for RDAs in Europe. In this article, the term RDA is used for agencies in order to explain Regional Development Agencies both in Hungary and Turkey for not making any confusion.
to regional stakeholders to increase their ability to develop projects and cooperates with other domestic or international agencies. The main responsibility of the General Secretariat is the administration of programmes and projects financed by the EU. Also investment support offices to be set up in each province will be accountable to the General Secretariat and will provide support to investors. RDAs will be subject to the monitoring of the Ministry of Interior with respect to legality of their actions, and to the SPO with respect to the evaluation of their performance (SPO, 2006).

The law of RDAs were not envisaged to constitute a separate layer of dedicated structures for regional development purposes and they will not have the status of public institution or public administration, but will be subject to private law in their activities. In that sense, the structure of RDAs is compatible with a public-private partnership mentality. The members of the decision-making organ, the Administrative Board, are expected to perform their RDA related duties in addition to their existing ones. Only, the General Secretariats are envisaged to consist of a few professionals dedicated to producing regional strategies and programmes. The elements of participation also show that it is the central government, which decides as to which non-state actors can be allowed access to the consultative and decision-making processes of the RDAs. Trade unions, for example, are conspicuously absent from the list of participants. The opening of access to only some organised interests leads to important questions about representation and citizen participation.

Although the type of regional governance envisaged by the law does not disturb Turkey’s traditional public administration structure, the law on RDAs institutionalises regions in Turkey for the first time. The institutionalisation of participation of the private sector and civil society, more prominently in metropolitan regions, in decision-making and in consultation processes at the regional level represents potentially the most innovative aspect of envisaged institutional change. However, Turkey still needs to further build and strengthen co-ordination structures not only between central and local authorities, but also with other line ministries, to ensure that the development of regional policies is truly integrated across all sectors of economic activity.

Comparison of Turkey with Hungary Regarding Regional Development Agencies

In Turkey, the constraints of a centralised system of governance on the regional policy performance is being acutely felt in the adoption of acquis. Furthermore, the regional policy area is beginning to be seen as the only way to increase economic competitiveness. The institutional norms are still dominant in the state bureaucracy, however, changing ideas and the influence of external forces are increasingly conflicting with and challenging the current norms. However, the decentralisation efforts are very weak in Turkey. In generally, the SPO has taken on a prominent role in designation and implementation of programs.

The law on the RDAs was promising about the participation of NGOs and the locals of the regions. However, we could not have a chance to evaluate the consequences of this law because it was enacted very recently. This resistance to change can be seen also in Hungary, to limit change towards EU policies and continue to the existing policies. Both Hungary and Turkey exhibit weak civil societies and are characterised by low citizen participation. New institutions and structures have been developed in both states to facilitate the development and delivery of regional policy. The practice on the ground, however, reflects the difficulties that these states face in changing their governance structures to accommodate EU regional policy requirements. The evidence in relation to Hungary and Turkey suggests that there will be similar problems in both of the states, as the realisation of regional structures remains problematic in such centralised, unitary political systems.
It is obvious that the reforms in civil service and public administration are important elements in an well-functioning local policy area. Poor coordination between ministries, lack of administrative capacity to implement EU-oriented policies and the growing civil service expertise on EU matters are the main reasons for establishing RDAs. However, a centralised structure and clientilism can prevent the effectiveness of these agencies, as happened in Turkey and Hungary. Therefore, to establish these agencies in the regions are not sufficient to solve the local and regional problems.

The agenda of restructuring RDAs change will occur in the administrative space in the long-run. In this process, the interactions and interdependencies among trans-national, supra-national, national, sub-national and local actors will correspondingly increase. Until that time, Turkish and Hungarian administrative structure might not be ready for involvement of the NGO’s in policy designing and making. Although there are some efforts to enhance participation, it can not be argued that they are sufficient. For instance, Turkey’s centralised state structure and the insignificant efforts of civil society prevented the steps towards the adaptation of multi-level governance understanding in Turkey until now.

After the membership of Hungary in May 2004, Hungarian RDAs began to be funded by European Regional Development Fund. Since then, this Fund has been used for improving the interaction between the RDAs, NGOs and the other stakeholders participating in the issues regarding RDAs. This funding is primarily used for increasing the power of the weak civil society in Hungary and decreasing the sole power of Hungarian central government on the regional development issues. In Turkey, this process is firstly funded by Pre-Accession Strategy between the period of 2000-06, and it is still funded with the Instrument for Pre-Accession Assistance (IPA) in the period of 2007-13. Table 1 below shows the financial instruments and the main factors that have affected RDAs in Hungary and Turkey.

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<td><strong>Turkey</strong></td>
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<td>o PHARE 1990-2004</td>
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<td>o European Regional Development Fund (ERDF) 2004-present</td>
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Therefore, with this comparison of Hungary and Turkey on RDAs, the institution building practices of these countries in regional policy area and their efforts especially in their RDAs are tried to be explained. Like Hungary, the distribution of public powers in Turkey is highly concentrated in the centre, making it very difficult for implementing the EU’s partnership principle with the private sector and NGOs. Therefore, Turkey’s compliance with the EU acquis in the field of regional policy can not be thought of independently from a gradual decentralisation of public powers in Turkey.

**Conclusion**

The candidacy decision of the EU in 1999 accelerated the reform process in Turkey. Thus with the prospect of full accession, Turkey’s compliance with the acquis in the regional policy area became significant for the legal and institutional reform processes. The institutionalisation of participation of the private sector and civil society, more prominently in metropolitan regions, in decision-making and in consultation processes at the regional level represents potentially the most innovative aspect of this institutional change. Therefore, the implementation of this
arrangement in the regions will be very important in case of institution building efforts in all of the twenty-six Turkish regions with the establishment of the RDAs. As the variance in domestic adaptations in the member states and the CEECs suggestions even though the EU prescribes a certain model of regional governance involving regional capacity and regional governance units, albeit at the same time respecting the constitutional provisions of the candidate countries, the exact details of these institutional arrangements depend on the national context. But, this creates a risk of small institutional alterations rather than making deep-rooted reforms as it can be seen in Hungarian example of RDAs. In reference to the establishment of RDAs in Turkey, RDAs were envisaged as structures, which institute cooperation between the local authorities (Provincial Local Administrations and municipalities), the private sector and the NGOs, under the leadership of provincial governors who are appointed by central governments. This kind of arrangement is different from creating a dedicated, separate layer of regional institutional structure.

To sum up, RDAs in Turkey were not envisaged to constitute a separate layer of dedicated structures for regional development purposes and the creation of RDAs both in Hungary and Turkey does not provide an evidence of multi-level governance as envisaged in EU regulations. However, the law on the establishment of RDAs and other newly enacted laws in the regional policy issues can be considered as being steps towards EU way of doing things rather than the traditional approaches in both states. Because of the insufficiency of the centre-controlled policies to regional policy accepted by both central states of Hungary and Turkey, the efforts were made to prepare a dedicated system of agencies in the regions. But it must be stressed that, both central states in these countries tried to apply EU reforms in the regional policy area without making any significant changes in their traditional administration systems.

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**Analiză comparativă între Ungaria şi Turcia: agenţiile regionale de dezvoltare**

**Rezumat**

În acest articol, Ungaria şi Turcia vor fi comparate din perspectiva practicilor agenţiilor regionale de dezvoltare. Ungaria este alesă ca punct de comparaţie cu Turcia întrucât există multe asemănări între cele două țări. Ambele aveau o percepție proprie asupra politicilor regionale chiar dinainte de alegeri, o structură administrativă centralizată, deținând o moștenire istorică profundă ca foste regiuni ale Imperiului Austro-Ungar și respectiv, Otoman, au adaptat strategia de dezvoltare regională la regulile fondurilor de pre-aderare și au provocat sistemul centralizat de stat. Iată de ce Ungaria constituie un bun exemplu de comparație cu Turcia în privința restructurării teritoriale, a formării institutionale, a evaluării rolurilor actorilor din agențiile regionale de dezvoltare și a factorilor care afectează funcționarea acestor agenți.