This project is co-financed by the
European Union and the Republic of Turkey

Boosting Regional Competitiveness in Turkey

Enhancing the Co-ordination between Central Institutions and Development Agencies

OECD
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REPUBLIC OF TURKEY
MINISTRY OF DEVELOPMENT

Boosting Regional Competitiveness in Turkey

Enhancing Co-ordination Between Central Institutions and Development Agencies: Horizontal and Vertical Co-ordination of Strategies

September 2016

Foreword

Regions play an increasingly important role in OECD economies. They are responsible for delivering policies that directly affect citizens' lives and the business environment. Accordingly, it is essential that policy makers and practitioners understand their economies and benchmark them with the most appropriate tools. The growing importance of regional and local policy makers also makes it ever more important to efficiently coordinate national and regional policies.

With wide disparities in the economic development of its regions Turkey is among the OECD countries now taking an active interest in regional development policies and regional competitiveness. In 2006, its Ministry of Development put in place 26 Development Agencies (DAs). Four years later they were fully operational. They carry out research, analysis and economic planning at the regional level, administer grant programmes directed at enterprises and educational institutions, and promote local investment through investment support offices (ISOs). The recently created RDAs are expected to deliver all-important regional economic development policies, while finding their place in the Turkish policy and institutional environment.

Against that background, the OECD conducted its project, Boosting Regional Competitiveness in Turkey, to improve regional and sectoral competitiveness policies and to make co-ordination between Development Agencies, the Ministry of Development and other relevant institutions more effective. The OECD implemented the 22-month project (from November 2014 to September 2016), co-financed by the European Union and Turkey, in close collaboration with the Ministry of Development.

Project activities included primary and secondary data collection and analysis, together with numerous missions, workshops and training courses covering all 26 regions of Turkey as well as in Ankara. In total, the project team was able to collect input from more than 600 participants. Project activities comprised four thematic components, plus a crucial capacity-building component that cut across all four. The four substantive components were:

- Component 1. Measuring, benchmarking and monitoring competitiveness in the regions through a tailored set of indicators.
- Component 2. Identifying dominant and dynamic sectors in the country's 26 NUTS II regions through a standardised framework.
- **Component 3. Enhancing Co-ordination Between Central Institutions and Development Agencies.**
- Component 4. Strengthening the spatial dimension in national sector competitiveness strategies.

In line with the project's four-component structure, its findings are examined in four thematic reports. This report deals with Component 3 and focuses on inter-institutional co-ordination during the design of national and subnational (i.e. regional) strategies. It is hoped that further analyses and policy discussions can build on the findings of this report and explore many other facets of the complex interaction between national and regional institutions and agencies in Turkey.

Acknowledgements

This publication was prepared by the South East Europe Division of the OECD Global Relations Secretariat based on work that it carried out in close collaboration with the Ministry of Development of Turkey.

The drafting of the report was led by Anastasia Kossov and overseen by the OECD Global Relations Editorial Board. Project work was conducted under the guidance of Marcos Bonturi, Director of Global Relations, OECD, and Marzena Kisielewska, Head of the South East Europe Division, OECD, and under the management of Clément Brenot. Renaud Delpech and Ali Fuad Turgut substantially contributed to data analysis and the drafting of the report. The project benefitted from the early guidance of Anthony O'Sullivan and Grégory Lecomte. The team is also obliged to Eda Bayrak, Véronique Quénéhen, Ken Kincaid and other colleagues who provided administrative and editorial assistance.

For their support and collaboration on the project, the South East Europe Division wishes to warmly thank the many officials, experts, and policy makers in Turkey who provided constant help and guidance. They include: Serkan Valandova, Mustafa Işık, Adnan Saygılı, Mustafa Erdem Kazaz, Nuri Barış Tartıcı, Salih Acar, Mustafa Caner Meydan, Feyzettin Yilmaz, Selcan Zorlu (Ministry of Development of Turkey), Emine Döğer, Gülseren Şeyda Cebe, Halime Aslı Yıldırım, Yasemin Karabaş (CFCU), and Mustafa Fazlıoğlu (EU Delegation to Turkey). Thanks also go to experts from the Ministry of Science, Industry and Technology and from Turkstat, Turkey's national statistics office.

The team is also grateful to all experts and practitioners who participated in the events, meetings, workshops and training courses, and who actively engaged in the discussions. We would especially like to thank the General Secretaries, Planning Department experts and Investment Support Office experts from the 26 Development Agencies. Special thanks go to Antonio Fanelli, Senior Advisor, OECD Global Relations, William Tompson, Head of the Eurasia Division, OECD Global Relations, Irène Hors, Head of the SPNI Division, OECD Global Relations, and Asees Ahuja, OECD Global Relations, for their comments and guidance. Colleagues from the Regional Development Policy Division of the Public Governance and Territorial Development Directorate and from the Support for Improvement in Governance and Management (SIGMA) Initiative also provided their comments and guidance.

The report benefitted from the financial support of the European Union and Turkey.

Table of contents

Executive Summary

OECD member and non-member countries increasingly acknowledge the need for effective socio-economic strategies as cornerstones of policy development. Clear and coherent national and regional strategies that reflect a whole-of-government[1] perspective can play a key role in boosting competitiveness, inclusiveness as well as innovation and ultimately have the potential to improve the living conditions of people. In the particular case of EU enlargement candidate and pre-candidate economies like Turkey and the Western Balkans, well coordinated strategies and overall strategic coherence contribute to laying the foundations for operating effectively within the European Union.

This report focuses on inter-institutional co-ordination during the design of national and regional (sub-national) strategies. Its three Chapters respectively reflect the key findings of the three phases of the project component 3 on Enhancing the Co-ordination Between Central Institutions and Development Agencies.

Chapter 1 takes stock of the coherence of Turkey's national and regional strategies and reviews the underlying co-ordination. It finds a number of prominent challenges in horizontal co-ordination (between ministries and other national bodies), including an excessive overall number of strategies ("inflation of strategies"), burdensome reporting obligations, and a vagueness of shared objectives between the ministries and other national bodies. The vast majority of national strategies do not provide clear links to budgets, estimated financing needs or sources of funding. Moreover, most national strategies currently do not feature a regional dimension.

As for vertical co-ordination (between the national and sub-national levels), the timeframe in which strategies are drafted makes it difficult for Development Agencies to fully align their development plans with certain national strategies. Several other co-ordination issues pertaining to asymmetries of information between national and regional stakeholders and institutional capacities of the Development Agencies also emerge. Going forward, an enhanced spatial dimension in national strategies is likely to require an even stronger inter-institutional co-ordination as to ensure that national and regional strategies are both adequately differentiated and coherent. In this regard, there is broad consensus among national and regional stakeholders that the Ministry of Development is in the most legitimate position to lead in horizontal and vertical co-ordination matters.

While the case of Turkey illustrates specific co-ordination challenges, it also exemplifies issues observed over recent years in the international arena. Chapter 2 therefore overviews international experience, focusing on a number of co-ordination mechanisms that are, or could be, relevant to Turkey. It emerges that there is no one-size-fits-all scheme for effective co-ordination and that each country needs to devise its own approach. In this respect, global policy debates on the need to overcome the so-called institutional "silos" (i.e. compartmentalised approaches to policy making) and ensure stakeholder engagement in an era of interconnectedness are gaining momentum. Turkey has demonstrated several good practices in the area of stakeholder engagement, including through recent efforts of the Ministry of Development and the Development Agencies.

The international experience shows a broad array of mechanisms and good practices. Yet, establishing and further enhancing effective co-ordination frameworks remains a complex endeavour and a continuous learning process for governments and their stakeholders. Accordingly, Chapter 3 focuses on Turkey's prospectively enhanced co-ordination framework. Recent debate among Turkish policy makers has centred on the need to better leverage the potential of the Supreme Regional Development Council (Minister-level council chaired by the Prime Minister) and its Regional Development Committee (Undersecretary-level body). In this respect, technician-level working parties could be formed to serve as genuine technical consultation platforms. If properly implemented, such working parties could provide valuable upward input to inform debate and decision making in the Supreme Regional Development Council and Regional Development Committee.

Furthermore, efforts to enhance Turkey's co-ordination framework include: *i)* ensuring that a coherent timeline is followed going forward, *ii)* improving the existing IT infrastructures for information sharing, *iii)* reaffirming the Ministry of Development's leading role in facilitating horizontal and vertical co-ordination, *iv)* enhancing the regional dimension in national strategies, *v)* ensuring a common nomenclature and consistent methodologies, *vi)* focusing on an effective monitoring and evaluation of national strategies and RDPs, and *vii)* reducing the overall number of strategies to a streamlined set.

The activities of this projects have in themselves contributed to achieving a better co-ordination. Under project component 3, national and regional stakeholders came together around the same objectives of exchanging views and exploring solutions to strengthen co-ordination processes. Moreover, several findings of this report were addressed further in project components 2 and 4. While the stock-taking Chapter of this report provides evidence that a common methodology for sectoral assessment is desireable, project component 2 precisely focuses on identifying dominant and dynamic sectors for economic development in the country's 26 NUTS II regions through a standardised framework. Building on component 3's findings to enhance the regional dimension in national strategies, the output of component 4 offers a 10-step methodology on how to strengthen the spatial dimension in national sector strategies related to manufacturing.

To support OECD member and non-member economies in different areas of enhancing their co-ordination frameworks the OECD has produced a number of instruments and toolkits. Their scope extends beyond this report. Of particular relevance in the area of regional development is the *Recommendation on Effective Public Investment across Levels of Government* and its *Implementation Toolkit*. The SIGMA Initiative of the OECD and the European Commission provides particularly relevant guidance on policy co-ordination to EU Accession countries, including through its *Principles of Public Administration*.

Introduction

Around the world, policy environments are increasingly characterised by vertical inter-dependencies between the national and regional levels, as well as by a growing need to co-ordinate horizontal relationships among myriad national stakeholders such as ministries, government agencies and bodies, as well as private sector representatives, among other (OECD 2015a).

At the same time, OECD member and non-member countries have increasingly come to acknowledge the need for clear socio-economic strategies as cornerstones of policy development. Clear and coherent national and regional strategies that reflect a whole-of-government perspective can play a key role in boosting competitiveness, inclusiveness as well as innovation and ultimately have the potential to improve the living conditions of the people. In the particular case of EU enlargement candidate and pre-candidate economies like Turkey and the Western Balkans, well coordinated strategies and overall strategic coherence contribute to laying the foundations for operating effectively within the European Union.

This report was prepared in the context of the Boosting Regional Competitiveness in Turkey Project and reflects the insights of the three phases of project component 3 on Enhancing the Co-ordination between Central Institutions and Development Agencies. Phase 1 of project component 3 featured a a stock-taking case study of the Turkish national and regional strategies landscape. During this first phase, the coherence of these strategies was reviewed in close co-operation with the Turkish Ministry of Development and the underlying horizontal and vertical inter-institutional co-ordination challenges were discussed in interactive workshops as well as in individual interviews.[2] Phase 2 looked at horizontal and vertical strategy co-ordination in the international context. It presented to project stakeholders the key co-ordination mechanisms used by OECD and non-OECD countries and the EU. The second phase also involved documenting some of the latest global policy issues, such as the need to break up institutional silos and engage stakeholders in an era of interconnectedness. As for Phase 3, it revolved around a survey and a workshop on the theme "Enhancing the Co-ordination of National and Regional Strategies in Turkey". Over 100 workshop participants[3] debated views on, and suggestions for, enhancing the Turkish co-ordination framework.

A particular feature of the Turkish policy landscape is the large number of national and regional strategies. It makes effective inter-institutional co-ordination especially important. As in several countries in today's complex world, there is a growing need to ensure that all the instruments in the orchestra are in tune.

Practitioners and experts from several South-East European economies regularly emphasise[4] that Turkey is an interesting case of great relevance in a number of policy areas, including co-ordination. As a matter of fact, many non-OECD countries look to Turkey as an OECD member country that is also an emerging market economy. Reviewing the case of Turkey, therefore, and looking into what does and does not work there may offer important lessons and inspiration beyond Turkey's frontiers.

This report focuses on the inter-institutional co-ordination during the design of national and regional (sub-national) strategies. More specifically, the report looks into horizontal co-ordination at the national level (i.e. between ministries and other national bodies) and at vertical co-ordination (i.e. between the national and sub-national levels). In this report, the term "strategy" refers to documents with broad objectives which generally cut across several policy areas and cover a medium-term horizon. The aims of the strategies can only be achieved if several policies, programmes and pieces of legislation are developed, approved and implemented. Without effective co-ordination and relevant policy development, the fate of strategy documents is to remain mere statements of good intentions or wish lists of isolated players.

The very concept of "coherence of strategies" implies a unified whole (OECD, 2012) – i.e. a consistent strategic framework free of contradictions, duplication and overlaps. Co-ordination, at the most abstract and general level, is defined as "the act of making parts of something, groups of people, etc. work together in an efficient and organised way".[5] Co-ordination is a process rather than an outcome (OECD, 2004) that does not just happen by itself, but requires active management. Co-ordination between institutions calls for clear leadership and shared objectives. It incorporates multiple and diverse components and stakeholders as part of its objective of obtaining harmonious, effective results. In the context of strategy development, effective co-ordination entails striving for optimal, coherent strategies through openness, information sharing and genuine co-operation.

The benefits of improving both the substantive coherence of strategies and the institutional co-ordination that underlies it are manifold – ranging from more effective policy implementation to more inclusive policy making. On the one hand, strategies need to be coherent with each other so as to create policies that are efficient in substance and in law and consistent enough to be sustainably implemented. On the other hand, they should be aligned with the government's overall priorities. Polices that are effective and may be consistently implemented can, in turn, strengthen trust in government. As most strategic and policy issues cut across stakeholder domains, including and coordinating different perspectives is fundamental at the early stage of strategy design. By the same token, the risks of neglecting inter-institutional co-ordination between institutions generally imply adverse impacts on the coherence of strategies. If adequate co-ordination is absent, strategic documents can become misaligned, contradictory or lack stakeholder support. With such an impaired strategic framework in place, effective policies are unlikely to be implemented.

While this report specifically centres on inter-institutional co-ordination when designing strategies, it also presents in its annex the broader OECD instruments and toolkits, which OECD member and non-member countries can use to enhance horizontal and vertical co-ordination. The SIGMA Initiative of the OECD and the European Commission provides particularly relevant guidance on policy co-ordination to EU Accession countries. Central to SIGMA's work for improved public governance are *The Principles of Public Administration*,[6] which were developed in 2014. These Principles build on the *European Principles for Public Administration* (1999), SIGMA's first document that outlined the standards to follow by candidate countries to the European Union. They include, among other, key principles with which the Western Balkan economies and Turkey are expected to comply to enhance horizontal and vertical co-ordination in a broader sense.[7] In 2015, SIGMA conducted its first comprehensive assessment of the EU Enlargement countries against the Principles. Other relevant OECD instruments and toolkits presented pertain to the work of the OECD Regional Development Policy Committee (RDPC). [8] In 2014, *the OECD Recommendation on Effective Public Investment across Levels of Government* was adopted by the OECD Council. It is the first and only OECD instrument in the area of regional policy and multi-level governance. In order to facilitate the understanding and the application of the Principles set out in the *OECD Recommendation*, a supporting implementation toolkit with indicators and good practices was developed and can be used by national and sub-national practitioners around the world.[9]

Reflecting the three phases of the Boosting Regional Competitiveness in Turkey Project - Component 3, this report is organised in three main Chapters. Chapter 1 is a stock-taking case study on the coherence and co-ordination of Turkey's national and regional strategies. Chapter 2 provides an overview of international context, focusing on a descriptive overview of co-ordination mechanisms and recent debates such as overcoming the "silo approach" and ensuring stakeholder engagement. Chapter 3 focuses on enhancing the co-ordination of national and regional strategies.

Chapter 1

The case of Turkey

The aim of the stocktaking case study presented here is to review the coherence of priority sectors identified in Turkey's national strategies[10] and 26 Regional Development Plans (RDPs), as well as to assess the corresponding co-ordination practices and challenges. The case study is based on a review of a wide spectrum of Turkey's national and regional strategies, the proceedings of a workshop on co-ordination challenges held in Ankara in May 2015 as well as individual face-to-face and telephone interviews with national and regional stakeholders. Comments of senior representatives of all ministries which have developed a strategy as well as of all 26 Regional Development Agencies (DAs) were taken into account.

The evidence-based review for coherence of priority sectors serves as a proxy to explore the substantive coherence of the strategies as well as issues pertaining to the underlying co-ordination between institutions. In Turkey, most national strategies as well as the 26 RDPs developed by the NUTS II[11] DAs[12] feature prioritisations of economic sectors. Such sectors can be for instance (among many others): agriculture, tourism, industrial sectors such as textile or machinery as well as more concentrated sectors such as medical devices. Ensuring priority sector coherence and an effective institutional co-ordination thereof, albeit not new, is a complex challenge.

The case study consists of two Chapters. Chapter 1 focuses on the national strategies and identifies horizontal co-ordination issues. Chapter 2 reviews the RDPs of Turkey's 26 NUTS II regions and presents vertical co-ordination challenges.

Turkey is a particularly interesting case with regard to policy co-ordination. The country has a long-standing tradition of national planning. While its first medium-term industrial plans date back to the state-guided industrialisation efforts of the 1930s, the 1961 Constitution[13] of the Turkish Republic formally enshrined social and economic planning as a duty of the state, and the State Planning Organisation (SPO)[14] issued the country's First Five-Year Development Plan – from 1963 to 1967. The Development Plans, which are approved by the Parliament (Grand National Assembly of Turkey), thus constitute the highest socio-economic master plans of the country since the 1960s. Accordingly, coherence and co-ordination between the various institutions as well as their strategy documents and policies are expected to be constantly revised and harmonised with respect to the goals of the Development Plan in force. It should also be noted that Turkey was one of the first countries in the world to consider regional planning.

Turkish law does, in a sense, enshrine overall policy coherence and horizontal co-ordination. Article 9 of Law No. 5018 on Public Financial Management and Control states: "Public administrations shall prepare strategic plans in a cooperative manner[15] in order to form missions and visions for the future within the framework of development plans, programmes, relevant legislation and basic principles adopted."

The High Planning Council assists the Council of Ministers in determining economic and social policy goals as well as in assessing whether suggested plans, strategies and programmes are in line with these goals and can thus be approved by the central government.[16] The High Planning Council is chaired by the Prime Minister and is composed of five Ministers and two Deputy Prime Ministers. The Ministry of Development (MoD) performs the Secretariat role to the High Planning Council. Accordingly, the MoD is in a position to act as a natural leader of inter-ministerial co-ordination efforts.

1.1. Review of Turkey's national strategies

Substantive coherence of strategies and a sound co-ordination between institutions matter equally at a national horizontal level (i.e. between ministries and other national bodies) and at the vertical level (i.e. between the national and sub-national levels). However, the particularity of national horizontal level is that it can constitute a prerequisite (OECD, 2010a) for efficient vertical co-ordination. Horizontal co-ordination has emerged as a key challenge for achieving national objectives and for ensuring a clear strategic framework for sub-national stakeholders.

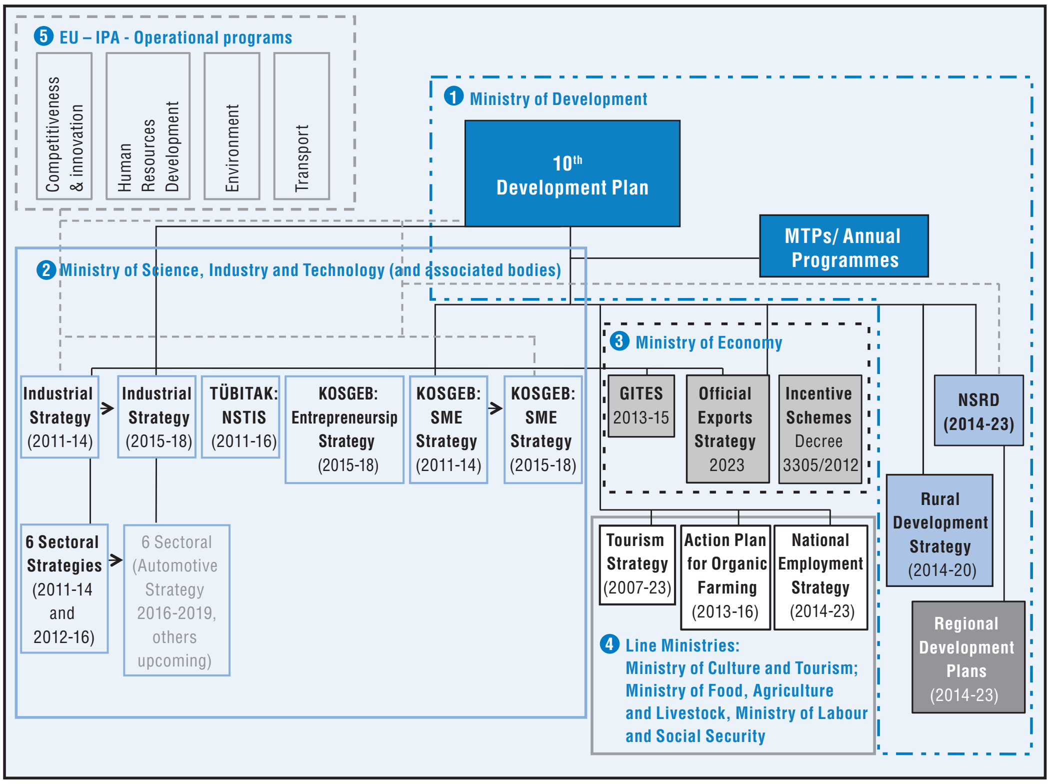
Therefore, with regard to regional development policies, ministries and other national bodies are collectively challenged to co-ordinate and to work together. In the light of a growing recognition of interdependencies and interactions between different policy areas, priorities need to be coherent and national-level policy makers need to co-ordinate their strategies in the early stages of development.

As the strategic framework is expected to form the basis for policy making in a given jurisdiction, the challenge is to strive for a situation where all national-level strategy documents are fully aligned with each other and can therefore guide the policy process clearly. Practical experience from all over the world, however, shows that such alignment and guidance are never fully achieved (OECD, 2010).

1.1.1. Mapping key national strategies

Mapping Turkey's key national strategies reveals a complex framework with a large number of multi-annual strategy documents that differ in size, style, content and length (Figure 1).[17] Overall, three ministries have the lead on the main national strategies. These ministries include the 1) the MoD, 2) the MoSIT and its associated bodies KOSGEB (Small and Medium Enterprises Development Organisation) and TÜBITAK (Scientific and Technological Research Council of Turkey) as well as 3) the Ministry of Economy. Other line ministries drive specific national strategies, in particular 4) the Ministry of Culture and Tourism, the Ministry of Food, Agriculture and Livestock as well as the Ministry of Labour and Social Security. Finally, 5) the EU-IPA Operational Programs also impact the Turkish strategy landscape. The description of the mapped strategies highlights in particular the extent of their sectoral and spatial dimensions. The rest of this section on mapping national strategies reviews how they are aligned with each other.

Figure 1. **Mapping key national strategies**



Source: OECD analysis.

Strategies under the Ministry of Development

10th Development Plan

The 10th Development Plan (2014-18), adopted by Parliament on 1 July 2013, is Turkey's current master plan for socio-economic development. It is generally considered to be a roadmap towards the 2023 goals[18] announced by the government at the 2011 elections, with overall quantitative and qualitative objectives that fully reflect those goals.

As highlighted in its preamble, the Plan needs to be considered as a guide for public and private decision makers towards steady, sustainable and inclusive growth. The vision of the plan encompasses goals such as enhancing the current levels of welfare and human development for the citizens, fostering international competitiveness sustainably protecting the environment. The Plan, which extends over 220 pages, is therefore structured around three main chapters. Chapter 1 outlines current trends, Chapter 2 develops objectives (respectively under the development axes of *i)* Qualified individuals and strong society, *ii)* Innovative Production and stable high growth, *iii)* Livable places, sustainable environment, *iv)* International Co-operation for Development. Finally, Chapter 3 presents a number of actionable transformation programs.

The preparation of the 10th Development Plan was a highly inclusive effort. Overall, 66 working groups and commissions consulted some 10 000 stakeholders in total. DAs also contributed substantially to the development of the Plan. In its sectoral dimension, the plan sets out general objectives, mainly qualitative targets and policy measures for priority sectors – like renewable energy, agriculture, tourism and mining – and numerous industrial sectors, such as chemicals, food, textiles, furniture, ceramics, metals, electric and electronic goods, machinery, pharmaceuticals and medical equipment, automotive, shipbuilding, aerospace and defence. The Plan does not, however, establish any form of hierarchy among the numerous sectors.

A regional dimension is included in the 10th Development Plan under the third development axis. Historically, Turkey's five-year development plans are all concerned with both maximising national income and reducing inter-regional disparities. The 10th Development Plan thus foresees regional development policies actively contributing to national development, competitiveness and employment by increasing the productivity of regions. Priorities with regard to the regional dimension include: increasing the consistency and effectiveness of policies at the central level, creating a development environment based on local dynamics, enhancing institutional capacity at the local level and boosting rural development. Finally, the 10th Development Plan extensively references the National Strategy for Regional Development (NSRD).[19] It is significant that the priority sectors identified by the plan include both activities that tend to be more rural in character (particularly, space-intensive sectors like renewable energy, agriculture and mining) and industries that are more "naturally" urban, in the sense that they benefit strongly from agglomeration and cluster economies.

Medium-term programmes

Under the 10th Development Plan, three-year medium-term programmes (MTPs), such as MTPs 2014-16 and 2015-17, are rolled out annually by the MoD. The MTPs initiate the budget preparation process and are drawn up in accordance with the development plan's policies. Associated annual programmes spell out how to apply policies over the three years. The MTPs have neither a sectoral nor a regional dimension. They focus exclusively on high-level macro-economic objectives, such as increasing growth while reducing the current account deficit and meeting inflation targets. MTPs also provide a thorough overview of the international economic situation from Turkey's perspective.

National Strategy for Regional Development (2014-23)

The National Strategy for Regional Development (NSRD) 2014-23, adopted in late 2014, seeks to ensure national-level co-ordination in furtherance of regional development and competitiveness. The NSRD was elaborated in line with Turkey's EU accession negotiation process. It emphasises the importance of regional development for overall national development, endeavours to strengthen the linkages between spatial and socio-economic development policies, and seeks to put in place a general framework for subnational development plans. The 2014-23 RDPs for all 26 NUTS II regions were drawn up as part of the NSRD. Following a reportedly lengthy NSRD approval procedure, both the RDPs and the NSRD were adopted at the same date, while some RDP drafts were finalised before the final draft of the NSRD was published. Timely consultations with DAs during preparations of the NSRD and RDPs enabled an alignment of national and regional level policies to a great extent. The NSRD focuses exclusively on regional development and does not feature any sectoral dimension.

Rural Development Strategy

The Rural Development Strategy (2014-20) aims to enable rural populations to achieve sustainable living and working conditions, reduce rural-urban disparities and streamline existing rural policies. It was also drafted in the context of EU negotiation requirements. The Strategy is closely linked to the 10th Development Plan objective of achieving a better structure for rural policies. The Rural Development Strategy is an example of thorough horizontal co-ordination as under the leadership of the the Ministry of Food, Agriculture and Livestock, the process evidenced a significant commitment and contribution from the MoD. Other ministries such as the Ministry of Environment and Urban Planning, the Ministry of Interior, the Ministry of Finance, the Undersecretariat of Treasury, Turkstat and several other national bodies were strongly engaged.

The Rural Development Strategy refers to the NUTS III province level rather than to the NUTS II regions level. Nevertheless a brief reference to the DAs and their support in implementation is provided. As to the sectoral dimension, the Strategy gives information on agriculture and renewable energy.

Strategies under the Ministry of Science, Industry and Technology and its associated bodies

Industrial Strategy Document

The Industrial Strategy Document (2011-14) was published in the Official Gazette in January 2011. Its overarching vision is for Turkey to "become the production base of Eurasia for medium and high-tech products". The objectives revolve around increasing the competitiveness and efficiency of the industry, increasing Turkey's share in global exports, focusing on high-tech and high value added products while striving towards good standards in skills-related and environmental matters. The Strategy also focuses on specific policies as well as implementation and monitoring mechanisms. The new 2015-18 Industrial Strategy Document was published in the Official Gazette in June 2015. Its overarching vision and the overall objectives for Turkey remain identical with those of the previous edition.

The Strategy is evidence-based and identifies several priority sectors, such as: automotive, machinery (including white goods), electrics and electronics, textile, food processing, iron and steel. Sector prioritisation is mainly based on the current weight of these sectors in the Turkish economy. There is no regional dimension in this strategy. The original impulse for the Industrial Strategy Document 2011-14 emanated from EU accession requirements. The 2015-2018 Industrial Strategy Document also does not feature a regional dimension. Nevertheless it underlines the importance of regional development and briefly states some overarching measures for regions in the action plan.

Eight separate sectoral strategy documents 2011-14 and 2012-16

Under the abovementioned Industrial Strategy Document (2011-14), specific Committees of the MoSIT devised eight separate documents which cover different timelines. These strategies are: the *i)* Automotive Sector Strategy (2016-19), *ii)* Machinery Sector Strategy (2011-14), *iii)* Iron and Steel Sector Strategy (2012-16), *iv)* Electrics and Electronics Sector Strategy (2012-16), *v)* Ceramics Sector Strategy (2012-16) and *vi)* Chemicals Sector Strategy (2012-16), *vii)* Pharmaceutical Sector Strategy (2015-18) and *viii)* Textile, Apparel and Leather Products Sectors Strategy (2015-18). Each strategy also has its own monitoring committee.

All of these sectoral strategies are very similarly structured. They provide quantitative evidence and use some analytical tools. They attempt both to upgrade and to deepen the respective sectors. However, none of these strategies feature a regional dimension. Overall, the key objectives of the sectoral strategies are aligned and revolve around: focusing on high-tech as well as value added segment in particular, fostering branding and industrial competitiveness, increasing the share of domestic input supply and Turkey's export share in global markets. While there is a mentioning of inclusive consultations, it is not fully disclosed to what extent other ministries were consulted.

SME Strategy by KOSGEB

The Turkish SME Strategy and action plan was initially prepared in 2003 in the context of EU negotiation requirements to cover the period 2007-09 and then 2011-w. However, in order to duly complete ongoing action plans and programmes the duration of the strategy was formally extended by the SMEs Strategy Guidance Committee by one year, i.e. until 2014. The objective of this Strategy is to improve the business climate and market conditions for SMEs to contribute to their growth, development and competitiveness. The strategy is highly evidence-based, but does not have any regional dimension. While some data by sector is provided in the first part of the Strategy which focuses on the analysis of the current situation, there is no sectoral dimension in the core text of the strategy.

The 2015-18 revised SME Strategy denotes an enhanced focus on the role of Turkish SMEs in an international context as well as on their competitiveness in global markets. For both the 2011-14 Strategy and the revised one, inclusive consultations and co-ordination with other ministries and bodies have been carried out given the highly interdisciplinary nature of SME policies.

National Science, Technology and Innovation Strategy

The National Science, Technology and Innovation Strategy (2011-2016) aims to contribute to new knowledge and develop innovative technologies by R&D in order to improve the quality of life by supporting innovative products, processes, and services for the benefit of the SMEs and the economy in general. For this purpose, the strategy proposes nine main strategic directions to encourage co-operation, R&D, innovation as to strengthen the overall know-how level.

The strategy was prepared in 2010 by TÜBITAK, which performs a secretariat role for Turkey's highest Science, Technology and Innovation policy making body, the Supreme Council for Science and Technology (SCST) chaired by the Prime minister. SCST formally approved the NSTIS. The strategy is the continuity of a previous innovation strategy which covered the 2005-2012 period. There is no regional dimension in the strategy. The strategy does not have a sectoral dimension *per se* but it identifies a number of strong sectors such as automotive, machinery, information and communication, pharmaceuticals, defence, space, energy, water, food and health.

Competitiveness and Innovation Sectoral Operational Programme

EU IPA Sectoral Operational Programmes strongly influence the Turkish policy agenda. In particular, the Competitiveness and Innovation Sectoral Operational Programme under IPA II is relevant for the scope of analysis of this report. This Operational Programme was drafted by the MoSIT due to its competence in accordance with the Council Regulation on the Instrument for Pre-Accession Assistance. Accordingly, the MoSIT is the responsible lead institution for the preparation and the implementation of this Programme. In essence, the Programme sets out the priorities for EU financial assistance to support Turkey on its path to EU accession, and it is highly relevant for the Turkish economy. The overall objective of this Operational Programme is to increase the competitiveness, improve the business environment and strengthen research, technological development and innovation. There is no regional dimension in this strategy document, however it is worth emphasising that an "IPA Regional Competitiveness Operational Programme" was recently adopted in order to increase the competitiveness of Turkey's poorest regions by supporting businesses.

The IPA Competitiveness and Innovation Sector Operational Programme strives to achieve four main results, namely: *i)* improve functioning of the business sector, especially for SMEs and entrepreneurs; *ii)* improve access to finance for SMEs; *iii)* increase clustering, networking and SME internationalisation and *iv)* increase quality and quantity of public and private research and innovation in support of economic development.

Strategies under the Ministry of Economy

Official Exports Strategy 2023

The Official Exports Strategy 2023 was initiated by the Ministry of Economy and the Turkish Exporters Assembly (TIM) in 2009 and published in the Official Gazette in 2012. The Official Strategy reflects the top-down governmental targets of achieving export volumes of USD 500bn by 2023, implying an increase of 12% p.a. through the centenary anniversary of the Turkish Republic. Moreover a 80% exports-to-imports ratio is targeted for 2023. The strategy itself does not have a sectoral dimension, but it insists on shifting overall production from low end sectors to high value added and high tech segments. The Official Export Strategy does not have a regional dimension either.

The Official Export Strategy 2023 needs, however, to be considered in conjunction with the Sectoral Supplement prepared by the TIM in 2009-10 in collaboration with the Ministry of Economy. Overall, the document covers 24 sectors and explains why they were chosen. The Sectoral Supplement to the Official Exports Strategy 2023 does not incorporate a regional dimension.

Input Supply Strategy and Action Plan

The Input Supply Strategy and Action Plan (GITES 2013-15) aims to limit the dependence of domestic production on imported products while providing adequate solutions to secure an effective input supply chain. The strategy is rather implementation focused, with a total of 31 horizontal and sectoral measures. The main challenge of the input supply strategy is to attempt to upgrade and deepen industrial sectors by encouraging the intermediary goods production, in particular for sector with high external dependencies. GITES was prepared by the Ministry of Economy as an activity aligned with the Industrial Strategy 2011-14. There is no regional dimension in the input supply strategy, however the strategy identifies and adopts measures for a number of prioritised sectors such as iron-steel and non-ferrous metals, automotive, machinery, chemicals, textile and agriculture.

Incentives Scheme of Decree N° 3305 of 15 June 2012

The current economic Incentives Scheme prepared by the Ministry of Economy and adopted as Decree N° 3305 on 15 June 2012. While it is not a strategic document comparable to the other national strategies presented in this report, it is an essential tool of strategic importance for regional development. The origins of the Incentives Scheme lie in the announcement of a comprehensive incentives package by then Prime Minister Recep Tayyip Erdogan on 5 April 2012. The declared objectives of the Incentives Scheme are to *i)* reduce the current account deficit, *ii)* boost investment in the least developed regions, *iii)* increase the efficiency of support instruments, *iv)* promote clustering activities and *v)* support high-tech investments to boost global competitiveness. Decree N° 3305 is thus composed of 4 different schemes: 1) the General Investment Incentives Scheme, 2) the Regional Investment Incentives Scheme, 3) the Large-scale Investment Incentives Scheme and finally 4) the Strategic Investment Incentives Scheme. The Scheme features a sectoral dimension in its annex and is based on a regional logic. The incentives include, among others, VAT exemption, income tax deduction, customs duty exemption, and potential land support. The degree of the incentives varies depending on the development level of the respective NUTS III (province-level) based on the Socio-Economic Development Index (SEDI) of the province. The incentives are higher for the least developed provinces which rank SEDI 6 than for highly developed areas that rank SEDI 1 such as Istanbul, Ankara or Izmir.

On 2 April 2015, the Prime Minister declared that a new "employment, industrial investment and production support package" will be implemented in order to achieve the macro-economic MTP 2015-17 target such as a GDP growth of 4%. It is also worth highlighting that certain measures of the upcoming package will update the regional incentives of the current Scheme 3305/2015 in a sense that most incentives will be increased and the developed regions ranking SEDI 1 will have access to tax allowances for investors which they did not have before. This reflects well the new paradigm of regional development, which consists in boosting the competitiveness of all regions. At the time of writing of this report, the Ministry of Economy is working on the new Incentive Schemes.

Strategies under other line ministries

Action plan for organic agriculture

The Action Plan for Organic Agriculture 2013-2016 is designed to render the agricultural production processes more sustainable by a series of specific regulations. The strategy is drafted in a different way compared to other strategies. It is structured in two parts, where the first part is composed of general guidelines for organic agriculture, and the second part features two detailed decrees (2004/5262 and 2010/27676) on organic farming regulations and processes to follow for products and spatial dimension. The strategy was drafted on 2010 by the Alternative Agricultural Production Techniques Working Group under the authority of the Ministry of Food, Agriculture and Livestock. Strictly speaking, the strategy can be seen as a good practice document for investment in organic agriculture. There is no regional dimension. On a sectoral level, the strategy addresses agriculture but also the textile sector as it also focuses on cotton.

Strategy for Tourism

The Strategy for Tourism (2007-23) aims to keep the use of natural, cultural and geographic resources in a sustainable balance. The strategy is set out to enrich alternatives in tourism in order to increase employment, boost regional development and to rank among the top five tourism countries by 2023. The strategy is fairly action-oriented and has a regional dimension, it proposes roadmaps and implementation measures depending on regional characteristics. Beside currently established tourism sub-sectors, the strategy fosters forward looking sub-sectors like, health and thermal tourism, winter tourism, golf tourism, sea tourism, eco-tourism as well as convention and exhibition tourism, in order to diversify the tourism sector and achieve all year round tourism. The strategy was drafted by the Ministry of Culture and Tourism, and was approved in 2007 by the High Planning Council. The Tourism Strategy is the most referred strategy by the RDPs after the 10th Development Plan and the NSRD. In all RDPs, tourism sections are in line with measures and development policies that the National Tourism Strategy intends to implement.

National Employment Strategy

The National Employment Strategy 2014-2023 is designed to diagnose problems in the labour market and to propose solutions and measures to address structural problems and to create high-quality jobs in medium and long-term. The Ministry of Labour and Social Security is the responsible body for the preparation process which has started in 2009. The Strategy was approved by the High Planning Council three years later, in 2014. There is no regional dimension in the National Employment Strategy. While the Strategy adopts a sectoral lens and focuses in particular on labour intensive sectors as well as sectors with high growth potential, it does not explicitly identify any priority sector.

1.1.2. Horizontal coherence: links between strategies and sectoral priorities at the national level

Despite a general alignment on the substantive level of the strategic framework with the high-level Development Plans, it is nevertheless worth noting that only six strategic documents refer to the 10th Development Plan (see Table 1 for cross-references provided in the strategic documents). Strategy documents which were enacted before the adoption of the 10th Development Plan in July 2013 do not directly refer to the latter but rather to its predecessor, the 9th Development Plan of Turkey.

While there are no major misalignments or contradictions of priorities and substantive policies at the national level, the nature of the links between the strategies can be different. Some links are very brief cross-references while other links are made of well-augmented explanations. If a strategy cross-references another (Table 1), the established link is not necessarily explained in great detail. Likewise, the absence of cross-references does not imply that the respective strategies do not have anything in common. For instance, while NSTIS does not provide any cross-reference, it shares several substantive considerations of a number of strategies, including the 10th Development Plan.

A review of the links between national strategies indicates that all were drafted with reference to the goals outlined in a development plan. Policies outlined in the strategic documents drafted after 2013 are thus aligned with the 10th Development Plan, while those drawn up before then are in accordance with the 9th Development Plan. Indeed, the coherence and continuity between the 9th and 10th Development Plans ensure that the currently valid strategic documents drafted pre-2013 fit with the 10th Development Plan. And while two strategies – the NSTIS and the 2012 Incentives Scheme – do not explicitly reference either development plan, all their underlying policies and measures for fostering innovation and investment are fully in line with the 9th Development Plan.

Table 1. **Existing links between national strategies**

Strategies	9th DP	10th DP	NSRD 2014-2023	Rural Strategy	Industrial Strategy 2011-14	Automotive	Steel-Iron	Electric-Electronics	Machinery	Ceramics	Chemicals	NSTIS 2011-2016	SME 2011-2013	Export Strategy 2023	GITES 2013-2015	Incentives 3305/2012	Tourism Strategy	Action Plan for Organic agriculture 2013-2016	National Employment 2014-2023	IPA – Competitiveness and Innovation	IPA - Human resources	IPA - Environment	IPA - Transportation
10th DP		/																					
NSRD		X	/	X	X							X	X		X		X						
Rural Strategy		X	X	/																			
Industrial Strategy	X				/	X	X	X	X	X	X												
Automotive	X				X	/										X							
Steel-Iron	X				X		/									X							
Electric-Electronics	X				X			/															
Machinery	X				X				/														
Ceramics	X				X					/						X							
Chemicals	X				X						/												
NSTIS												N/A											
SME	X				X								/										
Export Strategy	X				X									/	X								
GITES	X				X							X		X	/								
Tourism Strategy 2023	X																/						
Action Plan for Organic agriculture	X																	/					
National Employment	X	X															X		/				
Incentives 3305/2012												N/A											
Tourism Strategy 2023	X																		/				
Action Plan for Organic Agriculture	X																			/			
National Employment	X	X																	X		/		
EU - IPA Competitiveness and Innovation		X	X		X							X	X							/			

Source: OECD analysis.

Workshop participants and interviewees explain that all strategies have benefitted from (more or less) inclusive consultation processes which contributed to an overall coherence of the strategic documents. Simultaneously, they highlighted that more thorough consultations at earlier stages of the drafting of the strategies could have resulted in a better overall alignment as well as a reduced number of national strategies through joint initiatives.

There are several examples of well-aligned national strategies, as evidenced by the extensive cross-referencing between and overall coherence of visions and policies. Strategies steered by the MoD – i.e. the MTPs, the NSRD and the Rural Development Strategy – are well aligned with each other and with the 10th Development Plan.

Table 2. **Priority sectors identified in national strategies**

Document	Agriculture	Food	Tourism	Textile	Chemicals	Pharmaceuticals	Furniture	Mining	Metals	Electric-electronics	Medical equipment	Machinery	Renewables	Automotive	Shipbuilding	Other
10th DP	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	Defence, aerospace (concentrated)
Industrial Strategy 2011-14		X		X				X	X	X		X		X		Sub-sector: White goods
Industrial Strategy 2016-19	N/A															
Sector (6) Strategies					X				X	X		X		X		Ceramics
Export Strategy 2023	N/A															
Export Strategy (TIM)	X			X	X	X		X	X	X	X	X		X	X	
NSTIS 2011-2016		X**				X						X	X**	X		IT, defence space
Tourism Strategy 2023			X													
Rural Strategy 2014-2023	X**	X**											X**			
NSRD 2014-2023	N/A															
GITES 2013-2015	X			X	X			X				X		X		
SME 2011-2013	N/A															
SME 2015-2018	N/A															
Incentives 2012			X			X		X					X	X		Defence, aerospace, manufacturing products
Organic Farming	X**			X**												
Employment Strategy 2014-2023	N/A															

Source: OECD analysis

Sector-based and regional alignment still needs to be considered. Although most of the national strategies reviewed do identify priority sectors (Table 2), MTPs, the NSRD, the SME Strategy and the Employment Strategy take a holistic approach and do not single out any special sectors as priorities.

Overall, priority sectors in national strategies are coherent, and those prioritised in the 10th Development Plan are also considered high priority across the rest of the national strategic framework. However, some sectors, such as machinery and the automotive industry, are addressed in several national strategies, while others are less widely referenced (Table 3).

Table 3. **The coverage of sectors in national strategies**

Sector	Occurrence in analysed strategies
Automotive, Machinery	> 40%
Agriculture, Textile, Mining, Food, Chemicals, Pharmaceuticals, Metals, Electric-electronics, Renewables	25-30%
Tourism	< 20%
Defence	
Medical equipment	
Shipbuilding	
Furniture	

Source: OECD analysis

The links between the Electric Electronic Sectoral Strategy, the Iron and Steel Sectoral Strategy and the NSTIS (all under the same ministry) suggest that there is actually scope for further improving co-ordination and strengthening cross-references. Although the Electric Electronic Sectoral Strategy dwells on the importance of producing certain iron products, the Iron and Steel Sectoral Strategy does not mention these products at all. Likewise, the Electric Electronic Sectoral Strategy, in its very vision, declares the central role of R&D and innovation in this sector. The NSTIS, however, does not include the electric and electronic sector as a priority and does not provide any measures directly mentioning the electric and electronic sector.

Finally, within the scope of the strategies owned by the MoSIT, a number of repetitive measures raise the question of whether a large number of strategic documents are really needed to convey identical or similar messages or whether a single comprehensive strategy would have been more efficient and indicate more solid co-ordination. Measures for enhancing R&D in SMEs are nearly identical in the Industrial Strategy Document (see sub-measure N° 31), the NSTIS and the KOSGEB's SME Strategy (Strategy N°4). While repetitive measures *per se* suggest alignment, an optimal co-ordination generally aims at reducing repetitions. It is worth highlighting that most overlaps are to be found in the area of SME-related strategies and policies.

Some inconsistencies can be identified in the form of simimilar or identical measures set out to be implemented over different timeframes in their respective action plans. This is, for instance, the case with export targets as identical measures are set out to be achieved: *i)* over the period 2012-2015 in the Export Strategy, *ii)* over the period 2011-2014 in the Industrial Strategy and *iii)* until the end of 2013 as under the SME Strategy.

With regard to the denomination of economic sectors, it is striking that there is no common nomenclature as between ministries and other national bodies. For instance, there are 17 sectors prioritised in the 10th Development Plan, while TIM refers to 24 sectors for its Export Strategy. Nevertheless, some of the 24 sectors do not constitute standalone sectors (but rather sector segments) as per the definition of the 10th Development Plan. Accordingly, using the same definitions as in the 10th Development Plan, the sectors prioritised by TIM would add up to only 11 sectors in total.

Evidence from the review of Turkey's national strategies illustrates that the regional dimension is only addressed by a minority of national strategies (Table 4). For the purposes of this report, the regional dimension incorporates: *i)* brief references to policy impacts and perspectives of the NUTS II regions or NUTS III provinces as well as *ii)* deeper analyses of regional (NUTS II or NUTS III) policy implications of the respective national strategies which can include, for instance, region-specific proposals and/or breaking down of national targets. Workshop participants and interviewees underlined that this is particularly surprising in the light of Turkey's longstanding tradition of including a regional development component into its five-year Development Plans and its overall endeavours to develop the potential of all of its regions to the fullest.

Table 4. **Regional dimension in national strategies**

National Strategy	Regional dimension
10th DP	Limited regional dimension
Industrial Strategy 2011-14	Limited regional dimension
Industrial Strategy 2016-19	No regional dimension
Sector (6) Strategies	No regional dimension
Export Strategy 2023	No regional dimension
NSTIS 2011-2016	No regional dimension
Tourism Strategy 2023	Strong regional dimension
Rural Strategy 2014-2023	No regional dimension
NSRD 2014-2023	Regional dimension is the main feature
GITES 2013-2015	No regional dimension
SME 2011-2013	No regional dimension
SME 2015-2018	No regional dimension
Incentives 2012	Regional dimension is the main feature
Organic Farming 2013-2016	No regional dimension
Employment Strategy 2014-2023	No regional dimension

Source: OECD analysis.

1.1.3. Horizontal co-ordination challenges

While there is a fair degree of coherence between national strategies, Turkish stakeholders generally concur that properly addressing a number of salient co-ordination issues would further improve the strategic framework. Evidence of the stock taking exercise, workshop participants[20] and interviewees jointly point to the following horizontal co-ordination issues.

The regional dimension, as defined in the previous section, needs to be better reflected in national strategies. A better horizontal co-ordination, led by the MoD, as between the Ministries could thus ensure that national strategies duly take into account the characteristics and implications of Turkey's regions into their national-level planning. In addition, better horizontal co-ordination would facilitate the readability of national strategies at the regional level as they would better reflect a co-ordinated whole.

OECD experience shows that an enhanced spatial dimension in national strategies is likely to require an even stronger inter-institutional co-ordination, so as to ensure that strategies are both adequately differentiated and coherent in general and with regard to priority sectors in particular. This is an inevitable challenge as the system of regional policy and development planning matures. Alignment of objectives is often easiest when they are most general – it is easy to converge on the least common denominator, even if there is little benefit in so doing. By contrast, the growing sophistication of sectoral and RDPs and other policy instruments will require increased attention to co-ordination instruments and mechanisms.

Turkey has a relatively large number of strategies currently in force. In recent years, the number of strategies has been growing steadily yielding a phenomenon which can be referred to as an "inflation of strategies". As a result, each ministry now has several strategy documents under its ownership. Workshop participants highlighted this issue as a general and shared concern, outlining that the multitude of strategies does not favour clarity for all stakeholders and potentially undermines an effective implementation of policy. In this respect, participants also emphasised that significant time and resources spent on strategy drafting and the pressure to update existing and devise new strategies leave little room for genuine policy co-ordination and thoroughly inclusive consultations with other ministries and bodies.

The large number of strategic documents also entails an excessive number of consultation meetings. There was a general consensus among the workshop participants that while inter-ministerial consultation meetings are useful per se, the current focus is on the quantity of meetings and not sufficiently on the quality of these meetings.

Participants argued that at the outset there are low expectations as to the outcomes of the meetings. Consultation meetings are reportedly just held in order to "tick the box" that they were held, while no clear outcomes are de facto derived from them. In this context, it has been observed that some Ministry representatives attend such meetings to advance the same arguments each time, without even adapting their comments to the specific topics at hand. Likewise, attendees of strategy consultation meetings may differ from one meeting to another, so that it is difficult to know whom to turn to for detailed information. Participants of the Workshop underlined the need for better continuity in terms of persons sent to the strategy consultation meetings as well as an enhanced coherence in seniority levels (e.g. Heads of Divisions) of the representatives of the respective ministries.

In addition to the large number of strategy related meetings, the capacities of the Ministries are overstretched and adversely impacted by frequent and fairly burdensome reporting obligations in the context of the strategies. Workshop participants underscored that a significant quality loss for the strategy and policy design process is caused by the formalistic requirements to produce weekly, monthly quarterly and annual reports to the respective hierarchies in the ministries. Such reporting on the process consumes the time that would arguably be better spent on thorough research and analysis, genuine inter-ministerial consultation with stakeholders and key opinion leaders and more conscientious drafting.[21]

Another co-ordination issue highlighted by workshop participants and interviewees pertains to a prevailing asymmetry of information when designing strategies. Such asymmetries can stem from a lack of appropriate processes and methods of sharing relevant information but may sometimes also be the result of behaviours of key actors who may not systematically share their data and information. On the one hand, workshop participants underscored that data availability is an issue which could be improved if Turkstat and Chambers of Commerce would share their data more extensively. On the other hand, participants pointed to burdensome and lengthy communication processes at expert level to exchange information. In particular, the fact that experts generally need to get an approval from their hierarchy to exchange with their counterparts on technical issues pertaining to strategies is reportedly undermining an effective co-ordination at expert level.

A persisting vagueness of shared objectives among the Ministries and other national bodies tends to exacerbate co-ordination shortcomings as the stakeholders emphasise a general absence of a common big picture view. More precisely, participants expressed that individual Ministries rather focus on their own immediate priorities and entrenched interests. In addition, some workshop participants stressed that there is scope for developing more effective and transparent consultation procedures. Indeed, lobbying efforts by different interest groups and third parties may affect the information flow and influence the final drafts of the strategic documents. In particular, this appears to be an issue when priority sector selection in the strategies is concerned.

Participants expressed that the vast majority of national strategies do not provide clear links to budgets, estimated financing needs or sources of funding. They emphasised that such links and considerations should be strengthened going forward to enhance the relevance and robustness of the respective strategies. Realistic financial estimations could further align budget realities and policy needs.[22]

Moreover, there is a general consensus that next generation strategies shall be circulated more efficiently among Ministries for comments and review before they reach a final draft stage. It is hence necessary to enhance the ability of Ministries to respond to the strategic documents which were sent to them in a coherent institutional manner. Concerns have been raised that consultations generally take place too late and focus on fully elaborated draft documents. As a result, such consultations are rather formalistic and only minor drafting details are de facto discussed without questioning key underlying assumptions and without altering the substance.

Finally, workshop participants highlighted that the MoD is in the most legitimate position to take on the lead in horizontal co-ordination matters. It was highlighted that the body leading the co-ordination process should ensure that strategies are appropriately linked to one another and develop its capacity to assess the quality of the information provided by other Ministries and bodies in due time. There for, those in charge of co-ordination and review should use in a more efficient way their authority to return documents for further revisions (if the information provided is of low quality or deemed insufficient).

1.2. Review of the 2014-2023 Regional Development Plans of Turkey's 26 NUTS II regions

In early 2006, Law N°5449 on the Establishment, Co-ordination and Duties of DAs in Turkish NUTS II regions came into effect. By 2010, all 26 DAs were fully operational. In accordance with the law, the DAs have three main functions, including *i)* research, analysis and planning *ii)* support programmes for for-profit and not-for-profit institutions and *iii)* investment promotion and support in their region. Besides, DAs also take on specific capacity building and service delivery tasks as required.

The MoD co-ordinates and formally oversees the DAs. Moreover, DAs also increasingly interact with other national-level ministries, for example the Ministry of Economy, in order to implement their incentive programmes. In recent years, DAs have been charged to develop RDPs covering the 2014-23 period. As per Article 8 of Turkish Development Law N° 3194 the responsibility to issue RDPs is with the MoD. The MoD executes this duty via the DAs. All 26 RDPs have, as of late 2014, been formally approved by the MoD and the Supreme Regional Development Council.

The Supreme Regional Development Council is chaired by the Prime Minister and is composed of the Minister of Development and other relevant ministers.[23] The Council is in charge of political decision making including the approval of the National Strategy for Regional Development, sectoral and thematic policy cohesion and the approval of plans and strategies pertaining to regional development.[24] Intrinsically linked to the Council is the Regional Development Committee which is a technical consultation platform that consists of under-secretaries of relevant ministries. These two bodies were established to support central government co-ordination on regional development policy issues.

To accelerate the development of provinces and coordinate the planning, programming, implementation, monitoring, and evaluation of specific regional public investment projects, four Regional Administrations (DAP, DOKAP, KOP and GAP) were also established between 1989 and 2011. While the scope of this report is on the 26 DAs in the NUTS II regions and their RDPs, representatives of Regional Administrations have been involved in workshops and interviews throughout the project and provided valuable contributions.

1.2.1. General aspects of the 26 NUTS II Regional Development Plans

Key observations

The 26 RDPs of Turkey's NUTS II regions are overall consistent with each other and with national strategies in terms of objectives, priorities and policy coverage. Most of the RDPs combine two complementary reports: the RDP itself and the annexed Current Situation Review, which outlines the socio-economic state of the Region for 2013-14. Each RDP has, as a guiding light, its overarching vision for the region for the 2014-23 period. The Plans are then structured around general development axes (social, economic, environmental, etc.) and/or general development targets of the region. At the end of all 26 RDPs, a list of general performance indicators is provided. However these indicators are just described and not quantified as targets to strive towards.

Most RDPs are well-structured documents as they fundamentally build on the structure of the MoD Guidance Booklet. The Guidance Booklet, despite its name, is not a short brochure with basic directions. It is rather a very extensive document of over 140 pages which was prepared by the MoD in order to give a framework template to the DAs as to ensure thorough guidance to their RDP drafting processes. In the light of the delays that occurred in the adoption of the NSRD, the Guidance Booklet served as a timely and relevant tool which was broadly used by the DAs in the preparation of their RDPs. Accordingly, the Guidance Booklet explains how the content of RDPs has to be structured, provides a detailed table of contents template, outlines how analytical tools[25] can be used and gives relevant advice on structuring spatial analyses, inclusive procedures and the elaboration of the RDP's overall vision.

While the vast majority of RDPs stays fairly close to the MoD Guidance Booklet, a few RDPs slightly deviate from it. As a result, the structure of these deviating RDPs is less clear, as evidenced for instance by information on one particular sector being split throughout several chapters instead of being grouped logically in a coherent and consistent part of the RDP.

The length of the RDPs differs substantially, reaching from c.100 to c.430 pages. Nevertheless, it also becomes apparent that this in itself does not affect the quality of the RDPs as characterised by metrics such as the analytical depth, relevant quantitative data provided and rationale clarity of the respective RDPs. Similarly, it can be emphasised that the quality of the RDPs is neither affected by the development level of the region, as several of the least developed NUTS II regions,[26] have produced solid RDPs which are clearly structured, realistic and mobilise relevant analytical tools for sector prioritisation.

However, at the most general level, as detailed in the examples outlined below, there appears to be a mismatch between underlying extensive and specific analyses carried out in the preparation context of the RDPs (econometric models, extensive policy analysis, etc.) and the generalist tone of the RDPs. Nevertheless, it can be understandable that the RDPs remain rather broad and aspirational in nature, as they are set out to cover a period of over 10 years and therefore need to allow for sufficient flexibility. The RDPs are considered by the DAs as an overall framework of their regional policies, whereas the annual (or bi-annual) Operational Programmes feature more concrete policies and measures which will be implemented by the DAs and reported against.

Examples from individual Regional Development Plans

The average length of an RDP is around 220 pages, without annexes. The shortest are the TR71 Niğde, Aksaray, Nevşehir, Kırşehir, Kırıkkale, TR81 Bartın, Karabük, Zonguldak and TRC2 Diyarbakır, Şanlıurfa which have around 100 pages. Among the longest are the TRC3 Siirt, Batman, Mardin, Şırnak[27] with roughly 400 pages,.

As for structure, there are numerous examples of RDPs which closely follow the Guidance Booklet template – e.g. the TR41 Bursa, Bilecik, Eskişehir Development Agency; the TR33 Manisa, Uşak, Kütahya, Afyonkarahisar; the TRB2 Van Muş, Bitlis Hakkari; and the TR21 Trakya, Tekirdağ, Edirne, Kırklareli. A few RDPs – like TR52 Konya, Karaman – are solidly put together, but have less clearly defined overall structures and do not strictly adhere to the Guidance Booklet. The TR52 Konya and Karaman agency is an example of RDPs where sector-related information is scattered across chapters with a logic that is not always easy to follow.

All 26 RDPs clearly state their visions at the outset, although the approaches behind them may vary. Some are a locally circumscribed, like the TR81 Bartın, Karabük, Zonguldak RDP whose aim is a region with an independent economy and high living standards". Others are more competitive in their outlooks. The TRA1 Erzurum, Erzincan and Bayburt RDP, for example, aims "to enhance the attractiveness of the Region vis-à-vis neighbouring regions thanks to [its] unique natural environment and high-value added agricultural products". Other visions even convey aspirations on a global scale, such as that of the development plan of TR32 Aydın, Denizli, Muğla, whose purpose is to "increase living standards, focus production on innovation, conserve nature and to be the worldwide centre of tourism".

The RDPs of the less developed regions generally view them as contributing to the overall development of the country, rather than as entities in their own right and, on those grounds, are entitled to proper government funding. Conversely, the RDPs of the more highly developed regions – like TR31 Izmir, TR10 Istanbul and TR41 Bursa, Bilecik and Eskişehir – are more self-focused and preoccupied with their own progress. They compare themselves to the most developed regions in other developed countries.

1.2.2. Sectoral review of the 26 NUTS II Regional Development Plans

Coherence between priority sectors in the Regional Development Plans and national strategies

Key observations

All RDPs except TR 31 Izmir identify priority sectors. It is, however, worth highlighting that most RDPs prioritise many sectors (e.g. all economic sectors present in their region) to the same extent, thus possibly diluting the very notion of prioritisation.

On the one hand, refraining from prioritising certain sectors at the expense of other sectors allows maintaining a greater flexibility with regard to short-term plans, including operational annual programmes. DAs explain that they do not want to prioritise a limited number of sectors (although they have the impression that this is what the MoD is expecting). In their view it is important to identify as priority sectors in their RDP almost all sectors they have in their region. They mainly explain this with the 10-year span of 2014-23 RDPs, regional lobbying and their determination to keep a diversified priorities portfolio in order to limit risks if specific sectors get affected by potential crises.

On the other hand, prioritising a large number of sectors does not favour the targeting and channelling of efforts and limited resources towards the most promising sectors. Nevertheless, in certain RDPs prioritisation explicitly targets the higher value added segments of a given sector, which is fundamentally in line with national strategies.

The review of all priority sectors identified in all RDPs suggests that national strategies appear to be bolder with regard to sector priorities, while RDPs are more conservative as to new sectors and fully-forward looking prioritisation. A key observation is that sectoral priorities as identified in the 26 RDPs are overall consistent with those identified in national strategies, except for pharmaceuticals and medical devices sectors which are little addressed in the RDPs. To be sure, the pharmaceuticals and medical devices sectors concern only a limited number of regions and clusters. Yet, unlike national strategies, which comprehensively address the pharmaceuticals and medical devices sectors and their strategic importance, RDPs of regions which are relevant to these sectors, such as TR10 Istanbul, only vaguely cover these sectors.

The reticence of some RDPs with respect to key sectoral priorities may also be an issue for policy discussion across levels of government, as it could suggest either that regional-level policy makers are not fully acquainted with central priorities or that they identify bottlenecks to development that are less apparent to the central level. In either instance, the exchange of views between levels of government with respect to this issue should strengthen the policy process.

Table 5. **Analysis of priority sectors in RDPs**

<table>
<tr><th>Sector group</th><th>Occurence in RDPs (% of RDPs)</th><th>Coherence with national strategies</th><th>Sector concentration</th><th>Level of regional establishment of the sector</th><th>Sub-sectors</th></tr>
<tr><td>Agriculture</td><td>96%</td><td rowspan="9">+++</td><td rowspan="5">Broad</td><td rowspan="2">+++</td><td rowspan="5">Various sub-sectors</td></tr>
<tr><td>Tourism</td><td>96%</td></tr>
<tr><td>Renewables</td><td>80%</td><td>+</td></tr>
<tr><td>Food</td><td>72%</td><td rowspan="6">++ (forward-looking potential)</td></tr>
<tr><td>Other key industrial sectors (Textile, Furniture, Machinery, Metals)</td><td>57-65%</td></tr>
<tr><td>Chemicals</td><td>56%</td><td rowspan="4">Concentrated: developed regions (well-connected, close to ports)</td><td>Focus on plastic, plus other sub-sectors</td></tr>
<tr><td>Automotive</td><td>36%</td><td>Assembly, parts, utility vehicles</td></tr>
<tr><td>Electric - Electronics</td><td>32%</td><td>Electronic components</td></tr>
<tr><td>Shipbuilding</td><td>12%</td><td>Small ships, recycling</td></tr>
<tr><td>Medical devices</td><td>8%</td><td rowspan="2">-</td><td rowspan="2">Highly concentrated: mainly Istanbul</td><td rowspan="2">+ (newcomers)</td><td>Basic medical devices</td></tr>
<tr><td>Pharmaceuticals</td><td>4%</td><td>Unspecified</td></tr>
</table>

Note: ■ High ■ Medium ■ Low
Source: OECD analysis.

Agriculture, Tourism, Renewables and Food sectors emerge as clear priorities in almost all NUTS II regions, which is fully in line with National priorities. A strong specific focus is put on the health tourism segment and organic agriculture which are also prioritised at the national level. While key industrial sectors such as Textile, Furniture, Machinery and Metals are the priorities of fewer regions, they are nevertheless present across different development levels of the regions and are aligned with national strategies. Other important sectors like Chemicals, Automotive and Shipbuilding are more concentrated in the developed and well-connected regions (Table 5).

Examples from individual Regional Development Plans

The vast majority of RDPs identify several priority sectors (Table 6), giving them all the same weight. A typical example is the TR63 Hatay, Osmaniye, Kahramanmaraş RDP which prioritises eight industrial sectors to the same degree. It is, however, also evident that some less well developed regions do not have many economic sectors to prioritise. For instance, the TRA2 Ağrı, Iğdır, Kars, Ardahan RDP does not prioritise any industrial sector and has chosen to focus mainly on agriculture and, to a lesser extent, on tourism.

Table 6. **Priority sectors in Regional Development Plans**

Document	Agriculture	Food	Tourism	Textile	Chemicals	Pharmaceuticals	Furniture	Mining	Metals	Electric-electronics	Medical equipment	Machinery	Renewables	Automotive	Shipbuilding	Other
10th DP	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	Defence, aerospace (concentrated)
TR10			X	X	X				X	X	X	X	X	X		Service sector (In general)
TR21	X	X		X	X					X		X		X		
TR22	X	X	X		X			X	X				X			
TR31	X*	X*	X*	X*			X*		X*				X*			
TR32	X	X	X	X	X**				X	X		X	X**	X**		
TR33	X	X	X	X	X			X	X	X			X			
TR41	X	X	X	X	X		X	X	X	X		X		X		White goods and ceramics
TR42	X	X	X	X	X	X**			X	X		X	X	X	X	
TR51	X		X								X**	X**				Defence and aircraft **
TR52	X		X		X		X		X			X	X**			
TR61	X	X	X	X	X**			X		X**			X**	X**		
TR62	X	X	X**	X	X		X					X	X	X		
TR63	X	X	X**	X	X		X		X			X	X**			
TR71	X	X	X				X	X	X				X	X		
TR72	X	X	X**				X	X	X	X	X**	X	X**			Defence
TR81	X		X**				X	X**	X			X**		X**	X	Services sector (logistics)
TR82	X	X	X**	X				X**					X**			
TR83	X	X	X				X	X	X	X	X	X		X**		
TR90	X	X	X	X	X		X	X	X			X				
TRA1	X		X					X**								Services sector (call centres)
TRA2	X		X													Services sector (call centres)
TRB1	X	X	X	X				X					X**			
TRB2	X		X**		X**			X**	X**			X**	X**			
TRC1	X	X	X**	X	X		X						X**			
TRC3	X	X	X**	X									X			
TRC2	X	X	X**	X				X					X**			

Notes: *RDP does not identify priority sectors ** Mainly forward-looking priority sectors
Source: OECD analysis

Rationales for sector prioritisation provided in the Regional Development Plans

Key observations

With regard to rationales for sector prioritisation, it can be generally observed that in heterogeneous regions sector prioritisation is approached at a more granular level. While the RDPs of such regions generally do list priority sectors for the whole of NUTS II they also provide the priority sectors by district or province level. Interviewed DAs underscore that it was most useful for them to approach sector prioritisation at the more granular province or even district level in their RDP. This also allowed for devising more concrete measures and having more targeted stakeholder consultations. Provinces and districts are traditionally more natural and coherent territorial units as opposed to the NUTS II units.

In most RDPs the rationales for sector prioritisation are backward-looking. They are chiefly based on evident factors such as the historic and current weight of the respective sectors in the region's economy as well as the geographic location and features of the region. Some sectors such as Renewables are identified as priorities but on a mainly forward-looking basis (although not fully forward-looking) given the small size of the current-installed base. Nonetheless, as in the examples outlined below, several RDPs do not provide any clear rationales for priority sectors but simply list them and take them as a given. Other RDPs simply limit their rationales for sector prioritisation to referring to the analytical tools used.

Overall, evidence from the review of 26 RDPs confirms that there is no consistent method when analytical tools are used for sector prioritisations and when analytical tools are used many of them (up to 6) are used at a time. Therefore, one consistent method across all DAs would certainly be a more transparent and easier solution for the next generation of RDPs as targeted in the 2nd component of the project.

Examples from individual Regional Development Plans

The TR33 Manisa, Uşak, Kütahya and Afyonkarahisar RDP is a typical example of an RDP for a whole NUTS II Region. TR41 Bursa, Eskisehir and Bilecik, by contrast, also prioritises sectors and sector strategies at district level, which makes their strategies more tangible. Similarly, the multi-sector economy of the NUTS II region, TRB1 Malatya, Elazığ, Bingöl, Tunceli, is reflected in the way its RDP prioritises sectors, restricting the least developed provinces to agriculture and some tourism, while including some industrial activity (like textiles and food) in the priority sectors of the more developed provinces. The TRC2 Şanlıurfa, Diyarbakir RDP prioritises sectors almost exclusively by province.

The TR42 Kocaeli, Sakarya, Düzce, Bolu and Yalova RDP is a good example of a sound rationale. TR63 Hatay, Osmaniye and Kahramanmaraş, by contrast, is typical of a historically-based rationale. It factors in the current weight of sectors like tourism and agriculture in the regional economy, although it does not provide a clear rationale for its prioritisation of industrial sectors. The RDP of TR90 Ordu, Giresun, Trabzon, Gümüşhane, Rize and Artvin, albeit solid in its overall substance, fails to offer any clear explanation of its choice of priority sectors. Similarly, TR61 Antalya, Isparta, Burdur does not spell out why it prioritises tourism, taking for granted the sector's obvious importance. The TR82 Kastamonu, *Çankırı* and Sinop RDP is another interesting example in that prioritises some very forward-looking sectors like health and faith tourism, which do not yet have a footing in the region. However, when it comes to the rationale behind its choice of priorities, TR82 restricts itself to the analytical tools used – e.g. Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis, which considers strengths, weaknesses, opportunities and threats, and 3star rating.

All RDPs without exception use analytical tools – whether in the main body of the text or in the annexes. The most common tool is SWOT analysis. Some RDPs – like TRB2 Van, Muş, Bitlis and Hakkari – opt for highly detailed SWOT analyses of each chapter, while others, such as TRA1 Erzurum, Bayburt and Erzincan – run simple SWOT analyses in the annex. Other analytical tools widely used in RDPs are three-star rating, cluster analysis and location quotient. TR31 Izmir states that it uses almost 25 analytical tools.

Implementation focuses of Regional Development Plans

Key observations

RDPs have different approaches when they address future targets or objectives and a consistant (even be it qualitative) approach or methodology is currently lacking. Around a third of all RDPs does have some specific qualitative or quantitative targets for sectors, but in most cases such targets relate only to the agriculture and tourisms sectors. Funding and overall financing information is generally absent as regards sector strategies.

In general, RDPs are framework documents and are little action-oriented in terms of concrete policies, measures or instruments. Interviewed DAs' mainly view their RDPs as "a framework" and acknowledge that the RDP in itself is not highly actionable, whereas the annual (or bi-annual) Operational Programmes feature more concrete measures which will be implemented by the DAs and reported on.

Examples from individual Regional Development Plans

Targets are rarely provided and when they are provided, they are not consistently set as across all RDPs. For example the TR52 Konya, Karaman RDP gives quantitative agriculture targets in production volume terms for 2018 and 2023 while the TRB1 Malatya, Elazig, Bingöl, Tunceli expresses its quantitative agriculture targets as the total surface of agricultural land (in hectares) that will be cultivated.

TR61 Antalya, Isparta, Burdur is an interesting example of a rather action-oriented RDP. Under each main chapter (e.g. sectors), the RDP lists sector strategies and gives in a tabular form performance indicators (future oriented quantitative targets) to achieve for 2023 (for agriculture, for tourism, for industry). The RDP also gives some very general information on overall financing (600m TL p.a.) and enumerates the sources of financing, including: government, Ministries, KOSGEB, TKDK, TUBITAK, private banks, EU-IPA and others.

1.2.3. Vertical coherence: links between NUTS II Regional Development Plans and national strategies

Key observations

All RDPs establish some form of link with the key national strategies. It is worth noting that the high-level objectives and strategies of RDPs are overall aligned with those of national strategies. Nevertheless, the extent of specificity of the established links varies. The vast majority of RDPs outline at the beginning that they are in line with the 10th Development Plan and the NSRD or simply state later in the text that the 10th Development Plan and the NSRD have been taken into account overall. Only few RDPs endeavour to draw explicit links between specific provisions of the national strategies and their own development ambitions. It is also worth emphasising that the Sectoral Strategies of the MoSIT are only very marginally used in the RDPs (Table 7).

Examples from individual Regional Development Plans

Most RDPs reference the 10th Development Plan and the NSRD. TR31 Izmir, for example, clearly states that it has taken NSRD into account and aligned its terminology with the NSRD's. TR52 Konya and Karaman asserts tie-ins with NSRD and the 10th Development Plan from the outset and claims that it builds on national strategies. As for TRC2, its template is the 9th Development Plan. It mentions the 10th plan and NSRD only in passing. Most RDPs also reference the National Tourism Strategy.

Table 7. **National strategies that are referenced in Regional Development Plans**

Strategies	9th DP	10th DP	NSRD 2014-2023	Rural Strategy	Industrial Strategy 2011-14	Sectoral Strategies	NSTIS 2011-2016	SME 2011-2013	Export Strategy 2023	GITES 2013-2015	Incentives 3305/2012	Tourism Strategy	Action Plan for Organic agriculture 2013-2016	National Employment 2014-2023	Other
TR10		X	X		X		X								X
TR21		X	X	X	X	X	X	X	X			X			X
TR22		X	X								X	X			X
TR31	X	X	X	X	X		X	X	X			X	X		X
TR32	X	X	X			X	X					X			X
TR33		X	X									X	X		X
TR41		X	X	X	X	X	X	X	X	X		X	X	X	X
TR42	X	X	X		X	X		X	X						X
TR51		X	X	X	X		X	X				X	X		X
TR52		X	X									X			X
TR61		X	X												X
TR62	X	X	X									X			X
TR63	X	X	X		X				X		X	X			X
TR71		X	X	X	X				X			X			X
TR72		X	X	X	X		X	X	X			X			X
TR81					X		X		X	X		X			X
TR82	X	X	X		X				X			X			X
TR83	X	X	X									X			X
TR90	X				X				X			X			X
TRA1		X	X								X				X
TRA2		X	X	X			X	X				X			X
TRB1		X	X	X								X			X
TRB2		X	X		X							X			X
TRC1		X	X					X				X			X
TRC2	X	X	X												X
TRC3		X	X						X			X			X

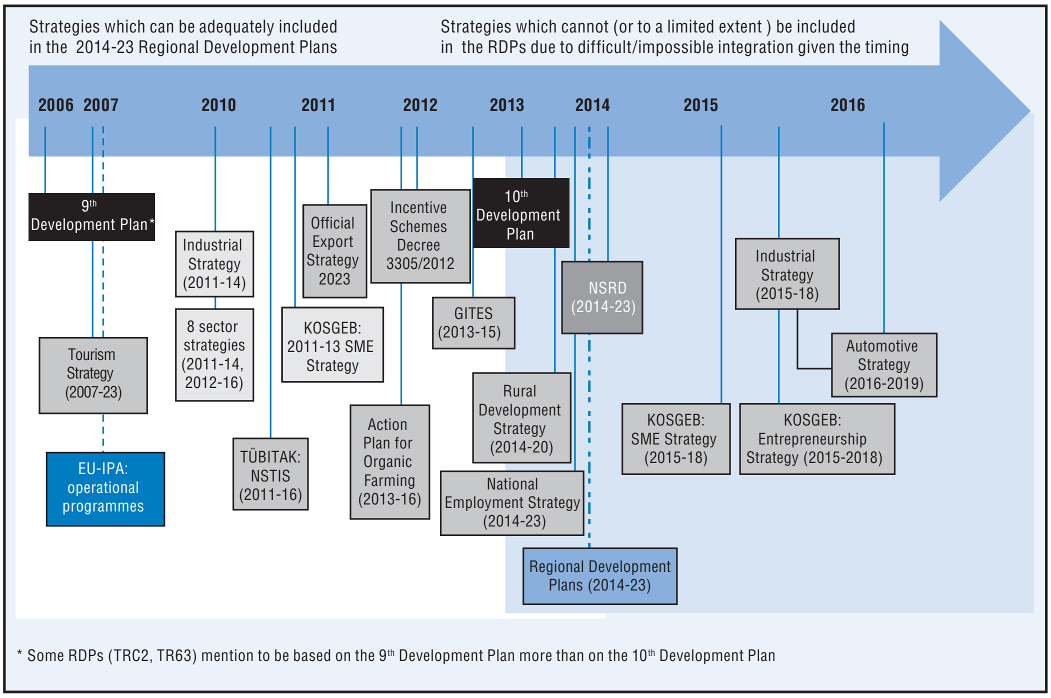
Source: OECD analysis

In line with key national strategies, RDPs generally and consistently illustrate the willingness to strive towards *i)* higher value added segments in general (including in agriculture), *ii)* high-tech and mid-tech (as opposed to current rather low-tech industrial products) for export, and *iii)* more specifically fostering partnerships between national and multi-national companies to encourage technological know-how transfer. Finally, in line with national strategies , branding is a recurrent key sector strategy across various sectors in a number of RDPs.

1.2.4. Vertical co-ordination challenges

DAs and national level stakeholders broadly agree that a key vertical co-ordination issue between RDPs and National strategies pertains to the timeline along which the Strategic Documents were drafted. Due to a *timeline issue* several National strategies, including the NSRD, could not (or to a limited extent) be included in the RDPs. Some national strategies were drafted at the same time as their RDP or are still in the process of being revised. As a result, the RDP could not establish specific links to several key national strategies but could only state at a high level that these strategies "have been taken into account".

Figure 2. **Timeline of national strategies and RDPs**



Source: OECD analysis.

As of 2015, certain RDPs are based on up to 60% of expired national strategies. In particular, some RDPs (e.g. TRC2, TR63) mention to be based on the 9th Development Plan rather than on the 10th. For the next generation of RDPs there is thus scope for an enhanced co-ordination of national-regional timelines. While planning cycles generally vary and perfect alignment is practically impossible, better inter-institutional co-ordination could help strengthen alignment with such overarching strategies as national development plans and the NSRD.

In addition, DAs voiced their concern that some asymmetries of information between national and regional stakeholders persist, as the regional dimension is still not comprehensively taken into account in numerous national strategies, in particular in the Industrial Strategy, the Export Strategy and the 6 Sectoral Strategies. By the same token, regional actors may not always be aware of (current or upcoming) national-level objectives and strategies. While some solid vertical channels of communication exist, in particular when the MoD is in charge, other line ministries may potentially consider the regional dimension more extensively in the future.

The vast majority of DAs indicated that they would welcome an enhanced participation of the MoD in their board meetings, Regional Development Council Meetings (held in all regions) as well as an overall enhanced monitoring presence of the MoD on the ground in their regions. Simultaneously, DAs underlined that in order to achieve this MoD resources may need to be strengthened.

In the case of Turkey, national and regional stakeholders agree that vertical co-ordination has functioned rather well during the RDP preparation process and beyond. Nevertheless, they also emphasise that further enhancing the horizontal co-ordination between Ministries and other national bodies will provide DAs with a clearer picture of the national level going forward. Moreover, DAs would strongly welcome that the regional dimension is further strengthened in next generations of national strategies, taking into account realistic strengths and weaknesses of the regions.

Chapter 2

Coherence and co-ordination of strategies: international experience

While Turkey's national strategies and RDPs have to contend with specific co-ordination challenges, the country also epitomises issues which have emerged in the international arena in recent years. For instance, the very existence of RDPs drafted by DAs demonstrates a paradigm shift towards the competitiveness of all regions – a change that has already taken place in most developed countries and many emerging ones. Moreover, a number of Turkish regions have successfully consulted with stakeholders during RDP drafting phases and are reportedly inspiring other regions to foster stakeholder engagement (MoD and UNDP, 2013).

This Chapter sheds light on international practices and trends in co-ordination between national and regional levels. It looks first at the main mechanisms used across the OECD and non-OECD countries, from which it emerges that there is no one-size-fits-all scheme for effective co-ordination between regional and national level. It then goes on to analyse European Union (EU) co-ordination mechanisms. The EU is a highly complex political entity that seeks to serve the interests of 28 Member States. Indeed, the very concept of multi-level co-ordination historically originated from the EU integration process (Piattoni, 2009) and several EU mechanisms could well be replicated in national and subnational settings. Finally, this Chapter of the report looks into the latest policy research and debate pertaining to effective co-ordination and inclusive stakeholder engagement. It describes how breaking up institutional silos and achieving integrated approaches to policy making becomes increasingly relevant in an era of interconnectedness. Recent trends and good practices in interactive stakeholder consultations in Turkey and internationally are also discussed.

2.1. Overview of co-ordination mechanisms in OECD member and non-member countries

In recent decades, a paradigm shift has taken place in regional development policy in most OECD member countries and key partners, from a set of top-down subsidy-based interventions towards a broader array of policies intended to boost the competitiveness of all regions (OECD, 2010). As regional policies generally used to target specific territories and sectors, co-ordination requirements were relatively low. As a result, policy design and measures could reasonably operate in silos at the national level and could still work despite the segregation between levels of government. In contrast, under the new paradigm and its holistic nature, co-ordination gains in importance.

Table 8. **The paradigm shift in regional development policy**

		Old paradigm	New paradigm
Issue identified		Regional disparities in income, infrastructure, and employment	Lack of regional competitiveness, underused regional potential
Objectives		Equity through balanced regional development	Competitiveness and equity
General policy framework		Reactive	Proactive to exploit potential
		Compensates temporarily for location-related disadvantages of regions that lag behind, responds to shocks (e.g. industrial decline)	Taps underutilised regional potential through regional programming
	- theme coverage	Sector-based approach with a limited set of sectors	Integrated, comprehensive development projects with wider policy coverage
	- spatial orientation	Targeted at lagging regions	All-region focus
	- unit for policy intervention	Administrative areas	Functional areas
	- time dimension	Short term	Long term
	- approach	One-size-fits-all approach	Context-specific approach
	- focus	Investment and transfers from outside	Domestic local assets and knowledge
Instruments		Subsidies and state aid (often to individual firms)	Mixed capital investment (business environment, labour market, infrastructure)
Actors		Central government	Different tiersof government, various stakeholders (public, private, NGOs)

Source: Adapted from OECD, 2010.

Regional development policy's expansion in scope and its crossing of sectoral and thematic boundaries have promoted the use of a broader range of co-ordination approaches and mechanisms. While there is broad consensus that a whole-of-government approach is now essential to policy coherence, evidence from OECD and other countries suggests that there is no one-size-fits all approach. As a result, various horizontal and vertical co-ordination mechanisms are used mostly simultaneously (Table 9). This sub-section presents an overview of these key co-ordination mechanisms found in OECD member and non-member countries.

Table 9. **Policy co-ordination mechanisms in OECD countries**

Policy co-ordination mechanism	Nature of mechanism	Rationale	Example of concrete mechanisms
Fully fledged ministry	Horizontal and vertical	A body with wide responsibilities and powers is required for a highly integrated approach with strong leadership. It can be established by merging ministries or departments .	Ministry of the Interior (Estonia); Ministry of Employment and the Economy (Finland); Federal Secretariat for Finance and Public Credit (Mexico); Ministry of Development (Turkey)
Development agencies	Vertical	Autonomous legal entities, whereby a principal regionalises all or or part of its policies by delegating them to an agency. The agency then implements policies in accordance with a legally defined mandate.	CzechInvest (Czech Republic); Growth Houses (Denmark); Industrial Regional Development Agencies (Iceland); Swedish Agency for Economic and Regional Growth (Sweden); Regional Development Agencies (Turkey)
Regional ministers	Horizontal and vertical	Ministers appointed to ensure that strategies incorporate subnational interests and issue. Ministers may combine their regular portfolio duties with the job of regional minister.	Regional Ministers (Canada); Secretary of States Scotland/ Northern Ireland/ Wales (United Kingdom)
Inter-ministerial committee	Horizontal	The simplest and most common system of horizontal governance as it is based on the existing government structure. The OECD promotes either rotating the chair from participating ministries or a meta-ministerial leadership.	Joint Task Force Improvement of Regional Economic Structure (Germany); Inter-ministerial Committee for Economic Planning (Italy); Presidential Committee on Regional Development (Korea)
Contracts and agreements	Vertical	The transfer of decision making rights and duties to a subnational party. In return, the latter agrees to meet a given objective. Contracts have a time frame and must theoretically specify the targets, the role of each party, and the allocation of funds. The national authority generally provides all or part of the funding.	Contrat de plan Etat-region (France); Conventionalised informal agreements (Luxembourg); Territorial contracts (Poland); Comprehensive Economic Development Strategies (United States)
Special co-ordination policy units	Horizontal	Entities that provide planning and advisory support to help ensure cross-sector policy coherence at the central level. High-level special units have been created in several countries to ensure consistency between sectors.	The National and Regional Planning Bureau (Japan); Spatial Economic Policy Directorate (Netherlands); Ad hoc task forces (United States)
Other	Horizontal and/or vertical	Conferences, sub-national organisations, etc.	Council of Australian Government (Australia); State-Region Conference (Italy); Conference of the Confederation for Territorial Organisation (Switzerland) ; NITI Aayog* (India)

Note: * The National Institution for Transforming India Aayog (NITI Aayog) replaced India's Planning Commission in 2015 as a government policy think tank chaired by the Prime Minister. The new body aims to introduce a more bottom-up approach to planning based on cooperative federalism between the Union and the States as well as on wider stakeholder participation. It also coordinates and monitors how India implements the Sustainable Development Goals.

Source: Adapted from OECD (2010) and updated by OECD/GRS Secretariat research and analysis. The data in this table has not been reviewed, commented upon or validated by OECD member countries or key partners.

2.1.1. Full-fledged ministries

A full-fledged ministry can serve as a co-ordination mechanism for national governments seeking to manage the design and the delivery of policies in a given field. In the area of regional development policy, for instance, full-fledged ministries may be in charge of economic, social, or urban issues – and have broad-ranging institutional powers.

The OECD (2010) finds that countries give regional development a full-fledged ministry for three distinctive reasons:

- Improve coherence in the design and/or delivery of regional development policies, as opposed to situations in which policies and responsibilities are dispersed across ministries.
- Establish a pool of skills and expertise on which to draw to build the most effective development policy.
- Improve efficiency, particularly by curbing policy overlaps and duplication. As a result, the new ministry can represent central government more efficiently, especially in its dealings with subnational tiers of government.

Poland is an interesting example of a country that went from piecemeal policies and responsibilities in the late 1990s to a single development framework under the Ministry of Infrastructure and Development in the early 2000s (OECD, 2013a) (Box 1). It has improved coherence, centralised expertise, and increased efficiency.

Box 1. **The Ministry of Development in Poland**

The Ministry of Development is a super-ministry that makes and coordinates overall economic policy. It is thus in charge of coordinating all development policies at the regional, national, and EU levels in Poland. It is a fully fledged ministry, with units that deal with spatial planning, territorial contracts, trans-regional strategies, the revitalisation of deprived areas, and urban policy.

Given the sheer amount of EU funding of Poland (EUR 82.5 billion, which makes Poland the largest beneficiary of European structural and investment funds), the European dimension is of particular importance. The Polish Ministry of Development drafted and coordinated Poland's Partnership Agreement with the EU and manages all national Operational Programmes (OPs), whether they relate to digital growth, smart growth or infrastructure and development. It also issues guidelines to guide subnational tiers of government in the implementation of regional OPs. In fact, it steers both horizontal and vertical co-ordination.

The Ministry of Development was created in 2015. It supersedes the Ministry of Infrastructure and Development and the Ministry of Economy. The latter replaced the Ministry of Regional Development in 2013, which was the first fully fledged ministry dedicated to regional policy in Poland. What is now the Ministry of Development has indeed gained more and more power since 2005, when measures were taken to streamline the numerous single-sector plans of the early 2000s and late 1990s (OECD, 2013a). Regional policy is now managed by the Ministry of Development alone.

The creation of the Ministry of Development in 2015 was intended to bring better supervision and co-ordination of the work of the Polish Agency for Enterprise Development, the Industrial Development Agency, the National Fund for Environmental Protection and Water Management, the National Research and Development Centre, and several state-owned companies (Puls Biznesu, 2015). The new ministry has also taken over from the Ministry of Economy (Warsaw Business Journal, 2015). As a result, it has become one of the most important ministries in Poland.

Source: OECD, 2013a and 2010; Warsaw Business Journal, 2015; Puls Biznesu, 2015.

Full-fledged ministries are to be found in a wide range of countries, be they centralised like Turkey, federal like Australia, part of the OECD or non-OECD members like Colombia. In the EU, a number of recent Member States (the Czech Republic, Hungary, Poland, the Slovak Republic, Slovenia) have all put in place full-fledged development ministries to simplify and improve the administration of EU funds (Box 2).

Box 2. **The Ministry of Regional Development in the Czech Republic**

Created in 1996, the Ministry of Regional Development ("Ministerstvo pro místní rozvoj") of the Czech Republic is in charge of all development policies. It coordinates regional strategies and the actions of sectoral ministries. Its mandate goes beyond regional policy and includes housing policy, tourism, and rural and urban affairs (Ministry of Regional Development, 2012).

It should be no surprise that the Ministry of Regional Development was established in 1996, the same year as the country submitted its membership application to the EU. The EU indeed played a central role in building and strengthening the policy-making capacities of Central and Eastern European countries, both through funds and institution-building projects. The creation of the Ministry of Regional Development was meant precisely to improve the ability of the Czech Republic to cope with pre-accession requirements, including the incorporation of the acquis communautaire and the good administration of pre-accession grants under the EU Programme of Community Aid to the Countries of Central and Eastern Europe (PHARE).

The Ministry of Regional Development continues to play a central role with regard to the EU. It is in charge of drafting and coordinating the implementation of the partnership agreement between the Czech Republic and the EU. Even though it is responsible for a number of national OPs, it shares the role of managing authority with the Ministry of Environment, the Ministry of Industry and Trade, and the Ministry of Transport, so making "overall co-ordination complex" (OECD, 2010).

Source: OECD, 2010; Ministry of Regional Development of the Czech Republic, 2012.

2.1.2. Development Agencies

Regional Development Agencies (hereinafter "RDAs") are a vertical co-ordination mechanism, whereby a principal regionalises a part or all of its (regional) policies by delegating them to an agency. In turn, the agency can implement policies in accordance with a legally defined mandate that varies from country to country. In other words, RDAs are autonomous legal entities insofar as they depend on their principal, both in terms of responsibilities and funding (OECD, 2015b). Finally, they interact directly with private businesses, in contrast to most other regional policy bodies. The principal can be the national government or a subnational tier of government.

The OECD (2015b) distinguishes two types of RDAs:

- National RDAs. Central government establishes a number of agencies "as a tool for implementing its regional development policy and/or building regional capacity". Such agencies exist in Canada and Turkey, among other countries.
- Regional RDAs. A subnational government founds an agency "to deliver on a regional economic development strategy and, in some cases, to help shape the strategy itself". Such agencies exist in Austria and New Zealand, and are the most common RDAs in OECD countries.

National and regional RDAs are types that can be further refined. A number of countries have, for example, so-called "deconcentrated entities" that often have the same duties and powers as national RDAs (OECD, 2015b). A deconcentrated entity could be the decentralised branch of a ministry, which might be more or less autonomous (compare Finland [Box 3] with CzechInvest in the Czech Republic). RDAs do not have to obey a given administrative logic, nor do they have to cover every region. For example, Canada's RDAs have only recently come to span the whole of the country, while RDAs in Switzerland often aggregate regional policy for several cantons.

RDAs and similar entities may be put in place for different reasons and objectives, which explains the diversity of profiles found in OECD and non-OECD member countries. They should not, therefore, be studied as a rigid vertical co-ordination mechanisms but as bodies with operating structures that vary according to the government's objective.

According to the OECD (2002, 2015b), a government may establish RDAs to benefit from:

1. differentiated governance structure (in terms of hierarchical relations, responsibilities of leaders, use of governing/management boards);
2. differentiated control environment (i.e. different personnel or financial rules);
3. greater management autonomy (via performance contracts, multi-year budgeting, etc.).

Box 3. **Finland and the ELY Centres**

Even though Finland's Centres for Economic Development, Transport and the Environment, or ELY Centres, do not strictly belong to the national RDA model, their range of tasks illustrates the close similarities between agencies and similar "deconcentrated entities" (OECD, 2015b). Finland has 15 ELY Centres responsible for implementing and developing regional policy. Created in 2009, they come under the administrative control of the Ministry of Employment and Economy. ELY Centres officially have three areas of responsibility, even though their actual competences may vary from one centre to the other (Ely-Keskus, 2015):

- business and industry, the labour force, skills and cultural activities;
- transport and infrastructure;
- the environment and natural resources.

Ely Centres propose a range of services that goes beyond traditional public provisions. Along with social facilities (such as libraries or sport venues) and services for the integration of refugees, they provide financial support to local firms, publish economic forecasts, and employ technology experts who help businesses strengthen their projects (ibid.). Ely Centres meaningfully combine of public service initiatives with ones focused on business development.

Ely Centres work in close relation with their respective regional stakeholders. Along with elected regional councils, they coordinate the administration of EU funds and allocate them to firms and projects. They also help monitor their delivery. As part of Finland's innovation network, ELY Centres also act as regional points of contact for FinPro (an organisation that brings together Export Finland, Invest Finland, and Visit Finland) and Finnvera, which finances companies. Taken together, the three bodies constitute "Team Finland" under the supervision of the Ministry of Employment and the Economy (Ministry of Employment and the Economy, 2015). ELY Centres thus coordinate most development policies in their regional jurisdictions.

Source: OECD, 2015b; Ely-Keskus, 2015; Ministry of Employment and the Economy of Finland, 2015.

Unlike national government departments, RDAs have the flexibility and the expertise to address the challenges of local actors and respond more easily to their deadlines and requirements (OECD, 2015b). When given a clear, legally-defined mandate, they can act without conflicting agendas and, unlike local government offices, can be more easily discontinued in the event of failure. RDAs thus operate as co-ordination mechanisms that are closely aligned with the daily needs of regional stakeholders and may specialise in certain policies.

A closer look at the two ideal types of RDAs shows that national RDAs help empower government regional policy by developing better regional capacities. As for the regional model, it enables a subnational government to conduct its own policy and implement its own strategy (OECD, 2015b). Opting for one model does not exclude the other, and some countries (such as New Zealand or the United States) combine the top-down and bottom-up approaches – which requires efficient co-ordination between different tiers of government. It is also frequent to find regional stakeholders on the board of national RDAs and regional RDAs being funded nationally. Like most other co-ordination mechanisms, it is essential to assess a region's policy gaps and economic needs before choosing the most suitable type of RDA (Charbit, 2011).

Because RDAs have different statuses from country to country, it is difficult to identify any clear trends in policy with regard to RDAs in OECD and non-OECD countries. For example, Canada has recently created three new agencies and Sweden consolidated its network with the creation of the Swedish Agency for Economic and Regional Growth (Tillväxtverket) in 2009. The United Kingdom, by contrast, closed its nine RDAs in 2010. They came in for criticism for failing to narrow the gap between the richest and poorest regions and for deploying an overly top-down approach (*Politics*, 2012). They were also accused of poor cost-effectiveness and accountability (Box 4).

Box 4. **Regional Development Agencies in the United Kingdom**

Between 1998 and 2000, the UK Government launched nine RDAs to support growth as well as to promote employment and competitiveness at the regional level. A two-volume PwC report commissioned by the Government and published in 2009 suggested that these agencies had a positive cost-benefit ratio, even though some activities had to be re-considered (UK Department for Business, Innovation and Skills, 2009). Yet, in the context of the economic recession, RDAs were eventually abolished by the Coalition Government in 2012 as they were perceived to be highly bureaucratic bodies only adding another administrative layer (Jones and Norton, 2014).

In England, voluntary Local Entreprise Partnerships (LEPs) between local authorities and businesses replaced RDAs in 2012. They are private sector-led partnerships with their own set of programmes and schemes and work with banks, universities, and representatives from the private sector in order to best co-ordinate and promote businesses' activities. Each LEP must negotiate a "Growth Deal" at the county-level with the Govermnent to have access to a national growth funds. Growth Deals include a mix of national and local, public and private funding, and allocates resources to specific projects. A country-wide LEP network directed by LEP Chairs assists LEPs in their work with research-based publications and best practices (LEP network, 2016).

At the time of writing, the consequences of the abolition of RDAs and the creation of LEPs remain to be evaluated, particularly given that Growth Deals were only announced in 2014 and that the Brexit is likely to have far-reaching effects on funding.

Source : UK Department for Business, Innovation and Skills (2009), "Regional Development Agency Impact Evaluation", available at http://webarchive.nationalarchives.gov.uk/+/http:/www.berr.gov.uk/whatwedo/regional/regional-dev-agencies/Regional%20Development%20Agency%20Impact%20Evaluation/page50725.html (accessed 19 July 2016); Jones, B. and Norton, F. (2014), Politics UK, Rouledge, New York.; LEP network (2016), "About LEPs", https://www.lepnetwork.net/faqs/ (accessed 19 July 2016).

Nevertheless, it is certain that RDAs are increasingly being used to deliver regional policy. Around 30 OECD countries have some form of RDA – though the figure takes in well equipped RDAs with high-level boards and municipal agencies with very restricted leverage (OECD, 2015b). Indeed, when it comes to the "pure" national RDA model, there are far fewer – they are to be found only in Turkey, Canada, Chile and Hungary (OECD, 2015b). The list could be lengthened to include other countries, though, given the variety of arrangements. Poland, for example, has central government RDAs only in specific regions, while Sweden has a unique national agency with regional offices.

Beyond the broad objective of supporting economic growth, RDAs are designed to improve the co-ordination of policies, instruments, and strategies in a given jurisdiction. The coordinating role varies, though, according to an RDA's principal and its mandate. It is more significant among RDAs of the national ideal type, as their tasks include coordinating the action of ministries as well as for ensuring close collaboration between private and public actors.

2.1.3. Regional ministers

Regional ministers are a vertical as well as a horizontal co-ordination mechanism, which prominently operated in Canada until 2015,[28] as well as in the UK. They are ministers who represent specific regions or provinces within the central government ensure co-ordination in the country regarding regional development, often in addition to their sectorial portfolios such as, for example, science, technology, environment or health (OECD, 2010a) (Box5).

Box 5. **Regional ministers in Canada (2006-15)**

Under the premiership of Stephen Harper (2006-15), centralisation came to its fullest expression to date. Yet, regional ministers continued to play their role and included a number of prominent political figures, among whom were:

- Gary Goodyear: Minister of State for Science and Technology – Ministry of State (Federal Economic Development Agency for Southern Ontario);
- Jason Kenney: Minister of National Defence and Minister for Multiculturalism - Regional Minister for Southern Alberta;
- Leona Aglukkaq : Ministry of Environment – Minister of the Canadian Northern Economic Development Agency;
- Rona Ambrose: Minister of Health – Senior Regional Minister for Alberta;
- Shelly Glover: Minister of Canadian Heritage and Official Languages – Regional Minister for Manitoba;
- Denis Lebel: Minister of Infrastructure and Communities – Minister of the Economic Development Agency of Canada for the Regions of Quebec.

Source : Canadian Government (2015), "Government", http://pm.gc.ca/eng/cabinet (accessed 12 April 2016).

While being a key element of vertical co-ordination, they also coordinated provincial development policy horizontally in the federal government. Sectoral ministers were expected to keep regional ministers informed of issues which affected their province. In turn, regional ministers kept cabinet ministers abreast of the impact of sector-related policies in the provinces. Being a regional minister also often entailed heading the RDA. Canada's regional ministers not only had a "two-way communication role" (ibid.) between the provinces and the Cabinet, they also advocated their province's interests in the Cabinet.

Until 2015, Canada's regional ministers, who were appointed by the Prime Minister, coordinated regional and national government activities. Their job was to liaise between the provinces they represented and the government in order to improve vertical co-ordination and feed regional interests into ministerial-level decisions. They also sought to ensure that information flowed from federal to provincial level so that stakeholders understood the decisions affecting their province (ibid.).

There are several reported benefits to having regional ministers oversee co-ordination. The arrangement is a cost-effective way of making sure that regional interests are well represented and central decisions clearly understood at the local level (ibid.). They represent the interests of their regions in government expenditure and programmes, which should, in theory, lend legitimacy to government decisions. Indeed, Canada first began appointing regional ministers to build a political bridge between the federal government and the remote provinces and ensure that every province in the vast country was factored into policy making (OECD, 2010).

Regional ministers in the United Kingdom

The UK government has also regularly appointed regional ministers to liaise between central government and the four constituent countries of the United Kingdom. Currently, they are the Secretaries of State for Scotland, Wales, and Northern Ireland. They are accountable to the Prime Minister and are in charge of ensuring that devolution run smoothly. Over time, devolved administration has taken over (particularly in Scotland) and one minister even held a dual position – Secretary of State for Wales and Northern Ireland. The UK government also appointed regional ministers to represent the English regions in 2007, although they were eventually scrapped by the coalition government in 2010.

Debate in the United Kingdom centred on the unclear, shifting responsibilities that went with the position of regional minister. It was argued that "representing a region" did not say much about ministers' actual policy and law-making competencies, especially with regard to sectoral ministers – with a risk of competencies encroaching on each other (Hansard, 2009). As the British experience illustrates, it is essential to define regional ministers' mandates clearly if they are to contribute effectively and efficiently to co-ordination.

2.1.4. Inter-ministerial committees

An inter-ministerial committee is a horizontal co-ordination mechanism that brings together representatives from different line ministries and central agencies. Committee members exchange information and ideas without intermediaries as they seek to determine the main policy directions that national government should follow. In a few countries, inter-ministerial committees are tasked with drafting or approving some national strategies. Accordingly, they can also be used to break open administrative silos and facilitate co-operation between ministries.

Inter-ministerial committees range from groups of ministerial experts working on a specific issue to a boards of line ministers chaired by the Prime Minister. The type of leadership matters to the quality of co-ordination. A committee chaired by a line minister may struggle to secure the involvement of other ministries, while one committee headed by the Prime Minister or a rotating chair will provide stronger incentive to cooperate (OECD, 2010). There are also alternative arrangements, such as committees headed by a respected expert or academic, like the Presidential Committee on Regional Development in South Korea (Box 6).

Box 6. **The Presidential Committee on Regional Development in South Korea**

The Presidential Committee on Regional Development was founded in 2009 to coordinate and orchestrate regional development policy in South Korea (OECD, 2010). It is a high level committee that validates and regularly assesses most national and RDPs. It took over the Presidential Committee on Balanced National Development (created in 2004) as part of a move to create a more integrated system for regional development in South Korea.

The Presidential Committee is composed of no more than 30 members, among whom are the Minister of Knowledge Economy, the Minister of Strategy and Finance, the Minister of Education, Science and Technology, the Minister of Public Administration and Security, the Minister of Culture, Sports and Tourism, the Minister for Food, Agriculture, Forestry and Fisheries, the Minister of Health, Welfare and Family Affairs, the Minister of Environment, the Minister of Land, Transport and Maritime Affairs, the heads of national administrative agencies (Korea Legislation Research Institute, 2013). It also includes experts and academics who provide advice on the design and conduct of regional development policies.

As its name indicates, the Presidential Committee on Regional Development comes directly under the authority of the President of South Korea, even though the chairperson is an academic. It is supported by an executive office which prepares meetings and executes the decisions.

Source: OECD, 2010; Korean Legislation Institute (2013).

Inter-ministerial committees can be supported by an executive secretariat or working groups that address technical issues, particularly in high-level committees such as Germany's Co-ordination Committee for the Joint Task Force for the Improvement of Regional Economic Structure. Again, sub-committees should have a cross-sectoral focus and be composed of representatives from all the line ministries and agencies involved in the policy area concerned.

Inter-ministerial committees do not require a new layer of administration or complex contractual arrangements (ibid.). In the simplest arrangement, ministers concerned by a given policy area can meet to informally discuss relevant issues and share information. When institutionalised, inter-ministerial committees become formal settings in which policies and competences are discussed on a regular basis, sometimes with the advice of experts and the support of an administrative secretariat. In both cases, they can call on quick, direct co-ordination to tackle issues that, if not quickly solved, could undermine a project or a policy area for a long period of time.

The scope of inter-ministerial committees depends on the objectives of the government. When it comes to regional development policies, some countries have committees that embrace the whole development policy area. Others have a more restricted focus. One example is Portugal's Comissão Interministerial de Coordenação do Acordo de Parceria ("Interministerial Committee for the Partnership Agreement"). It is dedicated solely to the co-ordination of policies related to European Structural and Investment Funds (ESIFs), which includes drafting and monitoring the Partnership Agreement.

2.1.5. Contracts

A contract is a type of vertical co-ordination mechanism, whereby a national authority agrees to transfer specific decision making rights and duties to a subnational party which, in turn, pledges to meet a given objective. Such agreements are enshrined in a formal legal document. Contracts are time-limited and should spell out targets, the duties of each party, and the allocation of funds. The national authority generally provides all or part of the funding. It is important to note that vertical co-ordination contracts differ from private ones: the subnational authority is often required by law to draw up a contract with the national government. In fact, such "contracts" are more like binding mutual agreements between different tiers of government (ibid.).

OECD and non-OECD countries use contracts. They include Switzerland's Confederation-Canton Joint Agreement, Chile's Convenios de Programacion, Kontrakt Terytorialny in Poland, Contrats de plan d'Etat-region in France and Contratos-Plan in Colombia. Their flexibility accounts for their growing popularity with governments, which can design them to meet the needs and challenges of their regions.

Charbit and Michalun (2009) distinguishes between two types of contract:

- Transactional contracts, in which "the respective duties of both parties can be stated in advance (contracting means to implement incentive mechanisms and check how to constrain parties' behaviour)."
- Relational contracts, in which "the parties commit mutually to cooperate ex post (after the signature of the contract) and design governance mechanisms for that purpose. Here contracting means to implement bilateral negotiation mechanisms and to guarantee in the long run the dynamics of co-operation." This type of contract tends to be used in response to a particularly complex issue that defies being set out in legal terms.

The two types of contract are extremes that lie at opposite ends of the spectrum and do not reflect the diversity of contractual arrangements (OECD, 2014a). For example, Italy's Framework Programme Agreements (APGs), contracted between the Ministry of the Economy and the country's regions, include relational provisions (objectives are set jointly) and transactional provision, e.g. a complex monitoring and evaluating system and an incentive mechanism. The diversity of contracts reflects the flexibility of this vertical co-ordination mechanism.

The economic rationale behind contracts is straightforward and reflects the logic that underlies decentralisation – subnational tiers of government are better equipped to assess and address a given subnational problem (Charbit, 2011). They have superior understanding and may boast more suitable expertise, particularly through their local agencies. In federal countries, for example, subnational governments may also be perceived as having greater legitimacy for addressing certain issues. It may therefore be deemed reasonable to entitle them to take action and to fund them to that end.

Such reasoning is complemented by the co-ordination rationale. National governments view contracts as a way of delegating regional development responsibilities and stipulating how such delegation should be coordinated. Contracts enable them to temporarily transfer legally binding rights and duties to a subnational tier of government without having to go through lengthy changes to legislation or the constitution. Contracts are indeed based on mutual agreement, which brings flexibility in the choice of objectives and means (OECD, 2010). Some, like France's Contrats de plan État-régions, are very comprehensive and cover multiple domains over several years (Box 7). Others, which are more limited in scope, are designed for specific purposes like road-building a road. Examples of such contracts are Spain's Convenios de Colaboracion.

The degree of vertical co-ordination depends on the type of contract. A purely transactional contract – which spells out the exact targets and means to be employed and includes monitoring and evaluation mechanisms – aims to prohibit the subnational authority from adopting a different approach. A purely relational contract, by contrast, gives greater room for manoeuvre to subnational authorities who can decide in part how they plan to meet the targets set. Both types of contracts have advantages and disadvantages. The choice should be determined according to the need.

Box 7. **France and the Contrats de plan État-région**

France has been operating Contrats de plan État-région (State-Region Planning Contracts [CPERs]) since 1982. They were among the first types of intergovernmental contractual arrangements used in OECD countries (OECD, 2010). Since then, they have served as model for contracts in OECD and non-OECD members alike, including Poland, Switzerland, Italy, and Mexico.

CPERs are mandatory documents drafted every seven years by prefects (representatives of central government) and the elected heads of regional councils. They were initially designed to align national and RDPs, but have gradually evolved to become the primary mechanism for co-ordination between the national and regional tiers of government (Sénat, 2004). CPERs spell out in detail the projects to be targeted within the given time frame and the funds allocated by the government and the regions to that end. Projects must be in line with the region's and central government's objectives to ensure the coherence of regional policy.

Designing and implementing CPERs requires extensive collaboration between government ministries, prefects, and the regional councils. Representatives of all parties propose new projects for each region and amend others within committees. Co-ordination is the task of the General Commission for Territorial Equality (CGET), which comes under the authority of the Prime Minister. The CGET also collects information from the ministry's decentralised services and organises inter-ministerial meetings with the prefects. CPERs are therefore particularly reliant on the coordinating role of the CGET if they are to function smoothly (CGET, 2016).

Source: OECD, 2010; Sénat, 2004; CGET, 2016.

2.1.6. Special units for policy co-ordination

Special units can be used as a horizontal co-ordination mechanisms to improve coherence across government in a given policy area. Their tasks vary according to the objectives of the government. Special policy co-ordination units can support research, act as reference points for all levels of government, and play more active roles in the design and the delivery of policies (ibid.).

The concept of special policy co-ordination unit can translate into a wide range of different bodies on the ground. How important they are depends on how close they are to centres of decision making (ibid.). For example, France's General Commission for Territorial Equality (CGET) reports directly to the Prime Minister's Office and is tasked with multiple duties, while the Spatial Economic Policy Directorate in the Netherlands is an administrative branch of a line ministry, the Ministry of Economic Affairs (OECD, 2014a). Special co-ordination units can also, albeit more rarely, be set up to make the delivery of government policies more coherent at the subnational level – between deconcentrated ministerial units, municipalities and regional authorities, for example. Special units may, therefore, include a vertical co-ordination facet.

The rationale behind special policy co-ordination units is similar to that for fully fledged ministries. They are normally set up to improve co-ordination within government and marshal skills in a given field. In other words, they are used to reinforce and clarify the policy coherence of a sector-related or thematic policy across ministries and agencies. As special units are usually made up of experts and ministry representatives, they can take a cross-sector approach on a given policy area – in the present instance, "regional development".

Governments can also have more specific objectives in mind when they institutionalise special co-ordination units. France's DATAR (predecessor of the CGET) was founded in the early 1960s to ensure that decentralisation went smoothly, while the National and Regional Bureau in Japan was assigned the job enabling the country's post-war reconstruction.

In addition to France and Japan, special development policy co-ordination units are to be found in a number of countries. They include Luxembourg's Territorial Planning Department, the Dutch Spatial Economic Policy Directorate and the Austrian Conference on Spatial Planning (ÖROK) which also acts as the coordinating platform for all territorial development policies in Austria (Box 8). The United States also has a number of *ad hoc* coordinating units (OECD, 2010).

Box 8. **The Austrian Conference on Spatial Planning**

The Austrian Conference on Spatial Planning (ÖROK) was set up by central government, the Länder and municipalities to take charge of spatial development policies at the national level (OECD, 2010). Its political decision making body brings together federal ministers, the heads of the Länder and the presidents of the Austrian Union of Towns and the Austrian Union of Communities. Various other groups are represented, too, but only with a consultative vote. ÖROK is chaired by the Federal Chancellor. It boasts an administrative level, composed of senior officials and representatives from the economic and social partners, supports the political decision making body and executes its policies (ÖROK, 2015)

ÖROK's responsibilities and activities range more widely than those of other special units. It is in charge of drafting and coordinating the 10year Austrian Spatial Development Concept (ÖREK), the country's overarching development strategy. It also plays an important role in drafting and monitoring the Partnership Agreement and allotting ESIFs. Interestingly, ÖROK takes a consultative approach to co-ordination, as all major decisions are adopted by consensus to secure the support of the parties involved in their delivery (OECD, 2010).

Source: OECD, 2010; ÖRÖK, 2015.

A final noteworthy point about special co-ordination units is that they are supervised by and accountable to different types of bodies and institutions. In Luxembourg, the Netherlands, and Japan, they belong to the administrative branch of line ministries, while in France and Austria they answer directly to the Prime Minister's Office.

2.2. The case of the European Union (EU)

The origins of the theoretical concepts of multi-level governance and co-ordination lie in the EU integration process (Piattoni, 2009) and have gathered momentum in recent years. As a political entity that seeks to serve the interests of its 28 Member States, the EU comprises numerous institutions, bodies, and agencies with complex arrays of responsibilities, rights, and duties. Some competences are exclusive to the European institutions, others to Member States, and some are shared between the two.

Given the complexity of the system, effective co-ordination is essential to securing the best possible policy output. To that end, the EU has designed a number of mechanisms over time. Looking beyond traditional analyses of the EU – of relations between the Member States– this section of the report seeks to shed light on concrete co-ordination mechanisms used at EU level, as they arguably lend themselves to national and subnational settings. From the most all-encompassing to the most specific, the three major EU co-ordination mechanisms are:

1. **The Open Method of Co-ordination** (OMC) is a governance method that offers a flexible, voluntary setting in which Member States share best practices and to reform without binding obligations.
2. **The Committee of the Permanent Representatives** (COREPER) is a committee in which ambassadors and senior officials from every Member State meet several times a week to examine multiple topics. The COREPER seeks to secure agreement.
3. **The Partnership Agreement** is an agreement between the European Commission and each Member State on the use of the European Structural and Investment Funds.

The three mechanisms evidence long-standing, continuing efforts to improve co-ordination in the EU. The COREPER was established early in 1958 at the beginning of the integration process to encourage efficient dialogue between Member States, while the OMC was introduced in the 2000s to invigorate the overall functioning of the EU. As for partnership agreements, they came into being in the early 2010s to ensure the proper use of EU development funds. They all address specific co-ordination challenges, both horizontal and vertical.

2.2.1. The Open Method of Co-ordination

Origins and objectives of the OMC

The OMC originated in the 2000 Lisbon Strategy. The strategy outlined an ambitious 10-year reform programme to address economic stagnation in the EU. Its overarching vision was to become, by 2010, "the most competitive and dynamic economy of knowledge, creating more and better jobs and to improve social cohesion" through the formulation of policy initiatives to be implemented by all Member States. Achieving that grand aim required efficient co-ordination between EU institutions and Member States, which led the EU to formally introduce the OMC as a new governance method of disseminating legislative "best practices" across Member States in areas such as the convergence of social policies, education, R&D, and employment policies.

The OMC was designed to facilitate the achievement of strategic goals, communicate best practices, and foster convergence towards the main EU goals. Accordingly, it involves:

- Drawing up guidelines together with timetables for meeting the short-, medium-, and long-term goals which Member States set.
- Introducing, where appropriate, quantitative and qualitative indicators and benchmarking the world's best-performing countries. The indicators can be tailored to the needs of Member States and sectors to incorporate best practices from all over the world.
- Translating European guidelines into national and regional policies by setting targets and adopting measures that allow for national and regional differences.
- Periodic monitoring, evaluation and peer reviews are organised as part of mutual learning processes. [29]

Output is not the result of a top-down approach but of collective work that brings together the Union, Member States, local and regional authorities, social stakeholders and civil society. This chiefly explains the "open" nature of the method, which lies somewhere between simple co-operation and full integration. However, the absence of formal constraint can become a challenge if Member States compete or the political orientations of their governments are too divergent.

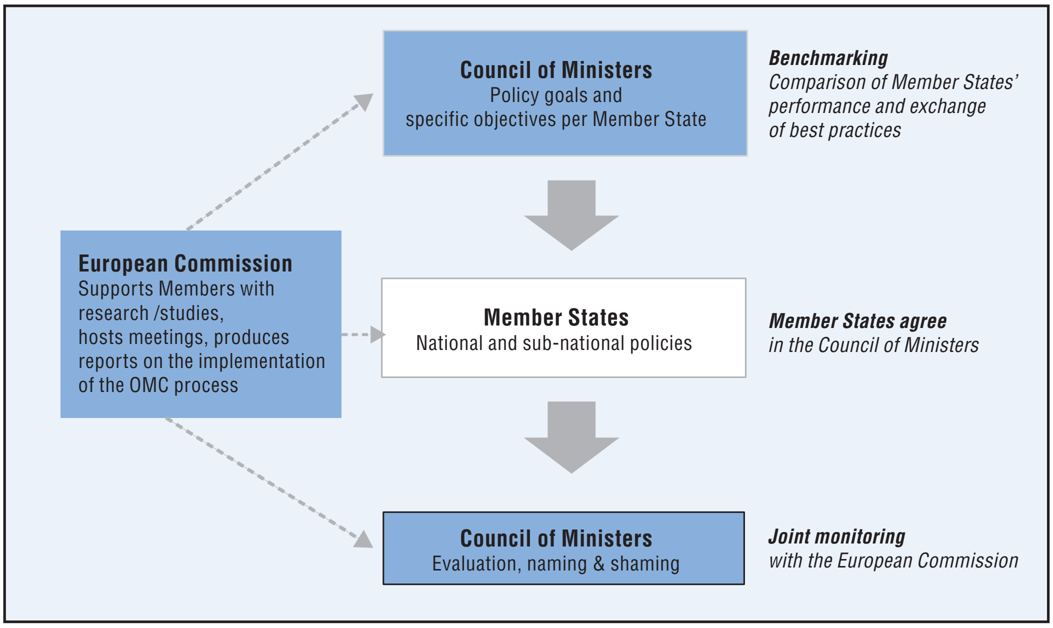
OMC procedure

Although OMCs differ by policy area, some procedural steps are constant:

- Step 1, the initiative. A Member State, a group of Member States or the European Commission can take the initiative of submitting a proposal to the Council of Ministers in a policy field that is not addressed in treaties.
- Step 2, agreement on commitments. Member States, supported by the European Commission, negotiate the objectives, the steps required to meet them, and a method of monitoring the progress towards the their achievement. The group of Member States then draws up concrete quantitative and/or qualitative indicators before finally agreeing on tools[30] with the Council of Ministers. Throughout the procedure, the European Parliament acts as an advisory body.

As a flexible method, the OMC offers guidelines rather than setting fixed targets (Figure 3). Member States thus draw up action plans according to their domestic situation. They are encouraged to share knowledge with each other, which gives national policy makers the opportunity to compare and evaluate the weaknesses and successes of their action plans. The absence of formal constraint allows peer evaluations in which strong and weak performers are publicly exposed, with "naming and shaming" superseding conventional EU mechanisms such as infringement procedures.

Figure 3. **The Open Method of Co-ordination framework**

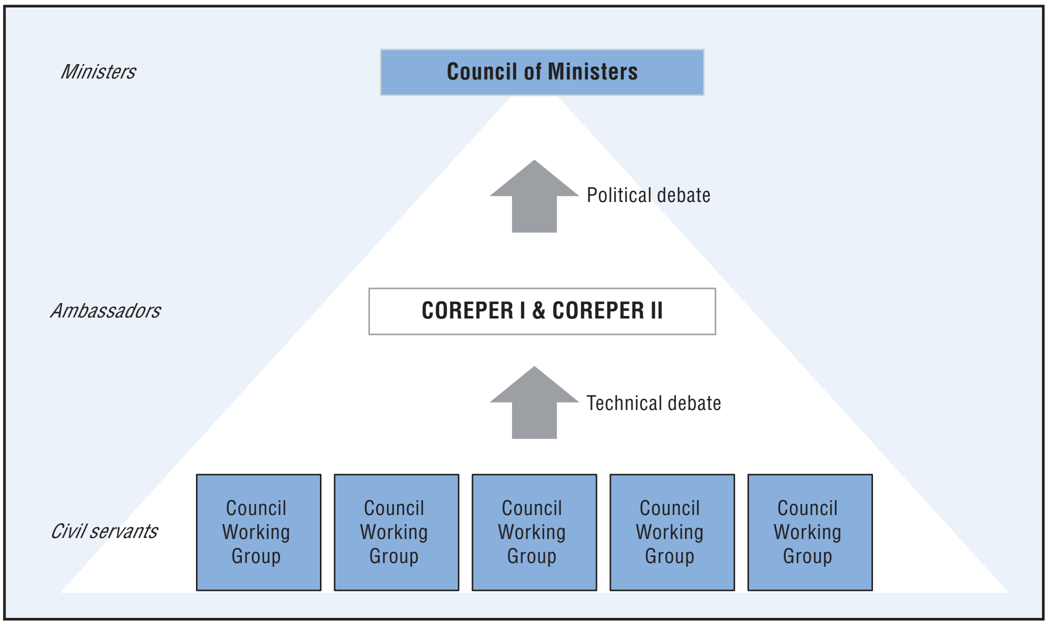


Source: OECD analysis

2.2.2. The EU Committee of Permanent Representatives

A core EU policy maker, the Council of Ministers negotiates and adopts new EU legislation within a relatively narrow time scale and in the context of a heavy agenda. Its operational procedure consists of three stages (Figure 4) designed to ensure that technical debate is confined to the two lower law-making levels: Council Working Groups and the Committee of Permanent Representatives (COPERER). COREPER is an EU institutional body which coordinates the work of the Council of Ministers in many policy areas.

Figure 4. **The Council of Ministers' three-stage legislative procedure**



Source: OECD analysis

First stage in the Council of Ministers' operational procedure

Over 150 working parties and committees, formally referred to as "Council Working Groups", prepare the work of the Council of Ministers. Their configuration depends on the policy field (immigration, education, specific economic matters, competition etc.) and on the expertise needed. Some working groups were established by treaties, while others are convened for very specific topics. *Ad hoc* committees can also be created, then disbanded once their work is deemed completed. The Council Working Groups have to present the outcome of their discussions to COREPER, even when they have not reached a conclusive agreement.

Second stage in the Council of Ministers' operational procedure

COREPER is the central body in the Council's operational framework, as it combines technical expertise with political responsibility. It was created in 1958 as a necessary part of the Council's Rules of Procedure. Accordingly, it is responsible for preparing the work of the Council and for carrying out the tasks that the Council assigns it. In 1974, the heads of states and governments decided to strengthen its role in the decision-taking and -making process. The aim was to put in place a permanent working group in order to coordinate the Council's work. Since then, in consultation with the governments of EU Member States, COREPER has carried out preparatory work and conducted negotiations ahead of votes in the Council.

There are two configurations under the COREPER heading, both of which meet weekly:

- COREPER I, which is composed of permanent delegates, works on technical topics such as employment, competitiveness, transport, agriculture, environment and education;
- COREPER II, which is made up of ambassadors, addresses political issues such as trade, economy, institutions, external relations, finance, justice and internal affairs.

COREPER has two main responsibilities, both of which contribute to the wider vision of "who is doing what" to improve efficiency:

- prepare Council meetings and secure as many agreements as possible before the meetings, leaving only the most politically sensitive issues;
- ensure horizontal co-ordination between the different ministries of different EU member countries.

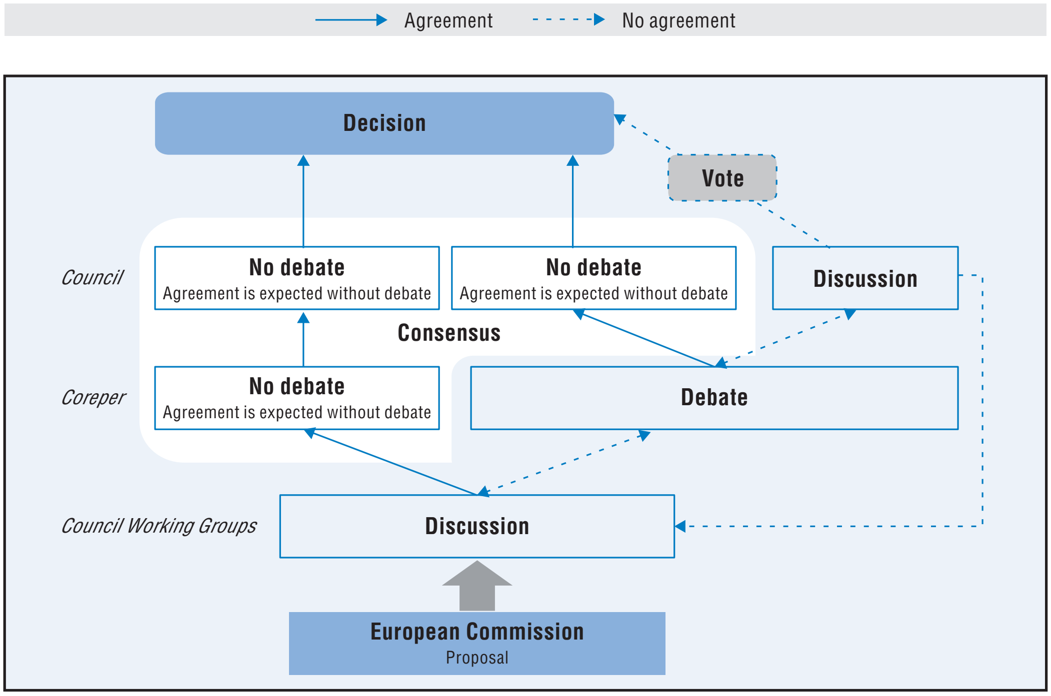
Third stage in the Council of Ministers' operational procedure

The final stage is the Council of Ministers itself (see the Annex). Depending on the issue in hand, it can meet in any of 10 configurations.[31] The frequency of meetings depends on the configuration and the agenda. The ministers officially validate the decisions taken at COREPER level and make final decisions on outstanding or unresolved questions.

Discussions start at the working group level – committee, group, working party, etc. (Figure 5). A working group submits the outcome of discussions to COREPER which, depending on the decision reached by the working groups, has a choice between:

- submitting the proposal to the Council as a so-called "A" item, which the Council approves without debate;
- negotiating a settlement itself, in which case the item is up for debate and goes into part B of the Council's running order;
- sending the proposal back to the Working Groups, possibly with suggestions for a compromise;
- passing the matter on to the Council.

Figure 5. **The procedure at a Council of Ministers meeting**



Source: OECD analysis

Over last two decades studies conducted by academics (Hage, 2013; Miller, 2013; Heisenberg, 2005) demonstrate that around 70% of Council decisions were taken by consensus within the COREPER. In other words, agreement is usually reached before the issue comes before Council itself (Hoyland and Hansen, 2010). The finding points to the effectiveness of COREPER as a valuable co-ordination mechanism in a complex policy context.

Two factors can explain the high incidence of consensus at the COREPER stage. First, ambassadors have to defend two sets of interests – those of the country they represent and, by seeking to ensure that the Council runs smoothly, those of an EU institution. In other words, ambassadors have incentive to arrive at a reasonable consensus that threatens no country and that benefits the Union as a whole. The second factor is that the ambassadors in COREPER II meet so often. Unlike the Council, which convenes around 20 times per year, the COREPER is a permanent body that meets daily. COREPER I and II also meet together once a week, which affords them further opportunity to find out who is doing what and to understand the stances of all representatives.

As the EU puts it in the EUR-Lex Glossary of Summaries:

"COREPER occupies a pivotal position in the EU's decision making system. It is both a forum for dialogue (among the Permanent Representatives, and between them and their respective national capitals) and a means of political control (guidance and supervision of the work of the Expert Groups).

It thus carries out preliminary scrutiny of the dossiers on the Council's agenda. It seeks to reach agreement at its own level on each issue, and suggests guidelines, options or solutions to the Council." [32]

2.2.3. The Partnership Agreement

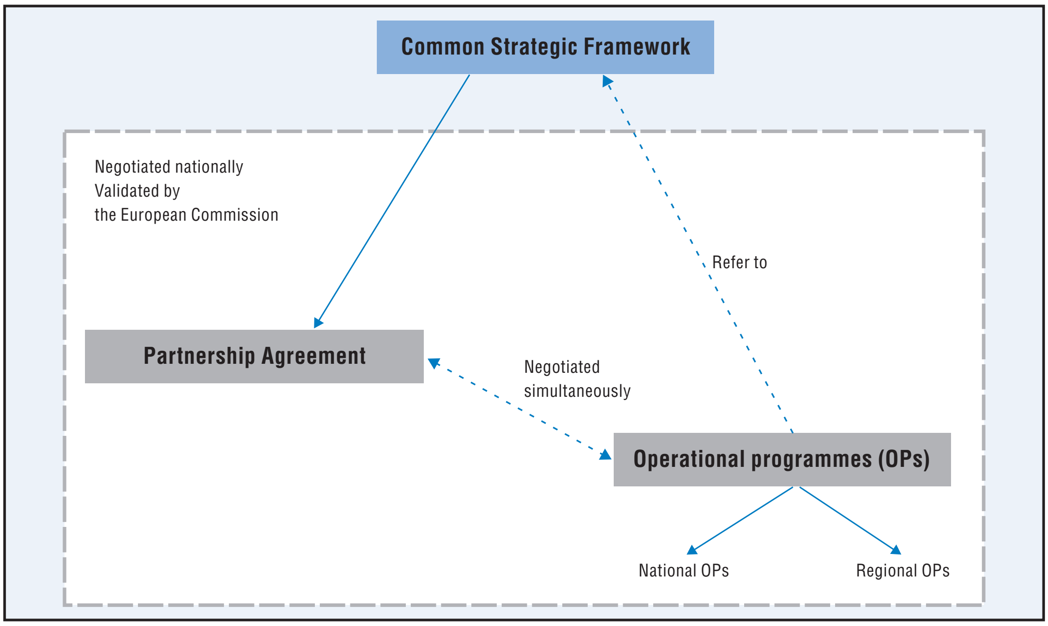
The EU Cohesion Policy originates in the preamble of the 1957 Treaty of Rome that establishes the necessity "to strengthen the unity of the economies [of Member States] and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions". The EU has gradually added new objectives relating to competitiveness and efficiency and has dramatically increased funding one budget period another, so much so that the Cohesion Policy now accounts for some 35% of the entire EU budget.

The policy framework has grown steadily more institutionalised. Following a general effort to "maximise the impact of the available EU funding" (European Commission, 2014), the 2005 Community Strategic Guidelines (CSG)[33] were replaced by a Common Strategic Framework (CSF) that governs European Structural and Investment Funds (including the Cohesion Fund). The CSF contains special guidance for each Member State on how to draft Partnership Agreements which, in turn, have superseded the National Strategic Reference Framework[34] as the programming document for the 2014-20 budget period. In other words, the Partnership Agreement has become the document which, signed by a Member State and the European Commission, governs the use of Cohesion Policy funding in each Member State.

How Partnership Agreements work

Partnership Agreements are comprehensive programming documents that each Member State formally agrees with the European Commission. They are negotiated and drafted with reference to the actionable measures and goals set out in the CSF. The Partnership Agreement indicates the objectives of Operational Programmes (OPs) and how they should be used. OPs are the documents through which the strategies and objectives set out in Partnership Agreements are implemented. There must be constant dialogue throughout the drafting of a Partnership Agreement between the Member State and the European Commission which eventually validates the document. The CSF encourages Member States, as far as they can, to make sure that all relevant stakeholders have a say in negotiating and implementing Partnership Agreements.

Figure 6. **Partnership Agreement sand the Common Strategic Framework**



Source: OECD analysis

Formal content of Partnership Agreements

EU Regulation 1303/2013 on the planning and content of ESIFs (EU, 2013) describes the tasks of the CSF which governs the funds. The CSF should, says the regulation, provide guidelines as to the content of Partnership Agreements and set out “how the ESI Funds are to contribute to the Union strategy for smart, sustainable and inclusive growth” (a Europe 2020 objective) and to “strengthening economic, social and territorial cohesion”. As for Partnership Agreements themselves, the regulation states that their content must include:

- “an analysis of disparities, development needs and growth potential” of the Member State concerned;
- “a summary of the *ex ante* evaluations of [operational] programmes”;
- “selected thematic objectives, and for each of the selected thematic objectives a summary of the main results expected for each of the ESI Funds”;
- “the indicative allocation of support by the Union by thematic objective at national level”.

A Partnership Agreement must also set out “arrangements to ensure effective implementation of the ESI Funds” and indicate “an integrated approach to territorial development supported by the ESI Funds”. Such requirements are intended “improve co-ordination and harmonise implementation of the Funds” (ibid.).

The Partnership Agreement as a co-ordination tool

A new co-ordination mechanism

As replacement for the NSRF, Partnership Agreements are not the first programming document developed for the EU’s Cohesion Policy. Yet, the ways in which they are drafted and implemented offer elements that ensure efficient co-ordination between the European Commission and the Member States and within Member States.

The CSF – which is individualised through each national Partnership Agreement – is a single framework that governs all ESI funding to Member States. It provides strategic guidance on the form and substance of Partnership Agreements. Partnership Agreements are, in turn, the first programming tools to cover all five ESI Funds, which makes them an ambitious co-ordination mechanism for use by Member State. By identifying their priorities for the 11 thematic objectives (i.e. investment priorities supported by ESI Funds),[35] all Member States state their contribution to the Europe 2020 objectives in a similar way. Such standardisation requires Member States to comply with the same minimal formal requirements set out in the CSF, which improves coherence and helps coordinate the implementation and funding of EU regional policy.

Partnership Agreements must also specify how ESI Funds and national programmes are to be coordinated, from which it may be inferred that Member States are expected to favour complementary between programmes, align timescales, and clearly identify the respective responsibilities. In a number of countries, Partnership Agreements are the only comprehensive document related to regional policy – either because EU Funds account for the largest share of the national budget in this area or because no other national strategy has been published. Because they spell out which funds are to be used, how they are to be used, and for what purpose, Partnership Agreements are the co-ordination frameworks with the most coherent approach to EU regional policy to date.

Horizontal co-ordination through negotiations

Extensive participation contributes to co-ordination within Member States. Each one must prepare its own Partnership Agreement “in co-operation with its partners and in dialogue with the Commission” (EU, 2013), which usually involves actively consulting NGOs, civil society representatives, and subnational actors. Accordingly, Member States have established working groups, platforms and committees and/or held public consultations, with the whole process taking between one and two years from one country to another. Member States are thus expected to coordinate both the negotiations and the implementation of their Partnership Agreement at their respective national level.

Member States must, furthermore, negotiate and draw up Partnership Agreements and the Operational Programmes at the same time, which makes the documents more closely coordinated . Since Operational Programmes are meant to translate Partnership Agreements broad objectives into action, such co-ordination is essential and the way it is achieved is effective.

Vertical co-ordination and the role of the European Commission

Because Member States and the European Commission come together to arrive at Partnership Agreements, dialogue takes place between them. Through such interaction, the European Commission exerts a considerable influence on the co-ordination of regional policy in the EU as a whole. Its influence assumes different forms:

- It publishes guides for Partnership Agreements – which includes a detailed "position paper" for all Member States – Operational Programmes, *ex ante* conditionalities, draft templates and methodologies.
- It gives support to managing authorities in preparing Operational Programmes.
- It may demand to revise Partnership Agreements before it validates them;
- It may demand to modify Partnership Agreements or Operational Programmes during the programming period if it deems necessary – due to a change in the socio-economic environment, for example.

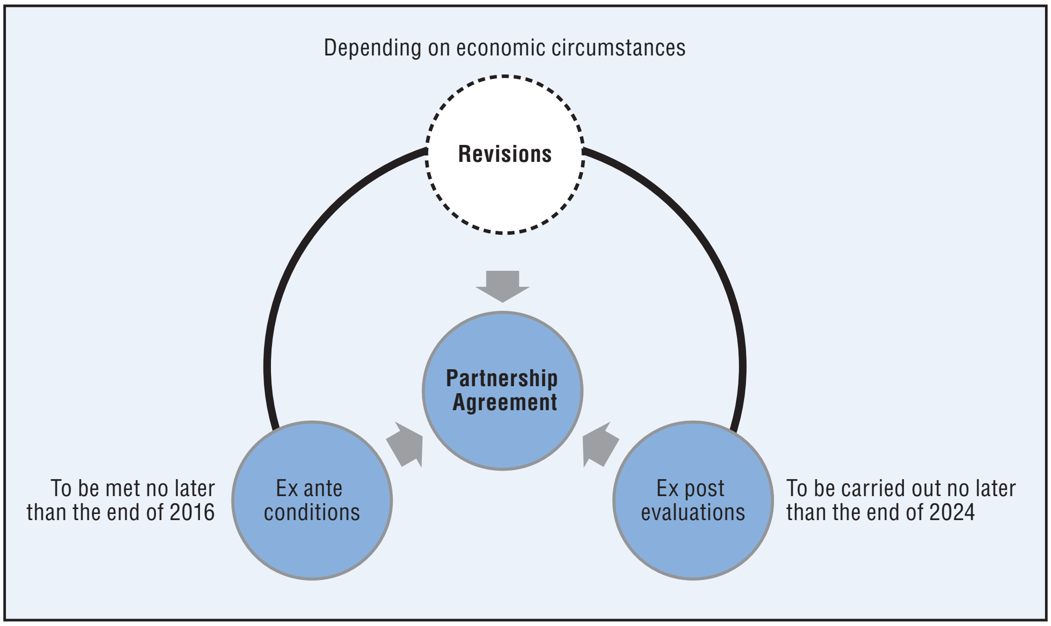
Once drafted, the European Commission must review a Partnership Agreement to assess whether it is consistent with the general regulations and matches the country-specific recommendations made by the Council at an earlier stage in the National Reform Programme. Before it validates an agreement, the European Commission can to ask to revise it. Again, the aim is to ensure that it incorporates the general priorities of the EU. Overall, the vertical co-ordination of Partnership Agreements follows a clearly outlined, arguably effective procedure.

Ex ante conditionalities, ex post evaluations, and revisions

Partnership Agreements leave room for conditionalities and evaluations to prevent Member States from deviating from the Union's objectives. Member States must meet *ex ante* conditionalities (ExAC), which include anti-discrimination ExACs, disability ExACs and public procurements ExACs. As for access to additional funding, it depends on *ex post* evaluations of performance measured against the Europe 2020 targets set out in each Partnership Agreement.

In the event of excessive deficits or macroeconomic imbalances, and/or to comply with Council recommendations, a Member State must propose a revision of the Partnership Agreement (Figure 7). Failing to do so properly may lead to the suspension of all or part of ESI Funds. The underlying objective is to sustain the bid to meet Europe 2020 objectives despite poor temporary economic conditions. The revision requirement may be considered as another form of co-ordination, as it encourages Member States to constantly realign their plans with the Lisbon Treaty objectives of "smart, inclusive and sustainable growth".

Figure 7. **Conditionalities and revisions within the Partnership Agreement**



Source: OECD analysis

2. 3. Co-ordination challenges and opportunities in an era of interconnectedness

In today's complex and interconnected world, achieving inclusive and sustainable growth increasingly requires new approaches to co-ordination challenges. It is vital to ensure that short-term and individual actions are in line with long-term objectives of society at large. Current policy debates therefore focus more and more on the need to overcome the "silo approach" in order to achieve effective whole-of-government perspectives, which reportedly to provide adequate responses to the key policy challenges of our times. Moreover, an increasing attention is being paid to fostering better stakeholder engagement and citizen participation in the policy making process. These trends are arguably also enhanced by the rapid development and omnipresence of digital technology and new ways of interaction, including social media, which are shaping our new paradigms of knowledge sharing and of designing solutions to complex problems.

2.3.1. Overcoming the "silo approach" to policy making

Governments of OECD member and non-member countries increasingly recognise the need for an integrated multidisciplinary perspective to address their most crucial social and economic challenges. Nevertheless, in most countries, a number of institutional and practical barriers to fully effective integrated co-ordination persist. In this respect, breaking up institutional "silos" and considering the trade-offs and synergies among different policy objectives have become key challenges faced by policy makers around the world. Replacing compartmentalised silo approaches to policy by more integrated ones depends on clear objectives, political commitment, viable co-ordination mechanisms, and government structures as well as strong cultures of collaboration and incentives to collaborate.

Organisational and institutional silos have attracted considerable attention in the aftermath of the financial crisis. Silos have been blamed for the ineffective regulations of banks in the 2000s (Tett, 2015), for multiple problems that managers should know how to handle (Lencioni, 2006) and for poor synergies in government interventions at the local level (OECD, 2010b). As a result, an ever increasing number of international organisations and policy makers around the world now evaluate the costs that silos can incur. Given the many contexts in which the concept of "silos" is used, it should be defined in flexible and non-restrictive terms.

Silos first refer to closed bodies, departments, or groups within a same organisational entity and that fail to co-ordinate or even communicate with each other. Silos are not negative *per se*: an administration or a company may have a number of long-established teams, each with its own expertise and processes, which do not need to work one with another to achieve positive results. Yet, most of the time, the existence of well-entrenched silos leads to poor information-sharing, waste of resources and duplications (e.g. teams working on similar projects without knowing it), a dilution of responsibilities and ambiguous leadership. Silos should therefore be considered as a pervasive phenomenon caused by institutional or spatial barriers, and which can affect the organisational workings of an institution or the mental map of its employees.

Breaking up silos has become a fashionable policy objective. Yet there is no one-size-fits-all solution to such different manifestations of the silo mentality as routine, closed internal classifications, or fragmentation. The magnitude of the co-ordination effort required differs accordingly, as should the type of solution: poor information flows between teams in a local agency cannot be treated in the same way as of line ministries' need to design ambitious national policies together.

Nevertheless, a number of precautions can be taken to minimise the adverse effects of silos. Government department or company with silo issues should promote high-quality information flows between departments and assign responsibilities more clearly at all levels. They can also introduce more sophisticated arrangements – from special policy co-ordination units to contractual provisions, even though such moves demand additional resources. The break-up of silos is particularly critical when it comes to horizontal policies, as cross-sector impacts require an integrated approach (Froy and Guigère, 2010) in which teams from various departments and with different expertise work together towards a single objective. Turkey, like other OECD member and non-member countries is affected by institutional silos and under the leadership of the MoD is working on multiple facets of improving co-ordination and reducing compartimentalised approaches. While each country needs to devise its own approach, some general good practices can be identified from OECD literature. They include:

- training and team-building workshops to improve mutual trust and co-operation between ministries (see the example of Slovenia in OECD [2015d]);
- a council that brings together experts and representatives from the private and public sectors to scrutinise a problem, as in the Japanese city of Kitakyushu, where such a council met at the local level to address issues in the water business (OECD, 2013b);
- one-stop social services bureaus that handle all social service benefits and payments for ministries (Australia, in OECD, 2014a).

Breaking up silos and achieving integrated approaches to policy-making and co-ordination can enable national and sub-national actors to adopt and implement relevant, multi-dimensional and sustainable policies in an era of interconnectedness. Most of today's policy challenges increasingly require effective whole-of-government approaches. Debates on *New Approaches to Economic Challenges* at the OECD (OECD, 2015f) highlight that more analyses on the ways to overcome the silo approach are needed going forward. Moreover, these debates underscore that embracing new approaches to policy-making and co-ordination requires policy makers to realign their understanding of goals, roles and outcomes and to shy away from narrow departmental objectives.

2.3.2. Enhancing stakeholder engagement and citizen participation in regional development

Worldwide, stakeholder consultation is increasingly becoming a key component of more inclusive policy making (Kahane et al., 2013). In regional policy making, for example, which has a particularly direct effect on people, it is essential that they should have a say in the way policy strategies are designed and conducted. Eliciting greater engagement from citizens and stakeholder representatives in the policy-making process can in turn increase transparency and trust in government (OECD, 2001) as people are informed of new priorities and come to understand the reasons for a trade-off proposed by the regional authorities.

An efficiency argument can be added to the democratic imperative. Consultations afford a variety of stakeholders – such as civil society and private sector representatives – the opportunity of contributing to long-term regional strategies by volunteering insights and data. Policy makers can benefit from such local understanding to include demand-driven components in their regional strategies. Stakeholder consultations help bridge the information gap with which policy makers often grapple when designing targeted and/or local policies (Charbit and Michalun, 2009).

Turkey is part of the global trend towards growing citizen and stakeholder engagement. Together with the MoD, the DAs have drawn up guidelines for stakeholder engagement in a move to work in close partnership with citizens to boost economic growth and deepen democratic accountability (MoD and UNDP, 2013). In a context of rising participation through social media and interconnected policy challenges, the guidelines make the case for more consistent engagement with citizens to improve the efficiency, quality and transparency of regional policy and nurture trust in inclusive action.

This report proposes some very practical guidelines that DAs can follow to better serve the people affected by their action. It considers a number of detailed case studies to illustrate just how diverse action to further engagement can be. These guidelines proposed are not a rigid framework that regional authorities should use to confirm that they have involved citizens at some point in the policy-making process. The aim is to stimulate DAs to make sure that citizens do have a say in the decisions that concern them. Accordingly, the report proposes "seven steps for engagement" – goals, context, people, communications, participation, impact and review. Although the DAs may modify them according to need, they should keep them in mind when engaging with stakeholders. It may sometimes, for example, be wise to wait for the end of some projects to assess them, while it makes more sense to regularly monitor others for the sake of efficiency. There is a strong urge to strengthen the extent and depth of citizen engagement in regional policy making. However, it can assume diverse forms and efforts to encourage it should adapt to each situation

Consultations can take place throughout the policy-making process – from the priority-setting phase to final evaluations (OECD, 2014a). In that regard, Turkey boasts a number of well documented consultation initiatives designed and implemented to improve co-ordination with citizens and between different tiers of government (MoD and UNDP, 2013). One example is Izmir Citizen Summit (Box 9) that took place in 2013. It revealed how communication with the general public can help coordinate the daily needs and preferences of local policy end-users with political trade-offs made at the local and regional levels.

Box 9. Izmir Citizen Summit 2013

As part of the regional planning process, the Izmir Development Agency (IZKA) organised a day-long consultative conference to involve citizens in drawing up the Izmir RDP 2014-23 (IZKA, 2013). This "summit meeting" afforded citizens the opportunity to take a direct part in the discussions – on a par with more frequently consulted stakeholders such as business representatives or NGOs.

An inclusive set-up

IZKA began by presenting the RDA's pre-defined targets and sub-targets. Participants were randomly selected by groups of six to eight were then invited to discuss the priorities and how the related to their expectations for Izmir and the way the region could be developed. Moderators at each table were in charge of steering the discussion, making sure that everyone got a chance to speak and entering conclusions in the general database. Participants eventually deliberated and voted on the strategic objectives and priorities that they thought the final plan should include.

The summit was followed by a stakeholder workshop in which representatives from central and local government, academia, civil society, and the private sector addressed the conclusions drawn from the citizens' interventions. A number of conclusions were incorporated in the RDP while points of contention between citizens and experts suggested that IZKA's initial priorities had to be more clearly defined and presented.

Rationale and benefits: bringing citizens and governments closer

The rationale behind the citizens' summit was twofold. It was designed, first, to make sure that everyone concerned – i.e. those who lived in the region who would benefit or suffer from the regional plan – could have a say in the drafting process and final outcome.

The second aim was to significantly improve the quality of data and input used by regional authorities on the principle that those who most exposed to a situation are also the best placed to assess the priorities. IZKA introduced pre-defined targets to steer discussions and avoid hundreds of incompatible opinions. As a result, citizens were asked to prioritise existing objectives rather than proposing new, potentially unrealistic ideas.

Along with this bottom-up approach, the summit also allowed local authorities to secure support from citizens and stakeholders and to use progress in the drafting process in their public relations. Overall, the meeting substantially improved the quality of data and hundreds of citizens directly contributed to the drafting of the RDP.

Source: MoD and UNDP, 2013.

A number of institutions and organisations have also published guidelines or research papers on engagement and stakeholder consultation. Some take the broad view, such as the comprehensive handbook on stakeholder engagement in emerging markets published by the World Bank Group (2007). It lists principles to follow, steps to implement at each stage of a project cycle, and case studies that illustrate the diversity of situations.

There is also guidance and research, however, with a much narrower focus. The United Nations, for example, have developed guidelines to involve indigenous and forest-dependent communities in UN programmes on reducing emissions from deforestation and forest degradation (United Nations, 2011). The OECD, for its part, has drafted "Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractives Sector" (OECD, 2015e). Indeed, for two decades now, the OECD has addressed many dimensions of stakeholder engagement in the form of recommendations, policy reviews, or data analysis.[36] Moreover, the Public Governance Ministerial Meeting on Inclusive Growth that it held in 2015 concluded that developing constructive engagement with citizens in public services was fundamental to the well-being of the greater number and to a more inclusive society.

Given the growing challenges related to new technologies, policy interconnectedness and the low levels of trust in governments, the OECD now distinguishes between participation and engagement (2015a). While participation usually refers to a set of procedures and methods that governments may use to give citizens a bigger say in policy making, engagement has a much broader, more ambitious objective – to build closer collaboration between the government, citizens, NGOs and the private sector. In other words, stakeholders should not only participate – they should also, to a certain extent, coproduce and cocreate policies. Decisions are not taken on behalf of citizens or for them, but with them.

Even though there can be no all-encompassing procedures with tick boxes for all possible situations, a number of factors contribute to successful engagement.

- Objectives have to be clearly defined so that the most appropriate tools and settings are chosen.
- Stakeholders have to be carefully selected to prevent engagement and its outcomes leading to policy capture and should include groups with little voice to ensure better representativeness (OECD, 2016b).
- To keep stakeholders motivated, they should be able to clearly see the results of consultations and how they contributed to it to the policy process to keep motivation high.
- As much as the OECD recommends that countries should make engagement a part of inclusive policy making, costs and benefits are still to be precisely measured.

Every tier of government should promote and encourage engagement. Subnational jurisdictions are particularly likely to benefit from citizens' input. Not only is it often their responsibility to provide services that directly affect people's lives, they are also more likely to interact with citizens and understand their needs and expectations. Accordingly, the OECD has collected more than 50 case studies in support of that rationale in its "CitizenPoweredCities" initiative launched with Governance International. The initiative champions the idea that citizens can bring experience and innovation to policies, particularly at the local level.

As well as international organisations,[37] governments have also published their own guidelines. The Government of Western Australia (2015), for example, drafted a blank template to for use by stakeholders (2015), while the Michigan Department of Transport in the United States issued a note on the development of transport facilities (2009). However, stakeholder consultations do not have to be led by public bodies. Private businesses, too, have taken the initiative (Stakeholder Research Associates Canada Inc., 2005).

Despite the very diverse nature of stakeholder engagement initiatives and publications, a number of general lessons, which are relevant for future initiatives in Turkey and beyond, can be learnt:

- engagement has to start early, not when problems with stakeholders arise;
- the selection of stakeholders should not be too narrow to ensure that groups who think they will be affected by a project are consulted;
- consultation formats have to be tailored to the needs and preferences of stakeholders (issues are not addressed the same way in small local communities and at the regional level);
- collaboration creates value not only for stakeholders – who benefit from more information, greater transparency and accountability – but for public authorities, too, which are able garner support for their projects and devise innovative solutions;
- no guidelines should be too scrupulously applied, as each situation differs.

Chapter 3

Enhancing co-ordination frameworks

Around the world, the enhancement of horizontal and vertical co-ordination is increasingly perceived as a journey rather than a destination. While the international experience illustrates a broad array of mechanisms and good practices, establishing effective co-ordination frameworks and further enhancing them is a complex endeavour and a continuous learning process for governments and their various stakeholders. Good practices from other countries cannot be simply exported and replicated. The challenges, definitions and specific focus areas of "enhancing co-ordination" also differ. For instance, in the case of Turkey, the MoD is currently exploring specific avenues to enhance the horizontal and vertical inter-institutional co-ordination during the development phase of national and regional strategies. The objective is to achieve a streamlined set of strategies by enhancing the current underlying co-ordination framework in this respect. Such challenges are common to all current EU Accession candidates and pre-candidates, yet ways of addressing them can differ.

The *Boosting Regional Competitiveness in Turkey* project's activities have in themselves contributed to achieving a better co-ordination. National and regional stakeholders came together around the same objectives of exchanging views and exploring solutions to strengthen co-ordination processes. Beyond the co-ordination component itself, the outputs of other project components can contribute to an enhanced co-ordination. While the stock-taking Chapter of this report provides evidence that a common methodology for sectoral assessment is desireable, component 2 precisely focuses on identifying dominant and dynamic sectors in the country's 26 NUTS II regions through a standardised framework. Building on component 3 findings to enhance the regional dimension in national strategies, the output of component 4 offers a 10-step methodology on how to strengthen the spatial dimension in national sector strategies.

To support OECD member and non-member economies in different areas of enhancing their co-ordination frameworks, the OECD has issued several instruments and toolkits, including in particular its first instrument in the area of regional development, the *OECD Recommendation on Effective Public Investment across Levels of Government* and its *Implementation Toolkit*. The SIGMA Initiative of the OECD and the European Commission provides particularly relevant guidance on policy co-ordination to EU Accession countries. These instruments and toolkits which can be used by national and regional policy makers are presented in the annex. Beyond the intrinsic scope of this report, they provide a broad array of co-ordination and multi-level governance practices, including fiscal and budgetary considerations.

This Chapter of the report considers the case of Turkey. Drawing on the findings of the first and second parts as well as a comprehensive survey, it examines the proceedings of a workshop, "Enhancing the co-ordination of national and regional strategies", held in Ankara on 26 May 2016 in the context of the Boosting Regional Competitiveness in Turkey Project. The workshop was attended by over 100 participants, including secretaries general and heads of planning of the 26 DAs and all Ministries and national bodies that have developed a national strategy. Although the scope of this report centers on the 26 DAs in the NUTS II regions and their RDPs, representatives of Regional Administrations (DAP, DOKAP, KOP and GAP) were involved in workshops and interviews throughout the project and provided valuable contributions. Hereinafter the terms "(workshop) participants" refer to the participants of the abovementioned workshop. Percentages in this part of the report refer to the evaluation of the abovementioned survey completed by stakeholders such as the secretaries general and heads of planning from all 26 RDAs and senior representatives of all ministries and bodies with a strategy covered in this report.

3.1. Towards a more effective co-ordination framework

Recent debates among Turkish policy makers have centred on the need to better leverage the potential of the Supreme Regional Development Council (Minister level Council chaired by the Prime Minister) and its Regional Development Committee

(Undersecretaries level Committee). These two governance bodies were established by Law KHK/641 adopted on 03 June 2011. Their aim is to support government co-ordination on regional development policy issues and the approval of plans and strategies pertaining to regional development. In accordance with the law, the Prime Minister ultimately decides on the composition of the Council and Committee. The law specifies the following participating Ministries in both Council and Committee: MoD, MoSIT, Ministry of Labour and Social Security, Ministry Environment and Urban Planning, Ministry of Food, Agriculture and Livestock, Ministry of Culture and Tourism, Ministry of Forest and Water Management, Ministry of Transport, Maritime Affairs and Communications, and for the Committee also the Ministry of Finance. The Ministry of Development performs the secretariat functions of the Council and Committee.

Confirming the findings from the stock-taking exercise, the first session of the workshop addressed the importance of the two bodies and found that it was essential to provide them with better technician-level input. While the current framework intends the Regional Development Committee to serve as a "technical consultation platform", workshop participants stressed that the experience of the last years has shown that genuine technician-level consultation – i.e. below the undersecretary level – is needed to make the framework more effective. In that respect, participants emphasised that the Committee has met only a very limited number of times due the agendas of Undersecretaries and that there was scope to improve the technical briefing of the Committee. It was therefore suggested that lower level Working Parties could be formed to serve as genuine "technical consultation platforms".

If properly implemented, such Working Parties can indeed provide valuable upward input to inform the debates and decision making of the Supreme Regional Committee and Council. The practices of the COREPER and its Working Groups presented in the second Chapter of this report constitute a relevant good practice example of achieving meaningful technicial level consulations.

The survey concludes that such Working Parties should be set up at the level of Director Generals of Ministries and National Bodies and involve Secretaries General of DAs on a needs basis. Given the challenge of finding the right balance between technical expertise and decision making power, these levels can be considered as the most relevant for such Working Parties.

While some workshop participants considered one Working Party sufficient, the majority advocated that 2-3 Working Parties should be established to adequately reflect the breadth of thematic areas pertaining to regional development. The survey reveals that more specific consultations led by the MoD should take place in the near future. Such consultations should determine among other, the thematic scope and overall number of such committees as well as their exact composition and their meeting practicalities.

As to the agenda of the Working Parties, participants recommend that the MoD should determine the agenda in consultations with the Working Party Members and, to the extent possible, with the approval of the Regional Development Committee. According to around 75% of surveryed stakeholders, a key topic on the agenda should be the upcoming monitoring and evaluation exercises of RDPs which are required by the law on DAs. The Working Parties could play a crucial role in discussing evaluation results, drawing lessons for next review cycles and reporting conclusions to the Committee.

The vast majority of workshop participants as well as a broader set of interviewees[38] from Ministries and DAs found that providing specific inputs to the Supreme Regional Development Council and its Regional Development Committee via such Working Parties would be helpful to further promote regional perspectives at the national level and thus achieve a greater overall coherence and understanding of the realities on the ground.[39] Yet, they emphasised the importance of *effectively functioning* working parties. To that end, the challenge is not, it was argued, to enhance the co-ordination framework merely by creating another body, but to ensure that the new body adds value.

As evidenced by international experience, Working Parties which do not meet regularly or lack a permanent structure tend to have significantly less influence and impact. In this context, workshop participants agreed that fixed dates and a thorough ownership of the Working Party meeting preparation by the MoD would help increase the committment of Working Party members. In line wih the results of the survey, the effectiveness of Working Party meetings could be optimised by having *i)* a number of permanent participants who would be *ii)* expected to thoroughly prepare individually for each meeting. Moreover a *iii)* clear agenda, *iv)* follow-up reporting as well as an *v)* evaluation of the workings of the Working Parties would contribute to their enhanced effectiveness.

3.2. Operational measures for an improved co-ordination framework

In addition to the need for technical-level Working Parties, evidence from project activities, the survey and workshop participants' comments point to a number of concrete areas which could be addressed and short to mid-term measures which could be implemented in order to further improve the current co-ordination framework.

In line with the evidence-based findings presented earlier in this report, workshop participants advocated to *i)* ensure that a coherent timeline is followed going forward, *ii)* improve the existing IT infrastructures for information sharing, *iii)* reaffirm the MoD's leading role in facilitating horizontal and vertical co-ordination, *iv)* enhance the regional dimension in national strategies, *v)* ensure a common nomenclature and consistent methodologies, *vi)* focus on an effective monitoring and evaluation of national strategies and RDPs, *vii)* reduce the overall number of strategies to a streamlined set.

Ensure that a coherent timeline is followed

The stock-take in Chapter 1 of this report finds that the diverging timelines along which national and regional strategies were drafted had an adverse impact on the alignment of national and regional strategies. The survey and the workshop addressed a potential synchronisation of national strategies in line with the National Development Plan.

As the survey concludes, national (but also regional) strategies could be synchronised with the national 5-year Development Plan, i.e. be aligned with its duration period and be prepared in close co-ordination with the Development Plan drafting process.

While the majority of surveyed stakeholders are in favour of a synchronisation, those preoccupied with the practicalities of implementation point to a potential implementation burden. In particular, strategy durations may differ for a reason, depending on contextual needs and socio-economic factors. Regional Development Working Parties, if established, could explore further the issue of a potential synchronisation of the next generation of the strategies. Besides, it was argued that the preparation process of the next Development Plan could provide an opportunity to address the timeline issues of sectoral and thematic national strategies as well as those of key regional strategies.

While evidence from OECD member and non-member countries presented in the second Chapter of this report suggests that seamless synchronisation of timelines is hardly ever attained, the case of Turkey illustrates a positive commitment to further debate and optimisation. Workshop participants underscored that a synchronisation of strategies could be particularly meaningful with regard to monitoring and evaluation of strategies.

Improve the existing IT infrastructures for information sharing

Evidence from the survey conducted under this project reveals that around 70% of national and regional stakeholders are dissatisfied with existing data-sharing infrastructures. The survey stresses a significant need to overcome intra-and inter-institutional "silo-effects" and to make information sharing more effective by enhancing both technical possibilities and incentives of counterparts to co-ordinate.

Greater use of user-friendly digital opportunities and related capacity building could contribute to better information sharing and more effective monitoring of strategies. Some participants called for web-based information sharing to be extensively used in preparing future strategies and the 11th National Development Plan. Suggestions for actionable evaluations of co-ordination portals were volunteered and it was pointed out that a formal assessment of existing technologies should preceed the mobilisation of new digital solutions. In this respect, significant improvement needs were voiced with regard to data availability and data accessibility especically at the regional level as well as for more detailed public investment information with local data. Common databases and data transfer systems (e.g. between DAs and Turkstat) could enhance the efficiency of data gathering processes which currently require significant time and human resources.

Project component 1 on *Measuring, Benchmarking and Monitoring Competitiveness in the Regions through a Tailored Set of Indicators* illustrates that data limitations are often a heavy constraint on analysis at the regional level. For instance, the scarcity of data on sectors' value-added, business and R&D activity can affect the knowledge of regional performance. Addressing such data shortcomings would allow for better analyses of regional competitiveness and thus offer an even stronger foundation for evidence-driven development policies at the subnational level. Policy makers would then be better equipped to effectively link national and regional strategies and identify the best solutions for helping regions unlock their competitiveness potential.

The survey concludes that appropriate managerial incentives to co-ordinate and share data, including through performance criteria of managers, could play a central role in improving existing infrastructures and their operations. Capacity building and enhanced human and other resources devoted to co-ordination might also have a positive impact on information sharing. In this context, participants also emphasised that data sharing should be better institutionalised as data and information sharing still considerably depends on personal relationships and individuals in charge of strategies tend to change frequently.

Reaffirm the Ministry of Development's leading role in facilitating horizontal and vertical co-ordination

OECD experience shows that the growing sophistication of national and regional strategies generally requires an increased attention to co-ordination instruments and mechanisms. In this respect, the previous Chapters of the report outline the MoD's effective commitment to continously ensuring high standards of co-ordination between central institutions and DAs.

Analyses of the international experience highlight that there is no one-size fits all approach which could be exported and replicated. Rather, policy makers increasingly recognise that the key to enhancing co-ordination frameworks resides in inclusive processes and increased stakeholder consultations. Turkey has extensive experience in inclusive policy making and stakeholder consultations, as shown in the good practice examples from Turkey presented in the second Chapter of this report. Building on this wealth of alredy existant experience in Turkey, the Boosting Regional Competitiveness in Turkey Project provided in itself an opportunity to effectively involve a broad range of national and regional stakeholders. Furthermore, the project work also yielded methodologies aimed at enhancing co-ordination (i.e. for identifying dominant and dynamic sectors and for strengthening the spatial dimension in national sector strategies).

Workshops on co-ordination in May 2015 and 2016 saw a broad consensus among national and regional stakeholders on the leading role of the MoD in co-ordination. Participants thus voiced that the MoD was in the most legitimate position to facilitate horizontal and vertical inter-institutional co-ordination. The vast majority of participants would like to see this leadership role strengthened in its implementation. In this context, stakeholders expect the MoD to continue its active lead towards coherent strategies through openness, information sharing and genuine co-operation. The survey underscores that clear leadership and shared objectives are considered fundamentals of an effective co-ordination framework .

More specifically, the survey finds that the MoD could manifest its strengthened leadership in co-ordination by communicating more on its leading role in both horizontal and vertical co-ordination of strategies as well as by centralising the reporting on monitoring and evaluation of strategies. Some workshop participants also underlined the potential for a stronger engagement of the MoD in budget approval processes related to the strategies as well as in delivering more training on co-ordination and information sharing.

Enhance the regional dimension in national strategies

For the purposes of this report, the regional dimension incorporates: *i)* brief references to policy impacts and perspectives of the NUTS II regions or NUTS III provinces as well as *ii)* deeper analyses of regional (NUTS II or NUTS III) policy implications of the respective national strategies which can include for instance, region-specific proposals and/or a breaking down of national targets. Evidence from the analysis of Turkey's national strategies illustrates that the regional dimension is only addressed by a minority of national strategies. In this context, workshop participants made a strong case for enhancing the regional dimension in national strategies as to render these strategies more implementable by complementing the Ministries' top-down approach with a valid bottom-up perspective.

The survey reveals that regional differences should be given a special attention when incorporating a regional dimension into national strategies. While incorporating regional dimensions into national strategies in great depth is highly complex, representatives of national bodies recognise that a light inclusion of a regional perspective during the preparation of the next generation of national strategies could be considered. In this respect participants agreed that consulting DAs would be crucial. In turn, the inclusion of regional perspectives into national strategies could reportedly foster the buy-in of regional stakeholders to national strategies.

Ensure a common nomenclature and consistent methodologies

As the stocktaking evidence in the first Chapter of this report demonstrates, national strategies and RDPs seldom use a common nomenclature (to define sectors, for example). The analytical methodologies used (e.g. for sector prioritisation) also differ among institutions. This finding was underscored by workshop participants, in particular by TÜBITAK who provided examples of serious co-ordination challenges resulting from "not speaking the same language" both horizontally (between Ministries) and vertically (with the DAs).

A common nomenclature and consistent methodologies could ensure more coherent strategies as well as help save time and resources during the preparation process. Nevertheless, too rigid concepts should be avoided in the interest of all stakeholders as to allow for sufficient flexibility to take into account relevant specificities. Participants agreed that the MoD could lead the elaboration of concrete proposals on how to ensure a common nomenclature and implement consistent methodologies (such as those developed under project components 2 and 4) going forward. Such proposals could then be debated at the level of the Working Parties.

Focus on an effective monitoring and evaluation of national strategies and RDPs

Monitoring and in particular evaluation of strategies are key elements for an effective co-ordination framework. The benefits of monitoring and evaluation exercises as well as concrete approaches and methodologies could be better and more extensively explained to key stakeholders such as the DAs. Numerous participants called for more awareness raising as well as capacity building in the areas of monitoring and evaluation. In their views, these processes are still mainly perceived as administrative burdens.

In particular, participants indicated that they have high expectations for the monitoring and evaluation results of current strategies as these results should feed back into the next strategy design process. This, in turn, could yield streamlined, more actionable and better implementable strategies. To achieve meaningful monitoring and evaluation beyond a mere "tick-the-box" approach, participants would welcome more guidance from the MoD on processes and clarification of roles and responsibilities, including the use of third parties in the evaluation process. Finally, the survey unanimously confirms the importance of monitoring and evaluation topics on the agenda of potential future Working Parties. OECD and OECD/SIGMA instruments and experience outlined in the annex can be relevant in addressing a variety of issues pertaining to monitoring and evaluation.

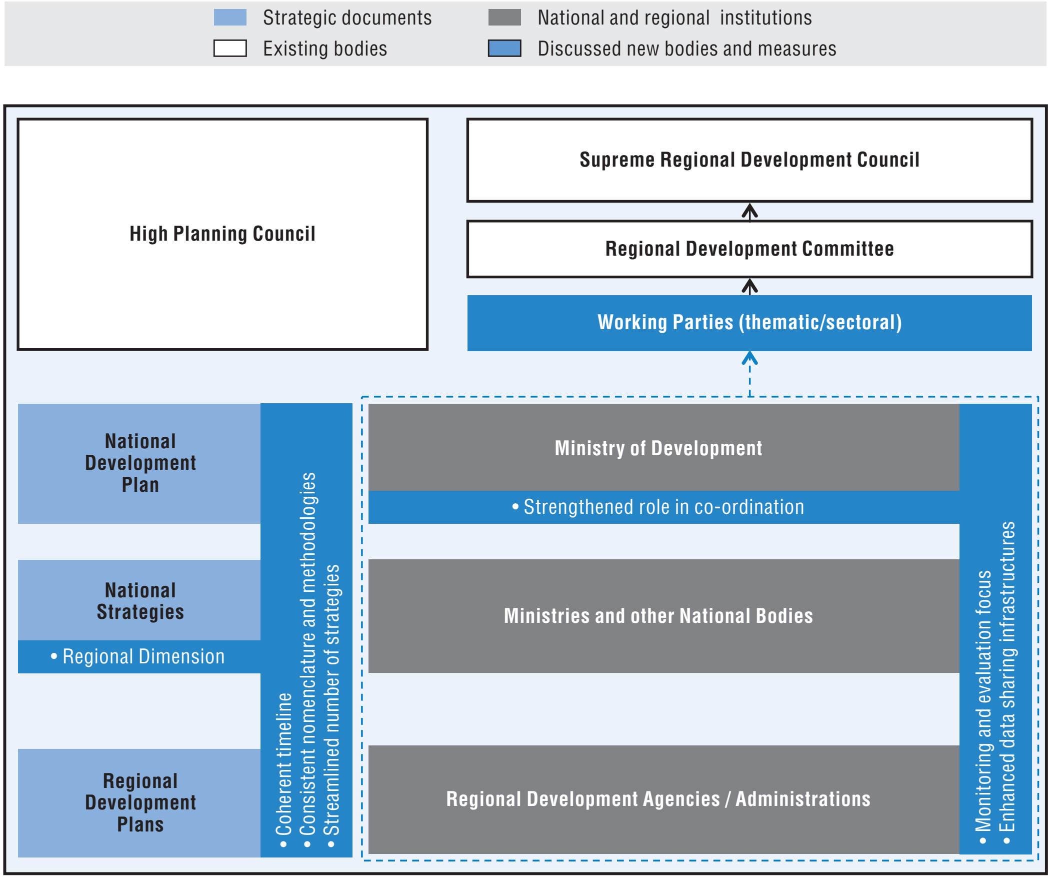
Reduce the overall number of strategies to a streamlined set

The "inflation of strategies" analysed in the first Chapter of this report is manifestly a sub-optimal situation. Participants therefore applauded the workshop as a milestone for raising awareness of the need to reduce the overall number of national and regional strategies as well as to streamline their content (e.g. reduce repititions, identify synergies and avoid contradictions). In the light of the overall consensus, participants concluded that it would be crucial that high-level bodies such as the High Planning Council and the Supreme Regional Development Council, supported by background from the MoD, formally express the necessity to streamline the number of strategies and clearly formulate the need for strategies going forward.

Leading the horizontal and vertical co-ordination efforts, the MoD could also proactively contribute to reducing the number of strategies according to the participants. For instance, it was suggested that the MoD might create joint initiatives such as interministerial taskforces which would jointly develop strategies. In addition, the MoD could make concrete suggestions to merge strategies which would traditionally be standalone strategies (e.g. sectoral strategies in one short common document). Overarching guiding tools on strategy development could be shared with central and regional institutions in charge of strategy preparation. Finally, participants voiced that budget allocation considerations and overall stronger ties between budgets and strategies could help streamline the set of strategies. Again, significant expectations were placed on monitoring and evaluation exercises, given their potential to incentivise ministries to reduce their number of strategies and make them more action-oriented and thus more implementable.

None of the surveyed stakeholders considers that the status quo a viable option for the future of the co-ordination of strategic planning. The survey shows unambiguously that for 92% of participants there is a *significant* need to improve the co-ordination of strategies while the remaining 8% see a *moderate* need to improve the co-ordination of strategies. While the workshop participants did not request a radical overhaul of the current co-ordination framework, they expressed firm committment to build on the existing framework and contribute to enhancing it with the measures they debated (Figure 8).

Figure 8. **Turkey's co-ordination framework for strategies**



Source: Adapted from Ministry of Development

Looking ahead, stakeholders call for shared objectives and a common big picture view with regard to strategy development. Evidence from the project activities concludes that an enhanced co-ordination framework is achieveable but that, as in most OECD and non-OECD countries, it will require time and efforts from all stakeholders to overcome the "silo effect" and shift away from narrow departamental objectives. The project workshops yielded a general consensus that the leading role of the MoD in enhancing the Turkish co-ordination framework will be crucial going forward. In particular, continuing its efforts of effectively engaging all relevant national and regional stakeholders is considered essential. As strategy development is a learning process, future generations of national and regional strategies are likely to benefit from the collective discussions and reviews of the current co-ordination challenges.

Notes

1. I.e. involving all relevant government bodies .
2. Workshop participants and interviewees include senior representatives of all 26 Development Agencies, Regional Administrations as well as ministries and the relevant national bodies presented in this report.
3. All 26 DAs were represented, either at secretary-general or head of planning level. Senior representatives of ministries and national bodies that have developed national strategies also attended. All institutions in attendance submitted a detailed survey.
4. Throughout the ongoing work of the South East Europe Division of the OECD Global Relations Secretariat, most recently at the High-level Conference on Competitiveness for Growth in South East Europe held in Paris on the 26th February 2016.
5. Definition provided in the Oxford Dictionary.
6. For more on the SIGMA principles go to "Detailed presentation of the Principles of Public Administration for EU Enlargement Countries (SIGMA 2014)" at http://sigmaweb.org/publications/principles-public-administration-eu-enlargement-detailed.htm.
7. SIGMA conducted its first comprehensive assessment of the EU Enlargement countries against its Principles in 2015. The Report on Turkey is available at: http://sigmaweb.org/publications/Baseline-Measurement-2015-Turkey.pdf
8. Formerly the "OECD Territorial Development Policy Committee", established in 1999.
9. For further detail on the public investment toolkit, go https://www.oecd.org/effective-public-investment-toolkit/.
10. At the national level, the strategies analysed are those whose substance makes them relevant to assessing the coherence of economic priority sectors and socio-economic policy co ordination. At the NUTS II regional level, 26 RDPs prepared by the RDAs and covering the 2014 23 period have been reviewed.
11. NUTS II stands for "Nomenclature of Territorial Units for Statistics II". The NUT classification divides economies into regions for the purposes of socio-economic analysis. NUTS II regions are basic regions to which regional policy applies. For further detail, go to http://ec.europa.eu/eurostat/web/nuts/overview.
12. The 1961 Constitution was replaced by a new document, the Constitution of 1982, which remains in force today and has been amended several times since its enactment.
13. The State Planning Organization established in 1960 was reorganised as the MoD in June 2011 by Decree Law No. 641.
14. Emphasised by the authors.
15. In addition to the councils and committees addressed within the scope of this report, in terms of co-ordination among ministries, several other councils and committees are established in Turkey. Although these do not focus primarily on strategy documents they consitute examples of co-ordination practices of different governmental bodies. Such councils and committees include: Economic Co-ordination Board, Money Credit Co-ordination Committee, Financial Stability Committee, Supreme Privatisation Board and the Defence Industries Supreme Co-ordination Council.
16. The strategies mapped and analysed are those deemed relevant to the assessment of the coherence of priority sectors and economic policy co ordination. The scope of analysis was validated in by the Second Project Advisory Committee of April 2014.
17. Turkey has set itself the ambitious target of becoming one of the 10 largest economies in the world by 2023, the centenary of the foundation of the Republic of Turkey. Achieving that target would, among other things, require Turkey to triple its GDP to more than USD 2 trillion and develop an export sector of USD 500 billion by 2023.
18. The National Strategy for Regional Development was in draft stage at the time the 10th Development Plan was adopted.
19. The first workshop on co ordination was held in Ankara on 20 May 2015.
20. Although issues pertaining to monitoring and evaluation of the strategies are outside the scope of this report, it is worth highlighting that Workshop participants emphasised the unsufficient time and resources available to Ministries for thorough monitoring and (impact) evaluation of the strategies.
21. SIGMA also assessed the issue in its 2015 baseline measurement report on Turkey. For more information see go to pp. 21 23 of the OECD/SIGMA Baseline Measurement Report on Turkey.
22. The two governance bodies were established by Law KHK/641 adopted on 3 June 2011 and published in the Official Gazette. In accordance with the law, the Prime Minister ultimately decides on the composition of the Council and Committee. The law specifies the following participating Ministries in both Council and Committee: MoD, MoSIT, Ministry of Labour and Social Security, Ministry Environment and Urban Planning, Ministry of Food, Agriculture and Livestock, Ministry of Culture and Tourism, Ministry of Forest and Water Management.

Ministry of Transport, Maritime Affairs and Communications, and for the Committee also the Ministry of Finance.

23. In addition to the DAs and their RDPs, several specific inter-regional administrations have been established and focus primarily on action plans for the implementation of public investment. These administrations are the DAP, KOP, GAP and DOKAP.
24. For instance, tools such as SWOT analysis, 3 stars analysis, clustering analysis, Location Quotient, etc. are explained in detail.
25. NUTS II regions like TRC3 Batman and TRB2 Van.
26. At the time of editing, legislation had been drafted and sent to the Turkish parliament to move the centres of two southeastern provinces, Şırnak and Hakkari, to Yüksekova and Cizre districts respectively and rename the provinces after these districts.
27. Following the election of Prime Minister Trudeau in November 2015, no regional ministers were appointed in Canada. According to the Prime Minister's Office "all ministers will work collaboratively with provinces, territories and communities". At the time of writing, the consequences of this decision remain to be determined and several stakeholders voice their preference for re-establishing regional ministers (Rabson, 2015).
28. Lisbon European Council 23 and 24 March 2000 – Presidency conclusions §37.
29. Tools can be guidelines, objectives, indicators, benchmark, good practices.
30. The 10 configurations are: General Affairs, Foreign Affairs, Economic and Financial Affairs, Justice and Home Affairs, Employment, Social Policy, Health and Consumer Protection, Competitiveness (Internal Market, Industry and Research), Transport, Telecommunications and Energy, Agriculture and Fisheries, Environment, Education, Youth and Culture.
31. To access the EUR-Lex Glossary of Summaries on COREPER, go to http://eur-lex.europa.eu/summary/glossary/coreper.html.
32. The Community Strategic Guidelines were introduced in 2006 to translate the Lisbon objectives into EU-wide strategy for EU Cohesion Policy.
33. Each Member State set out a National Strategic Reference Framework (NSRF) based on the CSG that set out how European funds should be used.
34. For a succinct explanation of the 11 thematic objectives, go to the EUR-Lex Summary Glossary at http://ec.europa.eu/regional_policy/en/policy/what/glossary/t/thematic-objectives.
35. Including OECD (2015a, 2011, 2014c, 2013c, 2015c), Ubaldi (2013) and Mickoleit (2014).
36. The EU has also launched a number of concrete initiatives, including the project "From Citizen Involvement to Policy Impact" (U-Impact) that aims to involve citizens more in EU policy making and to raise awareness of European affairs among the general public.
37. Based on telephone and face-to-face interviews throughout the Boosting Regional Competitiveness in Turkey Project.
38. Few reservations with regard to establishing such working parties were voiced. As the national strategies are not approved by the Supreme Regional Development Council but by the High Planning Council, working parties could not be appropriate forms for address all horizontal co ordination issues. It was finally agreed that it was nevertheless crucial to bring together directors general to effectively address issues relating to co ordination in the setting. The MoD could report the key findings of these Working Parties as well as other findings by the MoD to the High Planning Council as appropriate in order to streamline the overall set of national strategies.

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ANNEX A.
Overview of OECD instruments and toolkits

SIGMA Principles of Public Administration

The SIGMA initiative of the OECD and the European Commission

The accession process to the European Union requires establishing and maintaining a well-functioning and transparent public administration as a condition for effective democratic governance and unbiased market economy (OECD, 2014f). The state structures of each new Member are therefore expected be able to cope with the *acquis communautaire*[40] which covers diverse dimensions, including for instance competition law, environmental regulations, or consumer protection rights. "Public administration" should be understood here as national or central public administration, as well as constitutional, legislative and judiciary bodies which govern public administration. In turn, "good administration" as a concept covers various notions and objectives with which accession countries should comply. Some relate to the democratic imperative, e.g. refer to transparency, accountability, and participation. Others have a more economic rationale, and include predictability, reliability, and cost-efficiency. Finally, others cover management principles and embrace organisational capacity, flexibility and technical competence.

In order to improve public sectors capacities and prepare the implementation of public administration reforms in Central and Eastern European candidate countries for EU accession, the Support for Improvement in Governance and Management (SIGMA) initiative was launched by the European Commission and the OECD in 1992 (OECD, 1996). This joint initiative was gradually extended to countries from the Western Balkans, and it covers Albania, Bosnia and Herzegovina, , the former Yugoslav Republic of Macedonia, Kosovo*, [41] Montenegro, Serbia, and Turkey as EU Enlargement countries, as well as a number of EU Neighbourhood countries (Algeria, Armenia, Azerbaijan, Egypt, Georgia, Jordan, Lebanon, Moldova, Morocco, Tunisia and Ukraine). SIGMA now works with ministries, parliaments, public agencies and independent bodies from the abovementioned countries, to which it provides methodologies, recommendations, reviews of systems, frameworks and practices, as well as technical assistance (SIGMA, 2016).

SIGMA Principles of Public Administration

Central to SIGMA's work for improved public governance are *The Principles of* Public Administration (hereinafter Principles), which were developed in 2014. These Principles build on the "European Principles for Public Administration" (1999), SIGMA's first document that outlined the standards to follow by candidate countries to the European Union. The Principles contribute to establishing a good public administration in EU accession countries (OECD, 2014f).

It is of particular interest to highlight the SIGMA Principles in this report on horizontal and vertical co-ordination, as they detail, among other, a number of principles to enhance co-ordination as part of a well-functioning public administration.

As a matter of fact, the Principles are meant to supplement the approach of the European Union towards EU Enlargement and Neighbourhood countries, and provide a comprehensive description of good public administration principles along with key requirements with which to comply to join the EU (OECD, 2014f). The objective is to introduce clear and comprehensive benchmarks and good practices. The Principles also include guidance for Public Administration Reform (PAR) and are complemented by a monitoring framework to be used by policy makers to follow the application of reforms (OECD, 2014f). This monitoring framework was first applied in the 2015 "Baseline Measurement Reports" that set the baselines values for each indicator in all EU enlargement countries and Moldova.

Although general good governance criteria are universal, OECD/SIGMA has developed more tailored principles for EU Enlargement countries and more generic Principles suited for a wider range of countries, including those working with the EU under the European Neighbourhood Policy (ENP). As a result, these principles are primarily drafted based on the *acquis* requirements, but also include references to international standards and EU/OECD members' good practices (OECD, 2014f). Since countries have different state administrations and approaches to governance, the Principles should not be read as a one-size-fits-all framework to reform any type of administrative structure. Yet, governments should ensure compliance with the Principles, not least to allow for setting a number of minimum country benchmarks. The document is divided into six areas:

1. Strategic Framework of Public Administration Reform.
2. Policy Development and Co-ordination.
3. Public Service and Human Resource Management.
4. Accountability.
5. Service Delivery.
6. Public Financial Management.

Each of these areas includes "key requirements", which in turn include a list of principles. A "methodological approach" as well as "information sources" and "indicators" are also provided for each principle so that policy makers know which direction to follow when considering a given principle (OECD, 2014f).

Second area of the Principles: Policy Development and Co-ordination

Policy Development and Co-ordination form the subject matter of the second area of the Principles. The Principles underscore that co-ordination is a key condition for a more effective and transparent public administration. More specifically, the Policy Development and Co-ordination area comprises four key requirements that are consistent with each other:

1. "Centre of government institutions fulfil all functions critical to a well-organised, consistent and competent policy making system".
2. "Policy planning is harmonised, aligned with the Government's financial circumstances and ensures the Government is able to achieve its objectives".
3. "Government decisions and legislation are transparent, legally compliant and accessible to the public; the work of the Government is scrutinised by the Parliament".
4. "Inclusive, evidence-based policy and legislative development enables the achievement of intended policy objectives" (OECD, 2014f).

These key requirements entail 12 principles[42] that detail how they can be fulfilled. Three of these principles are directly related to EU integration (2, 4, and 9) while the other nine consist of more general objectives to achieve a well-functioning and inclusive public administration (principles 1, 3, 5, 6, 7, 8, 10, 11, and 12). While not all the principles of the Policy Development and Co-ordination area target co-ordination *per se*, principles 1, 3, 5, 6, 8, and 11 are particularly related to horizontal and vertical co-ordination (Box 10).

Box 10. **SIGMA Principles of Public Administration - Overview of selected Principles**

Principle 1: "Centre of government institutions fulfil all functions critical to a well-organised, consistent and competent policy making system."

Establishing a functioning centre of government with a clear mandate and well-defined responsibilities is expected to guarantee a better co-ordination of strategic priorities and policies. It also ensures a better communication of the overall message on government's actions. A centre of government should have a high proportion of critical functions to improve horizontal co-ordination within public institutions and agencies.

Principle 3: "Harmonised medium-term policy planning, with clear whole-of-government objectives, exists and is aligned with the financial circumstances of the Government; sector policies meet the Government objectives and are consistent with the medium-term budgetary framework."

Aligning priorities, strategies, and actions can be done through a medium-term policy planning and a medium-term budgetary framework that allow for translating the Government's objectives into administrative actions. As a result, the implementation of government documents (be they central planning ones or sectoral strategies) should be consistent one with another regarding their substance, their development, and their monitoring.

Principle 5: "Regular monitoring of the Government's performance enables public scrutiny and ensures that the Government is able to achieve its strategic objectives."

The responsibility for reviewing Government achievements should be clearly set out so that the delivery of policies and sector strategies are properly assessed. Reporting and monitoring being burdensome activities, co-ordinating and centralising these functions is expected to improve not only the use of resources for policy-making, but also the transparency of information for the public and for legislative bodies.

Principle 6: "Government decisions are prepared in a transparent manner and based on the administration's professional judgement; the legal conformity of the decisions is ensured".

The centre of government should have the authority and capacity to ensure a quality control of the preparation of policies. This is expected to guarantee the legal conformity of the texts, as well as the harmonisation of all policies with Government priorities and previous decisions. The centre of government should also specify clear deadlines and procedures to guide stakeholders.

Principle 8: "The organisational structure, procedures and staff allocation of the ministries ensure that developed policies and legislation are implementable and meet Government objectives."

While establishing a well-defined centre of government is expected to enhance co-ordination (principle 1), clear boundaries between ministries, departments and units are also essential. Responsibilities for policy development and legislative drafting should be clearly set out, and so should be the delegation of competences to subordinate bodies.

Principle 11: "Policies and legislation are designed in an inclusive manner that enables the active participation of society and allows for co-ordinating perspectives within the Government."

Aiming at inclusive policies that deliver the objectives also requires a better co-ordination within a government. If they are implemented in a consistent manner, effective public consultations increase dialogue between stakeholders and the government, which can affect policy-making if the lead unit or the ministry co-ordinates effectively.

Source : adapted from SIGMA Principles of Public Administration

As a tool for fostering EU integration, the Principles are used to benchmark accession countries from the Western Balkans and Turkey. SIGMA's "Baseline Measurement Reports" address each of the six areas identified in the Principles and provide analyses and guidelines for policy makers. The report for Turkey was published in 2015 and reviews the challenges that remain regarding the implementation of the *acquis communautaire* and the quality of the Turkish public administration and public services.

The OECD Regional Development Policy Committee and the OECD Recommendation on Effective Public Investment across Levels of Government

The Regional Development Policy Committee (RDPC)[43] of the OECD provides a forum to senior policy makers to identify, debate, and disseminate a place-based, inclusive, multi-level and innovative vision of development policy. Accordingly, the RDPC constitutes a key platform to discuss national experiences in regional development, share good practices and establish standards. The regional development perspective of the RDPC revolves around increasing the competitiveness and economic growth of different types of regions while also taking into account environmental and social concerns. In addition, the RDPC has three Working Parties, namely *i)* the Working Party on Territorial Indicators, *ii)* the Working Party on Rural Policy, and *iii)* the Working Party on Urban Policy.

Since its establishment in the late 1990s, the RDPC has worked on legal instruments and policy guidance in the form of Recommendations or Principles which can guide the decisions of policy makers in areas related to regional competitiveness, growth, and sustainable development. On 12th March 2014, the OECD Recommendation on Effective Public Investment across Levels of Government (hereinafter OECD Recommendation) was adopted by the OECD Council. It is the first and only OECD instrument in the area of regional policy and multi-level governance. Stemming from the work of the RDPC, this instrument directly addresses, among other, the co-ordination dimension of regional policy and multi-level governance.

The *OECD Recommendation* (2014d) emphasises that public investment affects most economic decisions, from where individuals choose to live and work to how private investment is spent. The aim of the OECD Recommendation is to help all levels of government assess the strengths and weaknesses as well as set priorities for improvement in the area of multi-level governance of public investment. The governance of public investment is a shared and complex responsibility across a high number of actors and levels of government. Therefore, the quality of institutions underpins the good delivery of public investment, which implies that the co-ordination challenges between subnational authorities (that often conduct a large share of public investment) and the national level (that often co-finances the investment) can be significant and have to be addressed by governments.

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An effective co-ordination is essential as it becomes, for instance, increasingly important to recognise and integrate regional differences and development priorities into national investment planning. Likewise, governments need to ensure that regional actors contribute to national policy design for public investment with regional impacts and that regional priorities are adequately considered at the national level.

The *OECD Recommendation* contains 3 pillars representing systemic multi-level governance challenges for public investment:

- Pillar 1: "Co-ordinate public investment across levels of government and policies". It addresses co-ordination and focuses on the different types of governance arrangements and incentives than can help co-ordination;
- Pillar 2: "Strengthen capacities for public investment and promote policy learning at all levels of government". It highlights key public management capacities that should be present to foster conditions for effective investment;
- Pillar 3: "Ensure proper framework conditions for public investment at all levels of government". It focuses on the key fiscal conditions necessary to conduct a public investment.

The first Pillar of the *OECD Recommendation*, is particularly relevant to horizontal and vertical co-ordination. While the second and the third Pillars are less directly related to horizontal and vertical co-ordination, they should nonetheless be read in conjunction with the first Pillar, as all Pillars are mutually consistent. The first Pillar focuses on synergies and complementarities between policies at all levels of governments with the objective to increase and improve the effectiveness of public investment. This Pillar is articulated around three "Principles":

- "Invest using an integrated strategy tailored to different places". The design and the execution of public investment strategies should be adapted to the characteristics of the geographical unit they target, taking into account the structures of the economy, the opportunities, and challenges. Policy complementarities and synergies in sector strategies should be sought at the government level, including with strategic frameworks and co-ordination mechanisms to align the actions of ministries, while the collection of data at the subnational level should be encouraged to inform decision making.
- "Adopt effective instruments for co-ordination across national and subnational levels of government". With the increasing decentralisation that takes place in OECD countries, the competence to conduct public investment is increasingly shared within various levels of government. Different mechanisms are therefore necessary to manage these shared competences, such as contracts, committees, or development agencies. Even though building collaboration between agents may take time, following a number of good practices can encourage actors to co-ordinate effectively. Such practices include the clear definition of the co-ordination targets, a limited number of collaboration bodies to avoid duplications, or a strong political leadership.
- "Co-ordinate horizontally among sub-national governments to invest at the relevant scale". Co-ordinating horizontally at the sub-national level helps maximise the economies of scale and the synergies and minimise the policy gaps and duplications. Arrangements can range from co-ordinating strategies through contracts between municipalities to mergers between sub-national authorities under one local body, depending on the needs.

The Implementation Toolkit of the OECD Recommendation on Effective Public Investment across Levels of Government

The *OECD Recommendation* can be used by OECD members and non-members alike to establish good practices and tackle the challenges of the multi-level governance of public investment. In order to facilitate the understanding and the application of the Principles set out in the *OECD Recommendation*, the OECD also published a supporting implementation Toolkit with indicators and good practices to guide national and regional policy makers and practitioners.

The Implementation Toolkit of the *OECD Recommendation* is thus an operational tool which can be used by all levels of government. By using it, policy makers can identify best practices and evaluate their policies according to a grid of indicators. The publication is also supported by a website which further elaborates on the Toolkit and renders it available for policy makers around the world.[44] Based on the *OECD Recommendation* and the Toolkit, the OECD also conducted a survey with the EU Committee of the Regions to assess the challenges that subnational governments would face, should they implement the principles.[45]

For each Principle of the *OECD Recommendation*, the Toolkit details the rationale, provides examples of good practices or recent policy developments found in OECD countries, and lists a number of potential solutions for the implementation of the principle – as well as some risks that they entail. It finally proposes a self-assessment tool that policy makers can use to evaluate their chosen policies (see Annex). The remainder of this section illustrates how the Toolkit approaches the key Principles of the *OECD Recommendation*. The selected Principles address co-ordination and stakeholder engagement. They correspond the first Pillar (Principles 2 and 3) as well as to the second Pillar (Principle 5):

- Principle 2: "Adopt effective instruments for co-ordination across national and subnational levels of government";
- Principle 3: "Co-ordinate horizontally among sub-national governments to invest at the relevant scale";
- Principle 5: "Engage with stakeholders throughout the investment cycle".

The Principle 2 is essential to bridge the fiscal, information, and policy gaps that exist at all levels of government to make the most of public funds. After introducing several examples of good practices (such as Australia and its "Council of Australian Governments" that acts as a forum between the central and the federal authorities, and Austria with the "ÖROK"), a number of solutions and pitfalls are listed. Among the first ones are the development of "integrated national strategies with clear long-term goals", as well as the establishment of "platforms for regular intergovernmental dialogue" and institutionalising "the dialogue of national representatives in regions with respective sub-national authorities". In the meantime, a number of pitfalls must be avoided, including to "under-estimate the co-ordination challenges at stake at all stages of the investment cycle" and to "engage in co-ordination with other levels of government too late in the investment decision making process". Finally, the self-assessment tool addresses several concrete indicators.

Table A1. **Grid of indicators for Principle 2 of the *OECD Recommendation***

PRINCIPLE 2				
OBJECTIVES	**INDICATORS**	✔	✔	✔
To coordinate across levels of government to reduce asymmetries of information	**Co-ordination bodies across levels of government** There are formal mechanisms/bodies for co-ordination of public investment (formal platforms and ad hoc arrangements) across levels of government			
	Cross-sectoral approach These co-ordination bodies/mechanisms have a multi-sector approach			
	Mobilisation of co-ordination arrangements There co-ordination mechanisms are mobilised regularly and produce clear outputs/outcomes			
	Efficacy of co-ordination platforms Stakeholders' perception (or empirical data) regarding the efficacy of these different platforms			
	Contractual agreements/partnerships Contractual agreements/partnerships across levels of government have been developed to manage joint responsibilities for sub-national public investment			
	Effectiveness of contractual agreements The share of sub-national public investment covered by these agreements is measured			
To align priorities across the national and sub-national levels	**Co-financing arrangements** There are co-financing arrangements for public investment			

Note: ✔ System in place and works in a satisfactory way; ✔ System in place but improvements are needed; ✔ System not in place or not functioning well.
Source: OECD Effective Public Investment Across Levels of Government: Principles for Actions

Principle 3 should be implemented to reduce gaps and duplications at the subnational level, to make the most of economies of scale while taking into account the interests of subnational authorities, and to supervise the possible spillovers of a given policy. As solutions, policy makers can "provide relevant incentives to enhance co-operation across jurisdictions", for example through the "establishment of joint authorities or "co-ordinated investment strategies". There is, however, a risk of creating "a mechanism for horizontal collaboration with duplicative functions for existing subnational governments", or to "force collaboration where fiscal incentives are not aligned". The figure below presents the grid of indicators for Principle 3.

Table A2. **Grid of indicators for Principle 3 of the *OECD Recommendation***

PRINCIPLE 3				
OBJECTIVES	**INDICATORS**	✔	✔	✔
To co-ordinate with other jurisdictions to achieve economies of scale across boundaries	**Horizontal co-ordination** Cross-jurisdictional partnerships involving investment are possible			
	Cross-sectoral approach Cross-jurisdictional partnerships cover more than one sector			
	Incentives from higher levels of government Higher levels of government provide incentives for cross-jurisdictional co-ordination			
	Effectiveness of horizontal co-ordination The share of investments involving use of cross-jurisdictional co-ordination arrangements at the sub-national level can be measured by mechanism and/or by sector			
To plan investment at the right functional level, in particular in metropolitan areas	**Use of functional regions** Functional regions are defined, identified, and used in investment policy			

Note: ✔ System in place and works in a satisfactory way; ✔ System in place but improvements are needed; ✔ System not in place or not functioning well.
Source: OECD Effective Public Investment Across Levels of Government: Principles for Actions

Source: OECD Effective Public Investment Across Levels of Government: Principles for Actions

Principle 5 outlines that stakeholder engagement is vital, in particular as to tailor public investment to the needs of local citizens, to include them into the priority-setting, and to make sure that the process is not captured by interest groups. Policy makers are advised to "develop and implement a stakeholder engagement plan, tailored to the size of the investment project" as well as to "make investment information publicly available in a timely, visible and simple way". In the meantime, they should be careful not to "involve only a limited set of stakeholders" or to "involve [them] too late in the investment project". The proposed grid of indicators is presented in the figure below.

Table A3. **Grid of indicators for Principle 5 of the *OECD Recommendation***

PRINCIPLE 3

OBJECTIVES	INDICATORS	✔	✔	✔
To engage public, private and civil society stakeholders throughout the investment cycle	**Mechanisms to involve stakeholders** Mechanisms exist to identify and involve stakeholders throughout the investment cycle			
	Fair representation of stakeholders Fair representation of stakeholders in the investment cycle consultation process is guaranteed (to avoid capture situations)			
	Early involvement of stakeholders Stakeholders are involved from the early stages of the investment cycle			
	Access to information Stakeholders have easy access to timely and relevant information throughout the investment cycle			
	Feedback integrated in decision making process Stakeholders are involved at different points of the investment cycle and their feedback is integrated into investment decisions and evaluation			

Note: ✔ System in place and works in a satisfactory way; ✔ System in place but improvements are needed; ✔ System not in place or not functioning well.
Source: OECD Effective Public Investment Across Levels of Government: Principles for Actions

While the Toolkit, with its concrete indicators, is an instrument that is part of the implementation of the OECD Recommendation, the RDPC also launched a series of OECD Multi-level Governance Studies. In this context, the recent publication "*Making the Most of Public Investment in the Eastern Slovak Republic*" (2016c) illustrates how the principles can be operationalised in practice. The publication analyses in details the multi-level governance in Eastern Slovak Republic, and reviews the co-ordination of public investment in the region. Implementing the Toolkit and its grid of indicators, it is found that the co-ordination bodies across the levels of government in Eastern Slovak Republic need to be improved (Principle 2) and that the region has no effective horizontal co-ordination at the subnational level (Principle 3). Similarly, it is shown that engagement with citizen exists but that there is potential to improve it (Principle 5).

While it is the first the publication of these specific series, the OECD has addressed the issues of multi-level governance and horizontal and vertical co-ordination in previous publications, including for example "Multi-level governance in Colombia" (OECD, 2013d), and "Multi-dimensional Review of Peru" (OECD, 2015g).

ANNEX B:
Implementation Toolkit of the OECD Principles for Effective Public Investment Across Levels of Government

Table B1. **Indicators to measure the implementation of OECD Principles for Effective Public Investment Across Levels of Government**

✔ System in place and works in a satisfactory way; ✔ System in place but improvements are needed;
✔ System not in place or not functioning well.

PRINCIPLE 1

OBJECTIVES	INDICATORS	✔	✔	✔
To engage in planning for regional development that is tailored, results-oriented, realistic, forward-looking and coherent with national objectives	**Coherent planning across levels of government** Mechanisms exist to ensure that sub-national investment plans reflect national and sub-national development goals			
	Tailored, place-based development plan There is correspondence between assessment of territorial needs and strengths and planned projects			
	Clear public investment priorities There is a clear and authoritative statement of public investment priorities at national and regional levels			
To co-ordinate across sectors to achieve an integrated place- based approach	**Complementary of hard and soft investments** Consideration is given to complementarities between investments in hard and soft infrastructure			
	Complementarities across sectors Attention is given to potential complementarities and conflicts among investments by different ministries/departments			
	Cross sectoral co-ordination Formal or informal mechanisms exist to co-ordinate across sectors (and relevant departments/agencies) at the sub-national level			
To support decisions by adequate data	**Forward-looking investment plans** Authorities assess the potential contribution of investments to current competitiveness, sustainable development and regional & national well-being			
	Data availability & use for investment planning Data are available and used to support the territorial assessment and planning process			

PRINCIPLE 2

OBJECTIVES	INDICATORS	✔	✔	✔
To coordinate across levels of government to reduce asymmetries of information	**Co-ordination bodies across levels of government** There are formal mechanisms/bodies for co-ordination of public investment (formal platforms and ad hoc arrangements) across levels of government			
	Cross-sectoral approach These co-ordination bodies/mechanisms have a multi-sector approach			
	Mobilisation of co-ordination arrangements There co-ordination mechanisms are mobilised regularly and produce clear outputs/outcomes			
	Efficacy of co-ordination platforms Stakeholders' perception (or empirical data) regarding the efficacy of these different platforms			
	Contractual agreements/partnerships Contractual agreements/partnerships across levels of government have been developed to manage joint responsibilities for sub-national public investment			
	Effectiveness of contractual agreements The share of sub-national public investment covered by these agreements is measured			
To align priorities across the national and sub-national levels	**Co-financing arrangements** There are co-financing arrangements for public investment			

Table B1. **Indicators to measure the implementation of OECD Principles for Effective Public Investment Across Levels of Government** *(cont.)*

✔ System in place and works in a satisfactory way; ✔ System in place but improvements are needed;
✔ System not in place or not functioning well.

PRINCIPLE 3

OBJECTIVES	INDICATORS	✔	✔	✔
To co-ordinate with other jurisdictions to achieve economies of scale across boundaries	**Horizontal co-ordination** Cross-jurisdictional partnerships involving investment are possible			
	Cross-sectoral approach Cross-jurisdictional partnerships cover more than one sector			
	Incentives from higher levels of government Higher levels of government provide incentives for cross-jurisdictional co-ordination			
	Effectiveness of horizontal co-ordination The share of investments involving use of cross-jurisdictional co-ordination arrangements at the sub-national level can be measured by mechanism and/or by sector			
To plan investment at the right functional level, in particular in metropolitan areas	**Use of functional regions** Functional regions are defined, identified, and used in investment policy			

PRINCIPLE 4

OBJECTIVES	INDICATORS	✔	✔	✔
To identify social, environmental and economic impacts, ensure value for money and limit risks	**Ex-ante appraisals** A large share of public investment is subject to ex-ante appraisal			
	Results of ex-ante appraisals The results of ex-ante appraisals are used to prioritise investments			
To conduct rigorous ex-ante appraisal	**Quality of appraisal process** Ex-ante appraisals are conducted by staff with project evaluation skills			
	Independent review of ex-ante appraisals Share of ex-ante appraisals subject to independent review			
	Guidance for ex-ante appraisals Technical guidelines for ex-ante appraisal are available and used at all levels of government			

PRINCIPLE 5

OBJECTIVES	INDICATORS	✔	✔	✔
To engage public, private and civil society stakeholders throughout the investment cycle	**Mechanisms to involve stakeholders** Mechanisms exist to identify and involve stakeholders throughout the investment cycle			
	Fair representation of stakeholders Fair representation of stakeholders in the investment cycle consultation process is guaranteed (to avoid capture situations)			
	Early involvement of stakeholders Stakeholders are involved from the early stages of the investment cycle			
	Access to information Stakeholders have easy access to timely and relevant information throughout the investment cycle			
	Feedback integrated in decision making process Stakeholders are involved at different points of the investment cycle and their feedback is integrated into investment decisions and evaluation			

PRINCIPLE 6

OBJECTIVES	INDICATORS	✔	✔	✔
To mobilise private sector financing, without compromising long-term financial sustainability of sub-national public investment projects	**SNGs have access to technical assistance for PPP** Sub-national governments have access to and use technical assistance for public-private partnerships (e.g. via PPP units, formal training, good practice guidance)			
	Use of quantifiable indicators The amount of private financing per unit (e.g. Euro, USD) of public investment is known			
	Access to information SNGs have access to information concerning (supra) national funds for investment			
To tap traditional and innovative financing mechanisms for sub-national public investment	**Use of innovative financing instruments** The use of new, innovative financing instruments at sub-national levels is accompanied by assessment of their benefits, risks, and sub-national capacities to employ them			

Table B1. **Indicators to measure the implementation of OECD Principles for Effective Public Investment Across Levels of Government** *(cont.)*

✔ System in place and works in a satisfactory way; ✔ System in place but improvements are needed; ✔ System not in place or not functioning well.

PRINCIPLE 7

OBJECTIVES	INDICATORS	✔	✔	✔
To develop institutional capacity and professional skills	**Specific focus on investment required skills** Human resource management policies demonstrate attention to the professional skills of staff involved in public investment (e.g. hiring is targeted, needs assessments are made, appropriate training is available and used)			
	Dedicated financial assistance Dedicating financial assistance is made available for technical training of civil servants involved with public investment; training utilisation rates			
	Technical guidance Technical guidance documents are available for actors at all levels of government to clarify approaches to planning, implementation, and evaluation of public investment			
To plan investment at the right functional level, in particular in metropolitan areas	**Assessment of binding capacity constraints** Specific assessments are conducted to assess binding constraints for effective public investment and identify the needs and the proper sequence of reforms			

PRINCIPLE 8

OBJECTIVES	INDICATORS	✔	✔	✔
To design and use monitoring indicator systems with realistic, performance promoting targets	**Performance monitoring in place** A performance monitoring system is used to monitor public investment implementation			
	Timely reporting The monitoring systems facilitate credible and timely reporting of expenditure and performance			
	Output and outcomes The indicator system incorporate output and outcome (results) indicators			
	Targets Part of the indicators are associated with measurable targets			
To use monitoring and evaluation information to enhance decision making	**Performance monitoring information is used in decision making** Performance information contributes to inform decision making at different stages of the investment cycle			
To conduct regular and rigorous ex-post evaluation	**Ex-post evaluations** • Ex-post evaluations are regularly conducted. Some ex-post evaluations are conducted by independent bodies (e.g. research organisations, universities, consultancies) • Clear guidance documents exist that detail ex-post evaluation standards			

PRINCIPLE 9

OBJECTIVES	INDICATORS	✔	✔	✔
To define appropriate inter governmental fiscal arrangements that help align objectives across levels of government	The intergovernmental fiscal framework is clear, with timely indications of transfers between levels of government.			
	There is minimal variance between estimated and actual transfers.			
	Information is made publicly available on the fiscal situation of sub-national governments and their comparison			

PRINCIPLE 10

OBJECTIVES	INDICATORS	✔	✔	✔
To ensure budget transparency at all levels of government	**Budget transparency** Budget transparency principles apply at all levels of government			
	Timely information Budgetary information regarding public investment is publicly available to stakeholders at all levels of government in a timely and user friendly format			
	Maintenence costs integrated into budgeting Operations and maintenance costs of infrastructure investment are assessed and integrated into budgeting and planning decisions			
To ensure sub-national and national fiscal stability	**Budget co-ordination across levels of government** Budgetary co-ordination across levels of government in terms of contributions to national fiscal targets			
To link strategic plans to multi- annual budgets	**Multi-year forecasts** Public investment is linked to multi-year budget forecasts, which are reviewed regularly			
	Medium term budgeting framework The medium-term planning and budgeting framework is integrated with the annual budget			
	Multi year forecasts Multi-year forecasts for public investment reviewed and updated regularly			

Table B1. **Indicators to measure the implementation of OECD Principles for Effective Public Investment Across Levels of Government** *(cont.)*

✔ System in place and works in a satisfactory way; ✔ System in place but improvements are needed;
✔ System not in place or not functioning well.

PRINCIPLE 11

OBJECTIVES	INDICATORS	✔	✔	✔
To engage in transparent, competitive, procurement processes	**Competitive procurement** • The share of public tenders for public investment that are competitively awarded is known and publicly available			
	• The participation rates for tenders is known			
	• Procurement information from the full procurement cycle is publicly available at the national and sub-national levels of government			
	• Procurement review and remedy mechanisms are in place at the national and sub-national levels			
To encourage procurement at the relevant scale	**Strategic procurement** The share of procurement which involves more than one sub-national government is known			
To promote the strategic use of procurement	• Procurement is used strategically by SNGs to achieve green objectives			
	• Procurement is used strategically by SNGs to achieve innovation objectives			
To foster sub-national capacity building for procurement	**Sub-national capacities for procurement** • There is recognition of procurement officials as a specific profession			
	• Formal guidance regarding procurement procedures is provided to sub-national governments			
	• There is a procurement unit that can assist SNGs			
	• The percentage of total annual contracts awarded go to SMEs in sub-national procurement is known			
	• The percentage of national/sub-national procurement conducted on-line is known			

PRINCIPLE 12

OBJECTIVES	INDICATORS	✔	✔	✔
To engage in "better regulation" at sub-national levels, with coherence across levels of government	**Regulatory co-ordination across levels of government** Formal co-ordination mechanisms between levels of government that impose specific obligations in relation to regulatory practice			
	Regulatory impact assessment Regulatory Impact Analysis (RIA) are used			
	Reduction of stock of regulation Efforts to reduce the stock of regulation or simplify administrative procedures in relation to public investment are made			
	Public consultations Public consultations are conducted in connection with the preparation of new regulations of sufficient duration, accessible, and appropriately targeted			
	Use of e-government tools Use of e-government tools used to simplify administrative procedures for public investment projects			

Notes

39. All existing EU legal acts and judicial decisions.
40. Accordingly, the first key requirement includes a Principle on "centre of government institutions" (Principle 1) and on European integration co ordination (Principle 2); the second key requirement displays three Principles on "harmonised medium-term policy planning" (Principle 3), "harmonised [and integrated] medium-term planning system for all processes relevant to European integration" (Principle 4), and on "regular monitoring of the Government's performances" (Principle 5); the third key requirement consists of two Principles, namely the transparent preparation of government decisions, also based on the administration's professional judgement (Principle 6) and the scrutiny of government policy-making by the Parliament (Principle 7); finally, the fourth key requirement lists Principles on the adequate "organisational structure, procedures and staff allocation of the ministries" (Principle 8), the inclusion of "European integration procedures and institutional set-up [in the] policy development process" (Principle 9), on evidence-based policy-making and legal drafting process (Principle 10), on the inclusiveness of policies and legislation (Principle 11), and on consistent legislation and legal drafting requirements (Principle 12) (OECD, 2014f).
41. The toolkit website is available at: https://www.oecd.org/effective-public-investment-toolkit/
42. Information on the OECD-EU Survey is available at www.oecd.org/effective-public-investment-toolkit/oecd-eu-survey.htm.

ENHANCING THE CO-ORDINATION BETWEEN CENTRAL INSTITUTIONS AND DEVELOPMENT AGENCIES

Regions play an increasingly important role in OECD economies. They are responsible for delivering policies that directly affect citizens' lives and the business environment. With wide disparities in the economic development of its regions Turkey is among the OECD countries now taking an active interest in regional development policies and regional competitiveness.

The OECD conducted its project, Boosting Regional Competitiveness in Turkey, to help improve regional and sectoral competitiveness policies in Turkey and to make co-ordination between newly created development agencies, the Ministry of Development and other relevant Turkish institutions more effective. The 22-month project was implemented by the OECD in close collaboration with the Ministry of Development of Turkey and co-financed by the European Union and Turkey.

Project findings are examined in four thematic reports. This report focuses on inter-institutional co-ordination during the design of national and regional strategies.

This project is co-financed by the European Union and the Republic of Turkey

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