Regional disparities, development agencies and economic activity: a brief

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Abstract
This paper examine regional development agencies establishment to realize the objective of economic integration in different regions of the world economic. Although, many of these are met series of problem but the contribution of these regional development agencies can not be over emphasised in realisation of soci-economic development in the world. Economic integration make use regional development agencies and economic activity to achieve growth and development within a region. An appropriate recommendation was made on how best regionalism could achieve harmony and sustainable development.

Introduction
The basic contribution of the regional development agencies (RDA’s) to the underdeveloped regions might be regarded as to build up competitive regional policies to encourage investments. Another stimulating one could be described as bringing the technological progresses to the region through the RDA’s, supporting the processes of development and research and observing the improvements in the region via establishing data banks. Besides take place forming financial resources for Small and Medium-Sized Business Enterprises (SMSBEs), cooperating with national and international loan firms and banks and to introduce new inventions and Technologies.

Regional Development Agencies (RDA’s) is considered as a means to provide regional development within the framework of especially new regional development. These associations are central administrative and regional strategic establishments where the decisions and the policies about the applications of regional development are made by the inhabitants of the region in a participant manner. RDA’s is the unions of agencies founded in an independent structure from the central government having a goal of improving the socio-economic condition of a specified region.(DPT, 2008). The RDA’s get established in the frame of cooperation between public and private enterprises and act compatibly with the private law judgments. Around the world, these agencies appear to be a formation as being administered by civilian authorities, making fast decisions and presenting the public authority act only in arrangement and control.

The Rise of The Regional Development Agencies for the Improvement of developed or undeveloped and the regional disparities could be listed as follows: (Kantarcı, 2010).

i) The disparity of economic opportunity describes that different people in different places have economic opportunities in different amount and quality.
The disparity of social opportunity defines that different people in different places could not benefit from cultural activities, educational and health services, transport and travel facilities.

iii) In the disparity of political opportunity might be observed that certain areas in some economically underdeveloped countries could not take part in politic formations and actively play role in country government.

iv) The disparity of cultural opportunity describes the proximity of some regions to cultural, touristic, commercial and educational centres and industrially developed areas.

v) The disparity of geographic opportunity means the disparities directly resulted from natural resources and physical conditions.

As a result of the weakening in economic and social structure in some areas of a country, internal migrations from less developed parts to the more developed ones could be observed. These internal migrations follow the rise of the interregional development differences. They also reveal the changes in social organism. (Öztürk, 2009). Due to these migrations, less developed regions having lost their young and enterprising spirited active work elements also lose their development potential and even face difficulty in keeping their current development level. This is nothing but a brain drain going against the migrating region. Besides, the emigrated region that accommodates those carrying the enterprising spirits of the future are already in a process of development and that emigration just makes it faster. (Dinler, 2008). The corruption of the regional disparities brings forth the blockage making the improvement of the economies of countries impossible. Consequently, this interregional development differences led to the policy of closing up the undeveloped countries to that of developed countries in terms of social comfort via eliminating the differences. These progresses caused to approach the regional and developmental concepts as a whole and brought up seek for alternative policy in planning and regional development efforts. (Arslan, 2005). To provide regional development after the year 1990s, the regional development agencies have become ideal solutions.

The RDA’s determine the general development problems, grasp the opportunities and solutions and support the projects that provide those solutions. The main objectives of the RDA’s might be considered as creating a competitive business environment, supplying a labor force in universal quality, providing the government support, improving environment and health and last but not least forming effective associations. They strive to realize internal development, attracting foreign investments, servicing enterprises, educational service improvements, international activities and the services that local and regional authorities need. (Hasanoğlu & Aliyev, 2009). RDA’s mainly act under five topics. They consist of: providing financial aid or support, introducing new investment areas, consulting the SMSBEs (Small and Medium-Sized Business Enterprises), determining the long-term development objectives of the region, contributing the improvements in social issues among others. In this frame, the RDA model that contributes to underdeveloped regions through setting local dynamics and resources into action could be valued as successful. The research paper focus on regional disparity and regional development agencies and after the introduction the other section is divided into five which include main body of the paper with sub-section, conclusions, research limitations and direction for further research, reference and appendices.

Review of Relevant Studies

The distribution of economic welfare fairly among the different levels of the society and interregionally is a necessity of social state conception in our days. In the developed countries, the general growth rate and the increase in the average level of income do not denote the only
indication of development. Besides that, the way of the distribution of the national income among different regions and levels is considered as a significant sign. Eliminating the regional differences puts the plans in national and regional scale. (Tas, 2009). The existence of small-sized business enterprises that did not get into much debt during the economic crisis and have effective and productive apprehension of management helps the countries to overcome the impacts of economic crisis much more easily. The entrepreneurs in undeveloped countries emphasize on encouraging the enterprises to deal with the economic crisis. (Drennan & Saleh, 2008).

The interregional differences of development mainly arise from the deficiency of infrastructure, the lack of capital accumulation and the existence of socio-cultural bodies affecting the development issue negatively. (Ay & Arslan, 2009). The region having certain advantages affects the surrounding regions in a preventing style in terms of development while it is getting improved. Among these negative effects might be listed the migration of active working people from the other regions towards the developed ones, the transfer of capital, the collapse of the industries in stationary regions and the vicious cycle of less development (Dinler, 2008). To eliminate the interregionally or intra-regionally disparities or integrate the newly appeared dynamics of economic development, the regional development agencies are critically important as the managing associations (Ebru, 2009). The RDA’s are based on public sources, aim at economic development and cover a geographic region. These elements charge the RDA’s with four fundamental responsibilities as accountability, sustainability, serviceableness and integration together with inclusion. In the process of distributing the authorities and the responsibilities of the regional policies, the RDA’s have a major importance in the coordination of all the regional politic means. In this context, the basic tasks of the RDA’s might be listed as to build up flexible and competitive policies to encourage the investments, to support innovation, technological and developmental research progress, to observe the region via establishing data banks, to monitor the activities for infrastructure, road, water and energy, to provide services for information, management, financial support, sub and superstructure, to form financial resources for SMSBEs (Small and Medium-Sized Business Enterprises), to cooperate with national and international loan firms and banks and to introduce new inventions and Technologies. (Tutar & Demiral, 2009).

The developed and undeveloped countries apply tax policies to realize their industrial and economic development as well. The above mentioned countries make use of these progressive tax policies to strengthen the economic improvement and stimulate the investments to these regions via eliminating interregional development differences. The advantages from taxes provides reducing the costs of investments and thus relieving the financial needs of the companies and switching the investments of the private sectors to certain areas. (Cimat-Avcı, 2009). The private sectors together with the RDA’s especially have a central part in long term strategies planned for industry, commerce and infrastructure. (Commission Of The European Communities, 2009).

2.1 Sustainable Development: A Brief of Indicators

Human development plays a fundamental role and remains the most important factor in economic growth and development in countries of the world. The Human Development Index (HDI) is a composite statistic used to rank countries by level of “human development” and to separate countries into developed (high development), developing (middle development), and
underdevelopment (low development) categories. The statistic is computed using data on life expectancy, education and per capita GDP, each as an indicator of standard of living. The HDI 2010 report combines three dimensions: Longevity (a long and healthy life): measured by Life expectancy at birth; Knowledge (access to knowledge): measured by Mean years of schooling and Expected years of schooling; and Standard of living (decent standard of living): measured by purchasing power based on GNI per capita (PPP US$) (Adediran, 2011). A brief analysis of economic and social indicators from world report suitable for this research and are as follows;

**Table 2.1 Economics and Social Indicators of Regional Integration**

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<tr>
<td>E.Asia &amp; Pacific</td>
<td>1836.9</td>
<td>1,000</td>
<td>43</td>
<td>67</td>
<td>71</td>
<td>19</td>
<td>22</td>
<td></td>
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<tr>
<td>Europe &amp; Cent. Asia</td>
<td>475.3</td>
<td>2,150</td>
<td>26</td>
<td>65</td>
<td>74</td>
<td>92</td>
<td>95</td>
<td></td>
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<tr>
<td>L.America &amp; Carib.</td>
<td>509.2</td>
<td>3,840</td>
<td>38</td>
<td>67</td>
<td>73</td>
<td>11</td>
<td>13</td>
<td></td>
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</tr>
<tr>
<td>Mid. East &amp; N. Africa</td>
<td>290.9</td>
<td>2,060</td>
<td>55</td>
<td>66</td>
<td>69</td>
<td>26</td>
<td>48</td>
<td></td>
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<tr>
<td>South Asia</td>
<td>1329.3</td>
<td>440</td>
<td>89</td>
<td>62</td>
<td>63</td>
<td>35</td>
<td>59</td>
<td></td>
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<tr>
<td>High Incom Area</td>
<td>890</td>
<td>25,750</td>
<td>06</td>
<td>75</td>
<td>81</td>
<td>n.a</td>
<td>n.a</td>
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In the Table 2.1 above, economic indicators of Africa relative to other regions of the world. It is clear that her case was not suitable than other regions in term of both economic and social statistics, even for south Asia which also harbours high poverty level. We note that in the above categorisation, Africa refers to sub-Saharan Africa (SSA) as North Africa is classified with the Middle East. This categorisation does not alter, significantly, the required information. Population had increased as expected but life expectancy, particularly for females declined just as the adult literacy level decline. Even in the South East Asia which from the above Table shares some woeful statistics with Africa such as in the area of per capita income, infant mortality and literacy level has changed its fortune for the better. The rapid economic growth in China and India is helping the region to grow. Economic integration is well under way in Asia. This is bolstered by an array of free trade agreements. Intr-Asian trade grew by 15 percent on the average in the last five years. This is greater than average growth rate of 5 percent within North American Free Trade Agreement (NAFTA) and 9 percent within the European Union (Lim, 2006).

**2.2 A brief of Economic Integration in the world**

The type of economic integration that exist around the world include;
**Preferential Trading System:** This aims at giving preferential treatment to the member countries by reducing tariffs on imports from each other but retaining higher tariffs on imports from outside. It was the earlier form of integration and ended after the formation of GATT rules. It was introduction 1932 commonwealth countries of British empire.

**Free Trade Area (FTA):** It is a loose form of economic integration whereby member countries remove tariffs and other trade barriers among themselves but each member retains its own tariff, trade restrictions and other commercial policies with non-member countries. The regional integration is simply based on intra-regional trade. Examples include the Latin American Integration Association (LAIA) and the North American Trade Area (NAFTA).

**Customs Union:** In this case, the participating countries adopts a common external tariff and commercial policy on imports from non-members but abolish all tariffs and trade barriers among themselves. This was the practice under the European Community but good examples are the Arab Maghreb Union (AMU) and the Southern African Development Community (SADC).

**Common Market:** It is a unified single market in which there is free movement of goods, service and factors of production. In this case, product and factor markets are integrated. It has the features of the customs union but in addition, it involves free movement of factors of production. For example; Common Market for Eastern and Southern Africa (COMESA) and Economics Community of West African States (ECOWAS).

**Economic Union:** This is the highest form of regional integration among nations. It has the features of a common market and in addition, it involves harmonisation of monetary, fiscal and other economic policies like industrial, exchange rate, transportation, communication etc. This implies that there is high degree of coordination of social, economic and political policies among members. The living example are the European Commission (EC), Communaute economique et monetaire de l’Afrique Centrale (CEMAC), and Union economique at monetaire de l’Afrique de l’ouest (UEMOA or WAEMU).

### 2.3 The Experiences Related to the Regional Development Agencies

#### 2.3.1 The European Union

Disparities of the regional development can be reduce with the effective local development. Local development’s purpose is to built the capacity of a defined area to improve its economic activities and investment. Therefore, it is added to stock of locally jobs and firms, increased overall private sector investment, improved the information flows with investors and developers. The Regional Development Agencies undertake those. The aim of the EU regional policy is to reduce the economic, social and territorial disparities that still exist between Europe's regions. With the regional policy is to support the sustainable development of the regions and of the EU as a whole. Principally, it works to bring out the best in every region make all regions more competitive create more and better jobs. There have been a number of regional problems due to different reasons in some members of the European Union. That the regional disparities within borders occur as much as those among the members of the Union and that these disparities would transfer inside the EU add to the weight of the struggles with the help of regional policies. (Iain, 2009). The associations such as EU, IMF and The World Bank insist on “localization” in their development strategies for countries. Likewise, the programmes applied by the EU to encourage the local development work for the infrastructure support for the small sized business enterprises, help to protect the small sized companies, improve the research-development activities in those enterprises and build cooperation networks among them,
develop touristic resources, strengthen the local agricultural and fishing sources and support the initiatives for local employment. (Tutar & Demiral, 2009).

In the countries of European Union were founded more than 200 development agencies in nationally and internationally different level to improve their regions. These agencies were organized by the name of EURADA – European Association of Regional Development Agencies. EURADA is considered as a means to provide regional development within the framework of especially new regional development. These associations are central administrative and regional strategic establishments where the decisions and the policies about the applications of regional development are made by the inhabitants of the region in a participant manner (DPT, 2008). EURADA is the unions of agencies founded in an independent structure from the central government having a goal of improving the socio-economic condition of a specified region. EURADA decides the sector-specific and general development problems, determines the potential solutions and supports those projects producing analytic solutions.

The goals of EURADA might be listed as creating a competitive business environment, supplying a labor force in world quality, providing the government support, improving health and environment and building effective associations. To fulfill these objectives, they execute internal development services, educational services, international activities and any service the local and regional authorities need while attracting foreign investment and servicing enterprises. (Hasanoğlu & Aliyev, 2009). EURADA is financed by the general budget and the private funds. The government dedicates real capitals to the agencies as monetary and real estates at first. The agencies also raise credits presenting projects that aim at supporting industrialization and at how to utilize them. EU and the World Bank provide funds for the RDA’s. Especially those funds such as ‘European Regional Development Fund’ (ERDF) and Structural Vehicle Fund for Pre-Involvement (SVPI). (Demirci, 2009).

In Spain, the task and the authority of region, city and municipalities were arranged by the constitution in 1978. In assigning the tasks and resources, the main principle is to seek the most benefit in national, regional and local respect. Besides the constitutional arrangements, related to the self-governing managements take place many royal orders in the laws dated 1983 and 1985. The radical local structuring in Spain covering the regional governments were able to execute through the change in the Local Government Basic Law in 1985 (Gunaydın, 2009).

In France, there are regional district councils elected via general ballot from each city around the region to work as the regional decision-making bodies and there exist regional council chairman working as the executive authorities elected inside the council to work for a three year period. The Regional Council Chairman works as the responsible politician in the region and is in the charge of governing. These regional governments fulfill the structure, construction, restoration and reparation of high schools and equivalents, professional and apprenticeship education, preparing regional plans and executing them, planning the territorial utilization, regional and natural parks and similar regional qualified services. The taxes defined by the laws and state aid form the basis of their resources (Gunaydın, 2009).

In Italy, the regional governments mainly execute organizing the regional administrations, determining the sections of municipalities, rural areas and municipal police, health and hospital aid, museums, libraries, urbanism, different infrastructure services at regional level, agriculture and livestock, professional education etc. and similar tasks and services.

In Germany, self-governing administrations were formed as local administrative unions. The members combined to fulfill certain tasks consist of corporate bodies of public law from towns or town
unions. They do not possess domination rights over a certain territory since they are not public units. They are established especially services demanding specific scales such as for water, energy, effluents and waste treatment.

In England, regional administration and planning tasks are carried out by the two sub-committees of the Regional Planning Agency; the Regional Development Agency and the District Council. Solving problems, foreseeing the policies and means in the frame of demands and opportunities to direct the regional or sub-regional local changes, determining the application phases of the long-term local objectives and usually observing, researching, evaluating and supervising them might be listed as the major tasks of the regional governments (Gunaydın, 2009).

In Turkey, the first appearance of these agencies in Turkey occurred during the EU membership period. In 06th July 2006, two regional agencies were firstly founded in Adana and Izmir. Then in the years 2008 and 2009, the numbers of the agencies were added. The economic regions in Turkey were divided into two parts. There act 12 agencies in the first part and 27 in the second one. These regional agencies are executed by the public or private sectors and non-governmental organizations. (Kantarcı & Karadag, 2010).

2.3.2 The African Union

There are many sub-groups of various forms of economic integration on the continent of Africa. For ease of reference, we divided the into six large regional economic communities (RECs) viz: Arab Magrebian Union (AMU), Communauté économique et monétaire de l’Afrique Centrale (CEMAC), Common Market for Eastern and Southern Africa (COMESA), Economic Community of West States (ECOWAS), Southern African Development Community (SADC), and Union économique et monétaire de l’Afrique de l’ouest (UEMOA or WAEMU). This is without prejudice to other RECs like EAST African Community (EAC), Inter-Governmental Association for Development (IGAD) and CEN-SAD. The regional integration of African government is a way of working together for common interest that will harvest fruitful economic integration. The decision of Organisation of African Unity to African Union is to achieve the economic integration in Africa.

**Table: 2.3.2 Economic Indicators of African REC**

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<tr>
<td>REC</td>
<td>80-90</td>
<td>91-99</td>
<td>00-04</td>
<td>80-90</td>
<td>91-99</td>
</tr>
<tr>
<td>Africa</td>
<td>17.9</td>
<td>16.5</td>
<td>19.4</td>
<td>23.9</td>
<td>19.7</td>
</tr>
<tr>
<td>AMU</td>
<td>20.0</td>
<td>21.5</td>
<td>28.8</td>
<td>23.9</td>
<td>7.1</td>
</tr>
<tr>
<td>COMESA</td>
<td>11.9</td>
<td>11.0</td>
<td>18.5</td>
<td>18.1</td>
<td>14.0</td>
</tr>
<tr>
<td>ECOWAS</td>
<td>12.7</td>
<td>12.7</td>
<td>19.4</td>
<td>19.0</td>
<td>14.0</td>
</tr>
<tr>
<td>SADC</td>
<td>17.2</td>
<td>14.6</td>
<td>22.0</td>
<td>22.3</td>
<td>27.3</td>
</tr>
<tr>
<td>UDEAC</td>
<td>12.1</td>
<td>10.4</td>
<td>23.4</td>
<td>27.0</td>
<td>12.9</td>
</tr>
<tr>
<td>UEMOA/WAEMU</td>
<td>10.5</td>
<td>10.9</td>
<td>19.5</td>
<td>18.0</td>
<td>14.5</td>
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</table>

**Source:** ADB, Regional Integration in Africa1, Africa Development Report 2000; ADB (2006) Selected Statistics on African Countries

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1 Member countries of regional economic communities are as follows AMU: Algeria, Libya, Mauritania, Morocco and Tunisia; CEMAC: Cameroon, Central African Republic, Chad, Congo Dem. Rep., Equatorial Guinea, Gabon; COMESA: Angola, Burundi, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe; ECOWAS: Benin, Burkina Faso, ...
Table 2.3.2 gives country specific information on a number of economic variables that are germane for development. It is only in AMU that the saving rate as percentage of GDP was high and rising while in the other RECs, the rate is low and decreased between the 1980s and 1990. Investments on the other hand are high and higher than savings. This indicates some level of dependence on external finance for investments. Although the rate of growth of the external debts was lower in the 1990s than in 1980s, this did not indicate that all the debts owed in the latter were paid. The situation merely showed that the opportunities to borrow in the 1990s were constraint by the debt burden of the previous decade. The implication of the statistics in the table is simply that the economies of the African countries worsen between 1980s and 1990s. The situation remains unpredictable since the beginning of this country, as could be gleaned from the data for 2000 to 2004 period. In the opening remark of the 2003 Economic Report on African, the Economic Commission for Africa (ECA) stated,

*The economic performance of African economies fell short of expectations in 2002, with growth slowing from an average of 4.3% in 2001 to 3.2% in 2002. In 2002, of the 53 countries in Africa, only 5 achieved the 7% growth rate required to meet the Millennium Development Goals. Of the others, 43 registered growth rates below 7%, and 5 registered negative growth.*

**Conclusion**

Countries differ in terms of development and improvement progresses. Likewise, similar differences might be observed within the countries themselves concerning various development and improvement periods. The regional development agencies struggle to eliminate these varieties within those countries. The developments in different European and African countries were described above. With the regional development progress, the improvement of the undeveloped regions are aimed via better utilizing the resources in the area. Although certain positive developments were achieved through the applied regional policies and measures, still the imbalances among the regions remain beyond the expectation.

However, development of inter-country infrastructure in terms of air road and rail networks, telecommunication, energy and financial institutions. This will ease and promote intra-regional trade and investment; there should be conscious efforts to use and achieve greater institutional and economic policy convergence. The institutions should be in position to design and assist in implementation and monitoring of appropriate economy-wide policies. In this connection, the institutions will need to have enough human and non-human resources to assist member countries; all regional economic integration entails costs and benefits. Each member country would attempt to maximise benefit and minimise costs. But this is not generally possible because of some natural barriers. Thus, effective compensation mechanism which implementation is open, mutually agreeable and adequate must be introduced by different regional development agencies.

**Research Limitation and direction for further study**

This research briefly look at the issue of regional disparity, regional development and economic activity. The research is more descriptive in nature the analytical. Thus, further study is required with the use of data for more empirical analysis.

References


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World Bank (2001). World Development Indicators Washington World Bank

Appendix

ACRONYMS

ADB – African Development Bank
AMU – Arab Maghreb Union
AU – African Union
COMESA – Common Market for Eastern & Southern Africa
ECOWAS – Economic Community of West African States
EU – European Union
RECs – Regional Economic Communities
SADC – Southern African Customs Union
SADC – Southern African Development Communities
UEMOA – l’Union Economique et Monétaire l’Afrique Centrale
UDEAC – The Customs & Economic Union of Central Africa / Union Douanière et Economique de l’Afrique Centrale
UMA – Union du Maghreb Arabe
UN – United Nations
UNDP – United Nations Development Programme
UNCTAD – United