# Turkey

## *Key facts and issues*

Turkey is a unitary country with a population of 77.5 million. Subnational governments are responsible for 10.7% of public expenditures, ranking Turkey the 3rd the most centralised country in the OECD with regards to spending. Around 33% of Turkey's population live in predominantly urban regions, ranking Turkey the 13th least urbanised country in the OECD. With 1.9 municipalities per 100 000 inhabitants, Turkey is the 7th least administratively fragmented country in the OECD.

Turkey's GDP per capita, of about USD 19 900, is less than 50% of the OECD average, ranking Turkey 33rd among OECD countries. Inter-regional disparities in terms of GDP per capita were the 5th highest in the OECD, as measured by the Gini index across small (TL3) regions. Those gaps decreased between 2000 and 2013. Turkey has the widest inter-regional variations in the OECD in terms of regional economic structures (e.g., share in industry, share in the primary sector). The population of Turkey is the 2nd youngest in the OECD. The country also has the 2nd lowest elderly dependency rate. However, its youth experience the 2nd largest inter-regional disparities in youth unemployment rates and a high share of NEET (youth neither in employment, education or training) as well as inter-regional gaps for NEETs. Turkey performs well below the average in employment gender equality: its best-performing region has a 50% higher gender gap in the labour force participation rate than the OECD average, and the worst performing region has almost a three times bigger gap.

**Turkey: regional, urban and rural development policies**

| Policy Area | Enabling Document, Strategy, or Framework | Strategic Objectives and Means | Lead Ministry, Agency or Committee |
|---|---|---|---|
| Regional | Tenth National Development Plan (2014-18) | Focus on competiveness, through infrastructure (basic, transportation and research-oriented) and coherence between spatial and socio-economic policies | Ministry of Development |
| Urban | Urban Development Strategy and Action Plan (2010-2023) | Spatial planning, quality of life and economic development through urban positioning and attracting FDI; social development through housing and upgrading of informal housing | Ministry of Environment and Urbanisation |
| Rural | National Rural Development Strategy (2014) | Diversification of rural economies, social services, infrastructure (ICT), statistics | Ministry of Food, Agriculture and Livestock |

## *General policy approach*

The Tenth National Development Plan (2014-18) establishes the medium-term priorities for regional policy. It states that regional development policy will contribute to national development, competitiveness and employment by increasing the productivity of regions, while addressing the basic objective of reducing regional and rural-urban disparities. The National Strategy for Regional Development (2014-2023) seeks to ensure national level co-ordination for regional development and competitiveness, strengthen the linkages between spatial and socio-economic development policies and establishes a general framework for sub-scale plans. Regional plans for the period of 2014-2023 for all 26 NUTS2 regions have been put together under the co-ordination of its national network of regional development agencies. The Supreme Regional Development Council (chaired by the Prime Minister) and the Regional Development Committee (technical counterpart) were created in 2012 to steer, co-ordinate, approve and evaluate regional development policy. The main policy tools are infrastructure related, or through the RDAs, business and investment promotion. The main axes of the Urban Development Strategy and Action Plan concern: i) restructuring the spatial planning system, ii) improving the quality of space and life in settlements, and iii) strengthening the economic and social structures of settlements. The National Rural Development Strategy prioritises the non-farm rural economy, rural grant supports, social services and poverty, innovative rural service delivery, ICT services, forest villages, place-based integrated rural development activities, rural area definition and rural statistics.

## *Recent policy changes*

- The National Strategy for Regional Development was approved in 2014 to improve co-ordination at the central level in terms of regional development and competitiveness, as well as to establish a general framework for the subsequent level plans and strategies. Regional Development Plans (2014-2023) for all 26 regions (NUTS2 level) were developed under the co-ordination of the RDAs.
- All regional administrations have drafted regional action plans which lay out specific projects as well as activities, responsible institutions and deadlines for actions, which were also approved by the Supreme Regional Development Council in 2014.
- In line with the Urban Development Strategy (KENTGES), policy is seeking to address several concerns, including rapid urbanisation and its impact on urban quality of life as well as the rising demand for real estate in metropolitan areas. There is also a policy trend to focus on urban regeneration, specifically towards sub-standard buildings, risk resilience and disaster mitigation.
- The number of municipalities has been reduced to improve efficiency, co-ordination and quality of services through economies of scale. The total number of municipalities was more than halved from 2 950 to 1 396 (2014). In parallel the number of metropolitan municipalities increased from 16 to 30 and their boundaries extended to match those of the associated province.
- The National Rural Development Strategy (2014-2020) was approved and the Rural Development Action Plan adopted in 2015. The Rural Development Committee was also established in 2012 to strengthen the governance of rural policy making, implementation and monitoring.

**Turkey: Main regional, urban and rural development policy tools**

| Policy Instrument | ✓ | Examples |
|---|---|---|
| Transport Infrastructure investments and systems of cities | ✓ | Construction of airports in locations, extension of speed train and motorway network and highway construction<br>*Urban*: National Intelligent Transport Systems Strategy (2014-2023) and National Transport and Communication Strategy (systems of cities)<br>*Rural*: Investment projects of Ministry of Transportation, Maritime Affairs and Communications |
| Other Infrastructure investments | ✓ | SUKAP launched in 2010 to finance municipalities facing difficulties in funding urgent drinking water and sewage projects. KÖYDES tries to eliminate continuing problems in the rural areas associated with drinking water and road construction. |
| Service delivery (subsidies for public services) | ✓ | Growth Pole Support Programme: primarily structured around culture tourism and recovering the historic fabric of cities as well as business and commercial development<br>*Rural*: Annual investment programme, policy reports and service delivery by line ministries |
| Business development/ innovation support | ✓ | Development agencies, KOSGEB (Small and Medium Enterprises Development Organization) and TÜBİTAK (The Scientific and Technological Research Council of Turkey) provide grant support to actors. In addition, Ministry of Science, Industry and Technology implements programme for technology development and university- industry co-operation, namely SANTEZ (Industry-Thesis) programme and Techno-Enterprise |
| Urban renewal | ✓ | |
| Urban form and land use | ✓ | *Rural*: Annual investment programme, land consolidation projects |
| Sustainability policies | ✓ | *Rural*: Annual investment programme, some agricultural supports (conditionally) and agricultural land preservation projects |
| Rural-urban linkages | ✓ | |
| Clusters/technology platforms/ centres of expertise | ✓ | Research Infrastructure Support Programme supports establishment of research centres |
| Special economic zones | ✓ | Organized industrial zones (OIZs) are built according to plans with required hard and soft-infrastructure for orderly and efficient industrialisation. The main tool is provision of ready-to-use, business-oriented infrastructure |
| Rural landscape preservation | ✓ | *Rural*: Annual investment program, pasture projects |
| Skills/training programmes | ✓ | İŞKUR regularly organizing vocational training programs at local level |
| Capacity building for subnational governments | ✓ | Institutional Capacity Improvement Programme listed among Priority Transformation Programmes of the Tenth Development Plan (2014-18)<br>*Urban*: Municipality Unions Metropolitan Municipality Act<br>*Rural*: Local administration budget, regional development projects, development agencies |

## Land, population and economy in rural and urban regions

### Share of country total

- ■ Predominantly rural remote
- ■ Predominantly rural close to a city
- ■ Intermediate
- ■ Predominantly urban

| | Surface area, 2014 | Population, 2014 | GDP, 2001 |
|---|---|---|---|
| Predominantly rural remote | 13% | 5% | 5% |
| Predominantly rural close to a city | 50% | 25% | 18% |
| Intermediate | 31% | 36% | 32% |
| Predominantly urban | 6% | 33% | 45% |
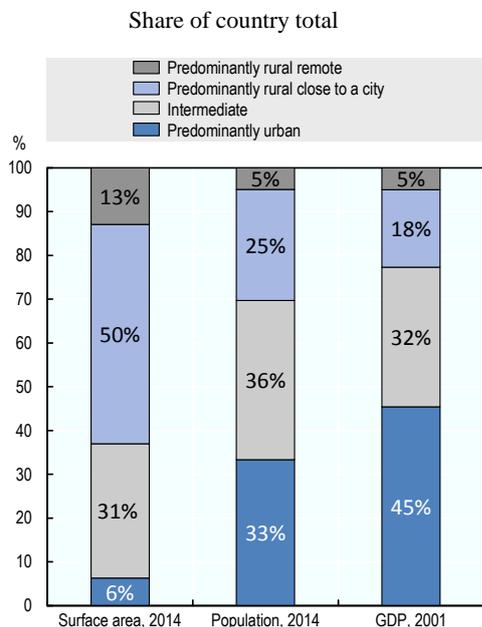
## Subnational government role in public finance

### Share of general government

- ■ Turkey, 2011
- □ OECD, 2014
- ◆ 2006

| | Expenditure | Staff expenditure | Public Procurement | Direct investment | Tax revenue | Debt(2014) |
|---|---|---|---|---|---|---|
| Turkey, 2011 | 10.7 | 10.7 | 22.3 | 35.9 | 2.6 | 8.0 |
| OECD, 2014 | 40.2 | 63.2 | 49.8 | 58.8 | 31.6 | 19.8 |
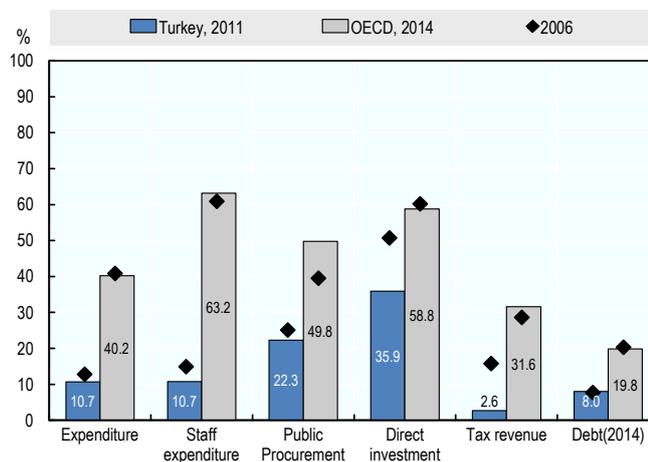
### Number of subnational governments

| Municipal level | Intermediary level | Regional or state level | Total |
|---|---|---|---|
| 1 397 | | 81 | 1 478 |

## Regional differences in GVA per capita levels, 2011



- Higher than 15 000
- Between 12 500 and 15 000
- Between 10 000 and 12 500
- Between 5000 and 10 000

This map is for illustrative purposes and is without prejudice to the status of or sovereignty over any territory covered by this map.

Source of administrative boundaries: National Statistical Offices and FAO Global Administrative Unit Layers

0      250 Kilometers
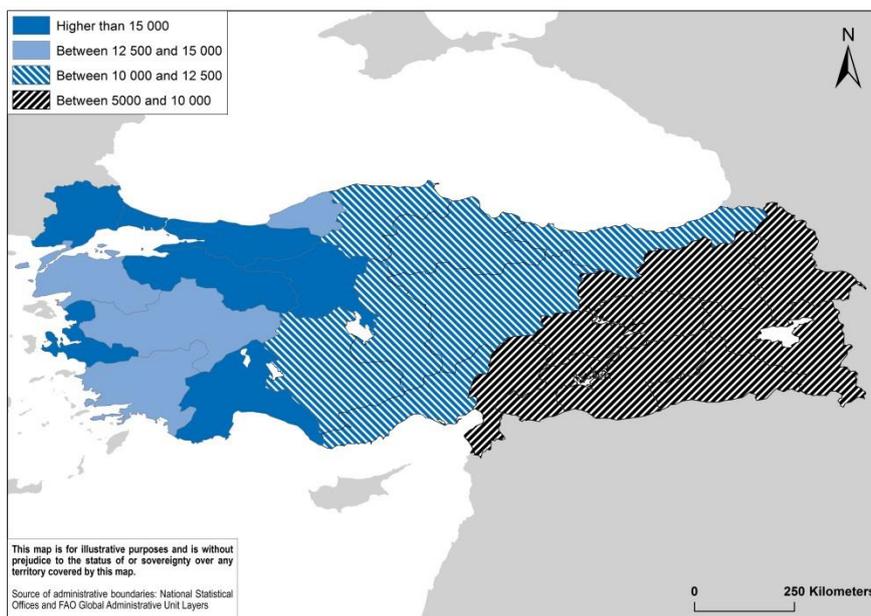
Note: GVA per capita in constant prices and constant USD PPP (base year 2010).

StatLink ⌦ *http://dx.doi.org/10.1787/888933420510*

## Inter-regional disparities (as a % of the country average)
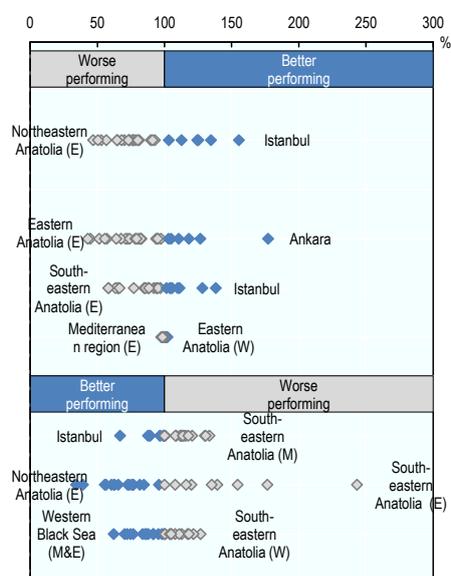


| Variable | Min. | Max. | Country Avg. | OECD Avg. | Disparities up or down since 2001 |
|---|---|---|---|---|---|
| GVA per worker (2011) | 22 065 | 73 218 | 47 092 | 71 568 | up (2009) |
| R&D expenditure as a % of GDP (2013) | n.a. | n.a. | 0.94 | 2.4 | n.a. |
| Share of labour force with tertiary education | 8.5 | 35.1 | 19.8 | 32.3 | down (2006) |
| Disposable household income | 6 444 | 15 292 | 11 056 | 34 866 | n.a. |
| Life expectancy (2013) | 75.2 | 78.7 | 77.0 | 80 | n.a. |
| | | | | | |
| Share of workforce with only primary education | 40.2 | 78.4 | 60 | 25.2 | up (2006) |
| Unemployment rate | 3.4 | 24.1 | 9.9 | 7.3 | up (2004) |
| Gender gap in participation rate | -25.0 | -50.9 | -40.1 | -15.9 | down (2008) |

Note: Each diamond represents a TL2 region. Unless specified, all data are for 2014. Disparity is measured as the difference between the top and bottom region in the country.

## Productivity and catching-up trends among regions

Average annual labour productivity (GDP per worker) growth rate [diamonds] and
deviation from the growth rate of the country's productivity frontier [bars], 2000-2013
*See country page notes for classification of regions*

Data not available

Contribution to labour productivity growth, 2000-13

Percentage contribution to national GDP growth, 2000-13

Data not available

Data not available

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# Country page notes

## Main indicators

| | |
|---|---|
| OECD average | represents the weighted average of OECD country/region values for the given year or closest year available. |
| OECD Regional Well-being framework | considers a combination of individual characteristics and local conditions in eleven dimensions that shape people's material conditions (income, jobs and housing) and their quality of life (health, education, access to services, environment, safety, civic engagement and governance, community, and life satisfaction). |
| Gross domestic product (GDP); GDP per capita; and labour productivity (GDP per worker) | is the standard measure of the value of the production activity (goods and services) of resident producer units. Regional GDP is measured according to the definition of the System of National Accounts (SNA 2008). To make comparisons over time and across countries, it is expressed at constant prices (year 2010), using the OECD deflator and then it is converted into USD using purchasing power parities (PPPs). For regional labour productivity, GDP (gross value added for Turkey) is divided by the number of workers (at place of work) or, for GDP per capita, the number of residents. <br> For comparisons of current (per capita) GDP across countries, GDP for 2015 is converted to USD using PPPs for 2015. |
| Subnational government role in public finance | is mainly derived from the OECD National Accounts, harmonised according to the new standards of the System of National Accounts (SNA 2008), with the exception of Chile, Japan and Turkey, which are still under SNA 1993. General government includes four sub-sectors: central/federal government and related public entities; federated government ("states") and related public entities; local government i.e. regional and local governments and related public entities, and social security funds. Subnational governments are local (regional and local) governments and state governments (in countries with a federal or quasi-federal government system). |
| Gini index (regional income inequality) | The Gini index is a measure of inequality in terms of GDP per capita among all regions of a given country, with equal weight for each region. The index takes on values between 0 and 1, with zero interpreted as no disparity. |
| R&D expenditure | is the total gross domestic expenditure on research and development by the government, higher education, business, and private non-profit sectors. |
| Household disposable income and poverty rate | is the income generated directly from market transactions, adding all current transfers from the government, except social transfers in kind, and subtracting current transfers, such as income or regular wealth taxes and social contributions. It is expressed in USD Purchasing Power Parities (PPP) at constant prices (year 2010) and using a standard equivalised size for households across the OECD. Due to a lack of data, the indicator is expressed in per capita terms for the Czech Republic, Estonia, Hungary and New Zealand. The poverty rate is here taken as the percentage of people with disposable household income per capita of less than half the country median. |
| Participation rate, unemployment rate, youth unemployment and NEETs | The (labour force) participation rate is the ratio of the labour force (employed and unemployed) aged 15+ to the population (15+). The gender gap is the difference between the participation rates for women and men. Unemployed persons are defined as those who are without work, are available for work, and have taken active steps to find work in the last four weeks. The unemployment rate is defined as the ratio of unemployed persons to the labour force. Youth unemployment considers the unemployed and the labour force aged between 15 and 24. "NEETs" refers to 18-24 year-olds who are neither in employment nor in education and training (as a percentage of the population of 18-24 year-olds). |
| Primary and tertiary education | Primary education includes primary education, pre-primary education and lower secondary education (ISCED 0-2). Tertiary education includes both university qualifications and advanced professional programmes (ISCED 5-8). Shares are defined with respect to the labour force aged 15 and over. |
| Elderly | are those aged 65+. The elderly dependency rate is the ratio of the elderly to the working age population (15-64). |
| Air pollution | is the 1km² grid cell population weighted average of satellite-based estimates of small particulate matter (PM2.5). |
| Life expectancy | measures the number of years a newborn can expect to live, if death rates in each age group remain constant. |

## Typology of regions with respect to productivity

| | |
|---|---|
| Frontier | is the region leading its country in terms of labour productivity, measured by the real gross domestic product per employee. In some countries the leading region accounts for a small percentage of the total workforce. Where this is the case, the frontier is the weighted average of regions with the highest labour productivity levels accounting for 10% of the country's total employment. |
| Catching-up regions, diverging regions and regions keeping pace | is a classification of regions based on their labour productivity growth relative to the frontier. It is based on the growth in labour productivity between 2000 and 2013 (or closest year available). Regions where labour productivity grew/dropped by at least 5 percentage points more/less than in the frontier over the period are classified as catching-up/diverging regions (about 0.4 percentage points annually), with regions that are keeping pace falling within the +/- 5 percentage points band. |

## Typologies of regions with respect to population or other functions

| | |
|---|---|
| Regions (TL2 and TL3) | are classified by the OECD into two territorial levels that reflect the administrative organisation of countries. OECD's large regions (TL2) represent the first administrative tier of subnational government. OECD small (TL3) regions are contained within a TL2 region. Reference to the 20% richest/top or poorest/bottom regions, indicates the top/bottom-performing regions according to the indicator accounting for 20% of the (relevant) population. |
| TL3 typology (urban, intermediate, rural) | TL3 regions have been classified as: predominantly urban (PU), intermediate (IN) and predominantly rural (PR) based on the percentage of regional population living in rural communities, combined with the existence of urban centres where at least one-quarter of the regional population resides. The terms "urban", "intermediate" and "rural" refer to these categories. |
| Metropolitan area | is a functional urban area with 500 000 or more inhabitants defined by population density and commuting flows. |

Further details and information: OECD (2016) *OECD Regions at a Glance 2016,* http://dx.doi.org/10.1787/reg_glance-2016-en.