# THE PROCEEDINGS OF 12<sup>th</sup> INTERNATIONAL STRATEGIC MANAGEMENT CONFERENCE

Strategic Performance Management and Sustainability

October 28-30, 2016, Antalya-Turkey

# 12<sup>th</sup> INTERNATIONAL STRATEGIC MANAGEMENT CONFERENCE

## Strategic Performance Management and Sustainability

October 28-30, 2016 Antalya, Turkey

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# An Investigation of the 2015 Financial Support Programme Areas of the Development Agencies in terms of Regional Development

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#### **Abstract**

Development agencies have been operating in 26 different regions in Turkey since they were founded in 2006. With the regional plans and the financial support programmes they implement to actualize the objectives of these plans, these agencies support particularly the projects of businesses as well as the projects of public institutions and NGOs.

Recently, whether the development agencies, founded to reduce the developmental differences within and between regions, focus on unique areas that will reveal the potential of the regions or transformed into similar public institutions providing support for similar financial support programmes is a matter in question.

The aim of the study: This study will examine the 2015 financial support programmes of development agencies based on regions and areas and thus, will indicate whether there are regional and sectoral differences and in doing so, we aim to shed light on the fact that in the next period, the agencies should carry out their work considering regional and sectoral differences. Method: The study was conducted utilizing secondary sources. 2015 financial support programs of development agencies, which sectors they support, how much money is spent for each province, the regional characteristics of the sector is supported or not. The obtained data were analyzed with SPSS.

Result: When the 2015 programmes of the agencies are analysed, it is seen that they focus on particularly tourism sector as well as supporting advanced production techniques, increasing the competitive power, energy efficiency, clean production but there was no focus on certain sectors in the regions. In a way, it was found that the financial support implemented in TR 42 Eastern Marmara Region, which ranked among the top in Socio-economic development index (SEGE) 2011, is similar with those in TRC3 Region, which ranked among the last in SEGE 2011. It is seen that whilst developments agencies are expected to bring regional dynamics to the forefront, they cannot meet this expectation.

Keywords: Leadership styles, Learning orientation, Firm performance, High performing organizations

#### 1.Introduction

In recent years, one of the leading problems that people working on regional development face in terms of the policies and programmes that will implement and develop is the issue of how these policies and programmes will be financed (Taylor and Ersoy, 2011: 63).

Regional Development Agencies (RDAs) are established in very different ways in the European countries and their functioning differs. Some of these agencies are organized as a means for localization whilst others are used to effectively distribute national government policies (Harding, 2006: 137). This study examines the financial support programmes of the development agencies, which have been serving in Turkey since 2006, in sectoral and regional terms.

#### 2. Historical development of the national agencies

The earliest examples of the regional development agencies in the EU started with the development agencies established in the years 1950s and 1960s and were completed with the eastern European countries in the 1990s within the scope of membership to the EU (Can, 2011: 35).

The outstanding objective of RDAs is to invigorate the economy in the region with the policies they develop considering the capacity of the regions and the problems in the region and to ensure that the local people participate in the development and benefit from it (EURADA, 1999: 26).

The need for regional development and organizations that will supply sources at regional level in Turkey was first set in the First Five-Year Development Plan prepared in 1963. However, only after 40 years later, the development agencies that will meet this necessity were established on 25/01/2006 with the law no 5449 on the Establishment, Coordination and Duties of the Development Agencies. With three different decrees of the council of ministers, first İzmir Development Agency (IZKA) and Çukurova Development Agency (CKA) were established as the pilot development agencies and later, 8 agencies were established in 2008 and 16 agencies were established in 2009 and thus, the organization of the agencies in Turkey was completed (Ministry of Development, 2014b: 124-125).

Particularly within the framework of the new regional development paradigms, development agencies could be evaluated as a means to ensure regional development. In this context, the agencies ensure that the development mission, which used to be shouldered by only the state, is shared by different sections of the society. Agencies are coordinator, catalyst structures which define sectoral or wider developmental problems, develop strategies for the solution of such problems and support plans and projects which could find solutions to get practical results (State Planning Organization, 2008: 18).

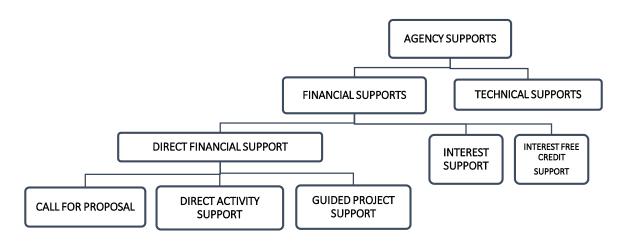
Development agencies in Turkey are established to ensure that the region they serve adapts to the globalization and increasing competitive environment and to solve the problems of the region by utilizing the dynamics in the region in the most efficient way (İzmir Development Agency, 2008: 485).

Creating regional policies and strategies, making regional planning that could serve as reference and determining priorities in a healthy way in financial support programmes are highly important for the success of the agencies. And in determining these aforementioned areas, it is necessary to have qualified data on the region (DDK, 2014: 778).

#### 3. Financial Supports of the Development Agencies

The financial supports that the Development Agencies will provide are supports provided to the regional actors to speed up the development process in the region and to put activities that are of critical importance for the region into operation on condition that they are explicitly stated in the annual working schedule and application guide. Financial supports (see Figure 1) are divided into three: direct financial support (small scale infrastructure, SME and other projects), interest supports and interest free credit supports (SERKA, 2010: 146-147). The agencies have not actively put interest support and interest free credit support into practice yet.

**Figure 1. Development Agency Supports** 



Agencies provide financial support to the SMEs and institutions and NGOs in the region through call for proposals method. Every year, agencies provide around 60% of their revenue as grants to support institutions to actualize the objectives set in regional plans for the development of the region. However, in recent years, instead of their original objectives, these agencies started to be known as institutions providing grants for projects.

In particular, financial support programmes for SMEs get different criticisms. The main reason is that these supports are provided as grant. Besides, in case of a competition between two companies, a disadvantage arises for the company which does not benefit from the project support. Support programmes which include topics that does not cover the characteristics of the region are among these disadvantages.

#### 4. Financial Support Programmes of the Development Agencies in 2015

Within the scope of these criticisms, in this study, the Financial Support Programmes announced and put into practice in 2015 by the Development Agencies are examined. All the programmes of the agencies in 26 regions are examined, their budget numbers, programme topics and priorities are studied.

When Table 1 is analysed, it is seen that a total number of 68 Financial Support Programmes were implemented by 26 agencies in 2015. And the total grant amount announced by the agencies was 510.550.000 \( \frac{1}{2} \).

The data on regions, programmes implemented and the budgets of these programmes in 2015 are given in Table 1 below.

#### 5. Criticism of the 2015 Financial Support Programmes of the Development Agencies

When the Financial Support Programme topics for 2015 are examined, it is seen that supports for SMEs, Tourism support and supports for R&D, Innovation and renewable energy are announced with similar topics in many regions. It can be said that apart from regional priority topics that only a few agencies implement, the support topics of the agencies are similar.

When the "Socio-Economic Development Index (SEGE 2011)" announced by the Development Agencies for 2011 (The Ministry of Development, 2013: 74) are examined;

- •In the index, top 13 agencies in 26 regions provided 279.500.000.\( \text{t} \) grant support. This amount makes almost 55% of the 510.550.000.\( \text{t} \) which was the total grant amount in 2015.
- •According to the index, the remaining 13 agencies at the bottom of the list provided 231.050.000. Esupport. And this amount makes almost 45% of the total grant amount in 2015.

It is obvious from the numbers given above that the purpose of reducing the development gaps between the regions, which is the philosophy behind the foundation of development agencies, contradicts with the grants allocated.

When the supports for 2015 are examined, a similar case is seen. In particular, it is seen that there are similarities in terms of calls for proposals announced for SMEs. Many agencies prefer to repeat programmes with similar priorities and objectives without considering the socio-economic, demographic, cultural etc. characteristics of the region.

In this respect, not only the uncovering of the potentials of each region is failed, but also the agencies fail to fulfill their responsibility to reduce the developmental differences among regions.

Another finding on this issue is that financial support programmes implemented by the Development Agencies are the same or similar to financial supports provided by other public institutions. By organizing financial support programmes on topics which are under the responsibility of other local and central institutions, as of the day Development Agencies are founded and actively started working, these agencies cause to both confusion for the beneficiary and to waste of time, of human resources and of public resources.

Agencies implement similar programmes particularly on Small and Medium Sized Industry Development Organization, TUBITAK (Scientific and Technological Research Council of Turkey), Ministry of Industry and Technology-SANTEZ (Industrial Theses Support Program), Ministry of Food, Agriculture and Husbandry-Rural Development Support topics.

Although the number of companies with the required R&D and innovation capacity is small and the support programmes of TUBITAK and Small and Medium Sized Industry Development Organization's within the scope of R&D and innovation are open, development agencies organize similar financial support programmes under R&D and innovation topics.

In addition, when the priorities of the supports provided for SMEs within the scope of economic development financial support programmes, it is seen that the purpose of programmes towards increasing production capacity stand out rather than programmes that showcase the characteristics of the region.

**Table 1. Financial Support Programmes in 2015** 

ТОРІС	FULL NAME	CITY	FSP BUDGET (b)	FINANCIAL SUPPORT PROGRAMME	CODE	FULL NAME	CITY	FSP BUDGET (b)	FINANCIAL SUPPORT PROGRAMME
TR10	İstanbul Development Agency			Fight against addiction FSP			Aksaray, Kırıkkale, Kırşehir, Niğde, Nevşehir	10.000.000	Energy infrastructure support
		İstanbul	65.000.000	Enhancement of women's	TD 71	Ahiler Development agency			programme
				employment Innovative İstanbul FSP	TR71				Social Development FSP
				Health Tourism Center: İstanbul					
				Development of creative		Central	Kayseri,		Renewable Energy and
				indus ries Thrace growing with production	TR72	Anatolia Development	Sivas, Yozgat	17.000.000	Sustainable Competition FSP
TR21	Thrace Development Agency	Edirne, Kırklareli, Tekirdağ	8.000.000	FSP		west Black Sea	Bartın, Karabük,	13.000.000	Culture and Tourism FSP
				Thrace, the Living and Provider of Life Financial Support	TR81				SME FSP
				conomic Development FSP		Development agency	Zonguldak		Local Values FSP
TR22	South Marmara Development Agency	Balıkesir, Çanakkale	12 000 000	Small Scale Infrastructure FSP		North Anatolia	Çankırı Kastamonu Sinop	20.500.000	Economic Development FSP
			13.000.000	Social Development FSP	TR82	Development agency			Development of the Region's
				Developing industrial regions					Infrastructure FSP
	İzmir Development	İzmir	35.000.000	Small Scale infrastructure FSP		Middle Black Sea	Amasya, Çorum, Samsun, Tokat  Artvin, Giresun, Gümüşhane, Ordu, Rize,	19.000.000	SSIS towards Developing Tourism FSP
TR31				Vocational Education FSP	TR83	Development agency  East Black Sea			Improvement of NGOs FSP
	Agency			Renewable Energy and	-				Protection and development of
				E vironmental Technologies FSP					historical, cultural and natural resourcesFSP
	South Aegean Development Agency	Aydın, Denizli, Muğla Afyonkara	25.000.000	Alternative Tourism FSP Alternative Tourism	TR90	Development			Development of Tourism
TR32				Infrastructure		agency	Trabzon		through innovative models FSP
1102				Renewable Energy FSP  Development of Production and		North East	Bayburt, Erzincan, Erzurum	12.000.000	Economic Development FSP
				Trade Infrastructure FSP	TRA1	Anatolia Development agency			Increasing Local Capacity
TR3	Zafer Development Agency	hisar, Kütahya, Manisa,	20.000.000	Development of Competitiveness in Industry		Serhat Development agency	Ağrı, Ardahan, Iğdır, Kars	13.800.000	Economic Development FSP -
				FSP	TRA2				Social Development FSP
	Bursa,	Uşak							Small Scale FSP towards social development
TR41	Eskişehir, Bilecik Development	Bilecik, Bursa, Eskişehir	15.000.000	Rural Economic Development	TRB1	Firat Development	Bingöl, Elazığ, Malatya,	10.000.000	Malatya-Elazığ Focus Areas FS
				Development f Health					Bingöl-Tunceli Focus Areas
TR42	East Marmara Development Agency	Bolu, Düzce, Kocaeli, Sakarya, Yalova	13.500.000	Tourism  Machine Production		East Anatolia Development agency	Tunceli Bitlis, Hakkari, Muş, Van	30.000.000	FSP Supporting Small Enterprises
				Clean production Culture and tourism	TRB2				Small Scale Infrastructure
				Tourism					towards strengthening investment and tourism
				Supporting alternative tourism					infrastructure
TR51	Development Agency	Ankara	17.000.000	Innovative technologies FSP Renewable energy FSP					Development of Competitivene Culture-Tourism Infrastructure
	Mevlana	Karaman,		Renewable energy FSP		Silk Road Development agency	Adıyaman, Gaziantep, Kilis	10.250.000	FSP
TR52	Development Agency	Karaman, Konya	13.000.000	Reducing developmental differences within region	TRC1				Increasing Competitiveness and Innovation Capacity FSP
TR61	Western Mediterranean Development	erranean Antalya, Burdur,	17.000.000	Supporting alternative tourism					South-eastern Anatolia Project
				Innovative technologies FSP					Organic Agriculture Value Cha Pilot Practices
	Agency	Isparta		Renewable energy FSP Increasing Competitiveness and	_				SME FSP
	Çukurova Development Agency	Adana, Mersin	25.000.000	Innovation Capacity		Karacadağ Development agency	Diyarbakır Şanlıurfa	30.500.000	Industry Infrastructure FSP
				FSP Improving production and					Renewable Energy FSP
TR62				environment infrastructure FSP	TRC2				Tourism and Urban Infrastructure
				Development of corporate structure and competitiveness in micro businesses					South-eastern Anatolia Project Organic Agriculture Value Cha Pilot Practices
TR63	East Mediterranean Development Agency	Hatay, Kahraman maraşOsma niye	15,000,000	Development of tourism		Dicle Development agency	Batman, Mardin, Şırnak, Siirt	10.000.000	Development of Fruit Growing Partner FSP
				Development of tourism infrastructure	TRC3				

Source: Prepared using the internet pages of the Development Agencies.

Such grant supports to be provided without determining the extent of the production in a specific area and without objectively examining the capacity use rate of the SME applying for the grant will cause to increase in import in CNC counters rather than increasing the production capacity and thus, in a way, to an increase in the production capacity of foreign countries.

#### 7. Conclusion

In order to ensure regional development, the financial supports provided by the agencies should be reorganized with the participation of the regional actors. In particular, the outstanding advantages in the region, the potential and the areas with high competitive power in the region should be identified and financial support for these areas

should be provided. Financial supports should be sector- focused and should be designed in a way that will enable to shine out the specific features of a region.

Agencies should stop implementing financial support programmes in areas in which public institutions provide support. Cooperating with institutions providing similar supports, the agencies should find out areas lacking support mechanisms and develop programmes in these areas.

Central transfer allowances to be transferred to financial support programmes to be implemented in order to reduce the development gaps between the regions, which is among the aims of the foundation of development agencies, should be reorganized considering the underdeveloped regions. In addition to that, grant support provided for the projects should be prevented from effecting companies active in similar areas in a negative way. The existing conditions of the companies should be determined via capacity reports and unnecessary capacity increase should be prevented. In addition, activities under the grants provided should be audited by the agencies in the long-term.

A similar summary of the aforementioned findings and suggestions are included in the 64th Government Programme in the following way: "We will ensure that Development Agencies will work more effectively. We will reduce the processes related to agency supports and diversify support mechanisms with new tools. We will support development agencies to focus on analyses and research studies, and to focus on the potentials of their regions and thus, ensure that they differ and develop strategies."

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