

Southeastern Turkey: Sustainable Development and Foreign Investment

İ. H. Olcay Ünver, Ph.D.

President

GAP Regional Development Administration

*Prepared for the OECD-China Conference on FDI in China's Regional
Development*

11-12 October 2001

We are aware that approximately 1.2 billion people in the world live on less than one dollar per day¹ and more than 3 billion people live without adequate sanitation², the need for investment is tremendous. The related problems of poverty – poor health, illiteracy, low productivity, and social injustice constitute a denial of human rights as enshrined in the UN Charter, Universal Declaration of Human Rights and other treaties and declarations world over.

The economic and social costs of sickness, unemployment and underemployment, overcrowding and pollution due to poor sanitation and unplanned growth are borne by the whole of society. As populations grow, scarce resources like drinking water and sanitation are spread even thinner, and human settlements spread into regions with fragile habitats. Natural resources from these habitats are overused, and environmental degradation results in even deeper poverty, by increasing health risks and reducing productivity. Already inadequate infrastructure in the Third World is unable to keep pace with rapid changes, and vulnerable groups are further marginalized. This requires extensive investments in the under developed regions for reducing regional disparities, eradicate abject poverty and enhance the quality of human life.

Southeastern Anatolia faces many of the problems that are typical of other underdeveloped regions in the world. Compared with the rest of Turkey, the region has had higher fertility rates and lower literacy rates, as well as lower school enrolment rates – especially among girls – and lower access to education, health care and sanitation. A comparative analysis has shown that the most disadvantaged region of Turkey is Southeastern Anatolia in terms of per capita and per household minimum food expenditures and per capita cost of basic needs³. Depending upon the province concerned 21.8% to 44.7% of households in the region are below the poverty line. In terms of ranking of provinces of Turkey as per their socio-economic development levels, five of GAP Region's provinces fall in the last 15 provinces of Turkey. The region also experienced net out migration –

both seasonal agricultural migration and permanent rural-to-urban migration, as a response to high unemployment in the region, threatening valuable agricultural land.

The region's economy is largely agro based but historically productivity has been low. In 1997, per capita income in the region was half of the national average. With an area of 75,000 km² which is equal in size to Benelux countries combined and a population of 6 million, the region has 10% of the country's area and population, but in 1997 accounted for only 5.3% of the GDP. This region also has several urban centers that are experiencing rapid growth, and that have had problems keeping infrastructure development in pace with rural-urban migration. In addition, women, children, and the poor have been marginalized and previously have had little input in development decisions. Permanent solutions to these problems require the careful use of resources to make sure that future generations as well have the resources they will need for continued growth.

In response to these disparities in the Southeast, and in recognition that strengthening this region socially and economically will benefit all of Turkey, the Southeastern Anatolia Project (GAP) was created. GAP was originally created as a water resources development package for the construction of 13 main irrigation and energy projects on the Euphrates and Tigris river basins. The project includes 22 dams, 19 hydropower plants, and irrigation networks to irrigate 1.7 million hectares of land. At this date, seven dams and four hydropower plants have been completed, and 215,080 hectares are under irrigation.

Foreign finance in GAP (in US \$ millions)	
US Exim Bank	111
Swiss Banks	468
Swiss & German Banks	782
European Investment Bank	104
World Bank	120
Council of Europe Social Development Fund	184
Government of Austria	200
Government of France	34
Government of Germany	15
Government of Italy	85
Total	2103

Total public investments designated for GAP total US\$ 32 billion. To date, \$14.8 billion have been spent on the project. Of this amount, \$2.1 billion have come from foreign sources such as the World Bank and several European governments (see inset box). In addition to these infrastructure investments, the United Nations Development Programme and international donor agencies from countries like the United States, Canada, France and Switzerland, have contributed almost \$ 12 million in grants to sustainable human development projects in the region. European Union has also approved a grant totaling EUR 43.5 million to finance small business, cultural assets and rural development projects.

GAP-RDA's focus on sustainable human development in the region builds upon the concept of integrated regional development of the GAP Master Plan of 1989.

The Master Plan mandated the creation of the GAP Regional Development Administration to coordinate the implementation, management, monitoring, and evaluation of development related activities, in a concerted effort to respond to the problems I mentioned earlier. The subsequent Social Action Plan of 1995 was a major step toward a greater integration of sustainable development with socio-economic and infrastructure projects.

Dam building is not limited to design, construction, hydrological, engineering and concrete issues but also encompasses socio-economic, political and cultural factors, which affect the human existence in the concerned area. While the ideological pro and anti dam debate continues, our attempt is to reconcile the **dominant interventionist paradigm of development and the decentralized and participative one** by using a balanced and sustainable strategy of generating and distributing water resources in a just and equitable way. Therefore, the **minimalist, residualist and welfarist approaches** to dealing with dam building issues have given way to Rights and Risks framework which embodies recognition of rights, addressing of risks, informed participation by people in comprehensive policy and institutional options, equity and justice in apportionment of benefits, mitigation of risks to health and integrity of aquatic eco-systems

The international financial involvement in the GAP Project is a reflection of international commitments to sustainable development in this region. The concept of sustainable development is not new. The general philosophy behind this concept was expounded centuries earlier. William Shakespeare remarked aptly in Hamlet: *"Since action to the word, the word to the action; with this special observance, that you overstep not the modesty of nature."*

The Rigveda, the ancient Indian scripture, also contains numerous references regarding living in harmony with nature and conservation and judicious management of natural resources.

The worldwide commitment especially since the 1980s to the term "Sustainable Development" has suggested a widespread consensus on the development that is sustainable but there is lack of agreement about the specific goals of sustainable development or the appropriate means to achieve them. While assessing the sustainability of any development process, it is important explicitly to define what is expected to be sustained, why and how long and the mode of measurement of sustainability etc. A development path may be sustainable only if it ensures that the stock of overall capital assets remain constant or increase overtime. These include manufactured capital, human capital, social capital and environmental capital. The sustainable development agenda must also be concerned with both intergenerational and intra-generational equity.

GAP-RDA experts concluded that world wide efforts over the last five decades had resulted, on one hand, in new methods, techniques, pioneering technologies, rational use of resources and hence output growth. On the other hand, these efforts

had failed to prevent greater problems in social equality, environmental destruction and the general disruption of ecological equilibrium. These conditions make it necessary to seek alternative approaches to development in general, and to development project in particular. Hence, sustainable development was determined by the GAP-RDA as the conceptualization of this new philosophical approach of the development efforts in the region.

The ultimate aim of GAP is to ensure sustainable human development in the region. It seeks to expand choices for all people – women, men and children, current and future generation – while protecting the natural system, which sustain life in all forms. Differentiating from a lopsided, economy centered paradigm of development, sustainable human development places people at the core and views humans both as a means and an end of development. It focuses on protection against exclusion and marginalisation of weak members of GAP Region. Therefore, GAP-RDA aims to eliminate poverty, promote equitable opportunities to all through good governance thereby contribute to fulfillment and realization of all human rights – economic, social, cultural, civil and political for the downtrodden in this region.

Physical structures, which are now being built, will be the basis of human development. The aim of sustainable development will be achieved by eliminating disparities, spreading welfare, ensuring community participation and developing human resources. The combination of economic growth targets with a human development perspective envisages the transformation of the projected social change into participatory solutions specific to the eco-system and cultural make-up of the region. In order to define the scope and composition of sustainability for GAP and make this concept operational and verifiable, a participatory approach was adapted by GAP-RDA to initiate and implement pilot projects in the region. As an integrated project, it is not limited with the dams, hydro electric power plants, irrigation systems only, but it also contains industries and investments for the development of socio-economic sectors such as agricultural, industry, urban and rural infrastructure, communication, education, health, culture, tourism and other social services in a coordinated way.

Sustainable human development strategy, as formulated by the GAP-RDA for Southeastern Anatolia, and espoused at such international conventions as the 1992 Conference on Environment and Development in Rio de Janeiro (see inset box), encompasses such goals as reaching the poorest, gender equity, capacity building for local institutions, and environmental protection. It is from this philosophy that GAP RDA derives its human-centered focus, using the momentum gained from hydropower and irrigation

Major international conferences on sustainable development:

- 1972 Conference on the Human Environment (Stockholm)
- 1992 UN Conference on Environment and Development (Rio de Janeiro)
- 1994 Conference on Population and Development (Cairo)
- 1995 Fourth World Conference on Women (Beijing)
- 1995 World Summit for Social Development (Copenhagen)
- 1996 Second UN Conference on Human Settlements -HABITAT II (Istanbul)
- 1997 -2000 World Water Forum 1-2.

infrastructure projects to bring opportunities for more sustainable livelihoods to as many in the GAP Region as possible.

One could find below some of the examples of GAP's contribution to assist people in the region in achieving sustainable livelihoods, especially targeting those who would otherwise miss the benefits of water-based resource development projects.

Gender equity. Recognizing that women and girls are a distinctly disadvantaged group in the GAP Region, the GAP-RDA supports a grassroots program by creating community-based women's centers, called "ÇATOM". At these centers women and girls can receive health care services and gain skills in areas such as maternal and child health, hygiene, nutrition, home economics and income generation (such as handicrafts, computer operation, greenhouses, etc.). Literacy instruction and mobile health care services are also provided. The centers provide a place for women to get together, discuss their common problems, and develop a collective initiative to solve these problems. The participants themselves share in running the center and in deciding on the programs that will be offered.

Sustainable economic development. GAP-RDA, in partnership with the United Nations Development Programme, Chambers of Commerce and Industry (TOBB), the Turkish Development Bank, has established Entrepreneurship Support and Guidance Centers (GIDEMs) to meet this need. KOSGEB (Small and Medium Size Enterprise Development Administration) later joined this partnership. Five major cities in the GAP Region now have GIDEM offices where local entrepreneurs get help with market research, finding investors and partners, and selecting technologies. GIDEM staff also provide information and consulting services to potential investors from other regions in Turkey and from abroad. The Turkish Republic is also establishing industrial zones, small industrial estates, and free zones in the Region, as well as an international airport to support the exportation of local products. In addition, the central government is offering state land, tax incentives and electric utility discounts to encourage investment in the region.

Participatory resettlement. GAP, together with the United Nations Development Programme, implemented a project for helping in the resettlement of almost 32,000 people of 43 villages in the Halfeti area along the Euphrates River, which were affected by the creation of the Birecik dam and reservoir. The project directly addressed the social, economic, and spatial aspects of these communities, and used a participatory approach. People in the affected communities were informed at each stage of the project and involved in the decisions to be made concerning their resettlement and were offered support in learning new trades and adapting to new livelihoods. A training programme covering an integrated participatory approach in resettlement with institutional framework Spatial, Social, environmental and economic planning supplemented by a study tour of Birecik Area designed and

offered to international participants. I am happy to say that in a few months a Chinese group will share our experience through this programme.

Protection of cultural assets. Anticipating the impact that the Birecik Dam will have on the archaeological site of Zeugma the antique Roman outpost on the river Euphrates, GAP RDA signed an agreement with a US-based charity organization, the Packard Humanities Institute, to support and complement the efforts of the Ministry of Culture to salvage artifacts and conserve the site. There is currently a multi-national team of archaeologists working to salvage mosaics and other items from the section that will be submerged, and to assist in the development of an archaeological park, expansion of the Gaziantep Museum and other conservation activities for the two-thirds of the site that will remain above water level. Other projects to preserve and restore sites of historic and cultural importance have been underway at Hasankeyf, Mardin, Halfeti, and other sites in the GAP Region. These sites represent several different civilizations that have made their home in Southeastern Anatolia, and include fortresses, schools, mosques and private homes.

Water user associations. Traditional farming methods for rainfed lands don't make the best use of irrigation, so GAP has coordinated a project for the training of local farmers and their organization into water user groups with the responsibility for planning among themselves their use of the available water. The pilot project using this model resulted in water savings of 11%. Participating farmers who produced vegetables in rotation realized incomes five to fifteen times that of cotton growers, and crop intensity in demonstration areas increased up to 170%.

GAP provides advice and training to local farmers who have formed local water user groups. These water user groups collectively manage the end use of irrigation, collect payments for irrigation services, and engage in other participatory activities. Recent projects that tested this management model in the GAP Region showed an 11% savings in water use and an increase of 177.5% in cropping intensity due to the shift to growing two crops per year.

Projects like these do not succeed by the efforts of government agencies alone. Sustainable development is ultimately aimed at increasing the ability of the entire society – public and private institutions along with individual people – to respond to the needs of a changing environment. This depends on ownership by everyone who is an actor in the region: government officials, businessmen, farmers and community leaders, as well as traditionally marginalized groups such as women, children and the poor.

GAP RDA is responding to its changing environment and refining its perspective on sustainable development through its experiences over the last ten years and through its relationships in the national and international development community.

We are currently coordinating a revision of the 1989 Master Plan through a participatory regional review. The earlier GAP Master plan served as a guide for building inter agency synergies for facilitating development efforts in the region. However, in the light of new development approaches, it was felt necessary to recast the strategy of prospective development in the region up to 2010, by preparing a New Master Plan. This document not only aims to lay down the basic approaches and principles for development GAP Region but it also purports to be a blue print for action. It incorporates definite strategies and programmes in various sub sectors that need careful implementation in a time bound fashion for achieving the desired goal of sustainable human development in the region.

Therefore, we have delineated programmes, projects and strategies which aim at creating durable community and individual assets, provide sustainable employment opportunities, reduce socio-economic disparities, empower the backward and disadvantaged communities and prepare the children and youth of the Region for their future roles in nation building. This will bridge the hiatus between physical, spatial development and the human centered development, which has often been experienced. In short, this New Master Plan would serve not only as a tool for meeting physical progress and achievements but also as an instrument for Social **Engineering**.

Business Opportunities: As the populations grow, scarce resources are spread even thinner and the need for investment increases. The government has largely financed the GAP, however, we know that unless these investments are complemented and supplemented by productive private sector investments the full benefits can not be realized. In this day and age even the infrastructure, which has largely been under the responsibility of the government, can be opened to the private sector, on BOT (Built-Operate-Transfer) or BO basis.

Due to the limitations on domestic capital growth and with the momentum of globalization, the FDI (Foreign Direct Investment) has gained great importance and increased more than fivefold in the world during the last decade. Many countries, including China, have benefited to a great extent from this development. However, despite many advantages, such as unique geographic location, large domestic market, high-skilled labor, membership in the customs union with EU, state of the art telecommunications network and most important of all a well developed private enterprise sector with high entrepreneurial skills, Turkey has drawn much less FDI than its fair share. Political and economic instability as well as administrative barriers have been the major causes for this deficiency. After all, things were moving quite smoothly with high government spending and the decision-makers did not realize the urgent need for policy changes, until they faced the February 2001 financial crises.

As every crises creates its opportunities this crisis has been instrumental in causing major structural changes that should open the way for private sector investments including FDI. Turkey will then reach the level of, perhaps not China but surely

that of Poland and Czech Republic. GAP Region is also expected to increase its FDI, which are negligible at the present. I realize that we have a lot to learn from Chinese experience.

At this point I would like to say a few words on the prevailing business environment in the GAP Region:

Infrastructure: As the direct result of big government investments the infrastructure is comparable to the more developed regions of Turkey. There are STOL airports in 7 of the 9 province and a new international airport under construction in Şanlıurfa with the largest cargo handling capacity in the country. A 6- lane highway is being built connecting Mersin export harbor, which is in 2-hour drive from the Region to Iraqi border. (Will be handy when the embargo is over) 2 free trade zones, 15 industrial zones and 37 industrial estates are operational.

The GAP Region enjoys special incentives in addition to the general incentives provided to investments in Turkey. The general incentives are generally tax brakes until the investment is exhausted and exemption from taxes, duties and customs charges for capital equipment imports. Special incentives for GAP Region include free land allocation, energy subsidies and reduction in social security payments.

These incentives and improved infrastructure as well as the stimulating effects of GAP has caused more than 100 % increase in the number of manufacturing units employing 10 or more people during the 5 year period between 1995-2000, according to a survey conducted by GAP-GİDEM (Entrepreneur Support and Guidance Centres) in 4 major provinces of the Region.

The investments were largely made by local investors with a few from other regions of Turkey and only 3 with foreign capital. There is an ever-increasing interest on the part of potential investors from other regions and abroad and we expect this interest will evolve into concrete investments as the macro-economic indicators improve and the administrative barriers are eradicated.

GAP was recently awarded the Millennium Award by the International Water Resources Association in recognition of its exemplary work toward implementing modern concepts of water management, environmental conservation and women's participation. We are proud of this honor and intend to work even harder toward our goals in this next decade.

As we learn from our experience and continue to interact with a wide range of stakeholders, at the local level, as well as at the international level, we can hope to bring even more effective, more equitable, and more sustainable ways of bringing prosperity to the GAP Region and to Turkey.

¹ United Nations Development Program. 2000. *Human Development Report 2000*. New York: Oxford University Press., p. 4

² Cosgrove, William & Rijsberman, Frank. 2000. *World Water Vision: making water everybody's business*. World Water Council, p. 9.

³ERDOGAN,G. (1997), "Yoksullugun Neresindeyiz?", Ekonomik Forum, 15 Nisan 1997,4:4;26-28