

ORGANIZED INDUSTRIAL DISTRICTS IN TURKEY

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DESCRIPTION AND THE MAIN OBJECTIVES OF ORGANIZED INDUSTRIAL DISTRICTS IN TURKEY

Today, Turkey is passing through a period that is crucial not only politically, but also as a time for evaluating the total economic structure and for determining the next steps of development. The urgent need of Turkey like many other developing countries to accelerate industrialization and to raise living standards has made it imperative to undertake practical programmes designed to further social and economic progress. The organized industrial districts are recent additions to the many instruments and techniques which have been successfully applied in order to encourage industrial development in Turkey.

According to the applications and experiences in Turkey the organized industrial districts are possibly defined as follows; "A piece of land generally improved by infrastructure investments like zoning and plotting, providing drainage and sewerage, constructing roads and other transport services, supplying water, electricity and other utilities and gradually supported by common services like communication (PTT), fire brigade, health, security, banking and other social services in order to be allowed for the establishments of industries of all types and sizes except heavy industrial complexes and very small-scale industries is called an organized industrial district in Turkey."¹

The term organized industrial district is nominally used for the above concept in Turkey². The adjective "organized" attributes to district only. The organization of industry is not mentioned by this term. "Organized" may colloquially be omitted.

There is another device for promoting the small-scale industries in Turkey. This kind of device does not mean the artisanal workshop centers (Sanayi Çarşıları) but explains about the small industrial estates (Küçük Sanayi Siteleri). Small indus-

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1 "The Report of the Specialized Commission of the Fourth Five Year Development Plan upon the Organized Industrial Districts", Ankara, 1976, p.2.

2 See about the conceptual distinctions among the various definitions. United Nations, Department of Economic and Social Affairs; "Establishment of Industrial Estates in Under-developed Countries", New York, 1961, p. 33.

trial estate in Turkey is called only "Industrial Estate" and organized industrial districts in Turkey are taken into the accounts as *Industrial Area* by United Nations³. The distinction between industrial estates and industrial areas is that, in the former, there is not only an initial developmental function of providing: land, building, utilities and services, but the estate manages the operation on a continuing basis and provides additional services which act as incentives to the establishment of industries. In industrial areas, the initial development function is limited to the subdivision and infrastructural improvement of land, and the operation terminates with the sale of industrial lots⁴. However, both of them exert varying degrees of influence over the location of industry and provide varying degrees of developmental stimuli.

The inefficient regional and urban planning in Turkey do not supply a piece of land or a district legally zoned for industrial use. Industrial entrepreneur in Turkey is not limited to locate. As a part of city, the industrial zones are not officially determined yet. So that the scattered locations of industries will continuously be a problem to Turkey. In the regions having potential to industrial development, organized industrial districts should be taken into the consideration for the disciplinary purpose of the location of the medium-sized and modern small-scale industries. A city or a region with great potentialities may have more organized industrial districts⁵.

In Turkish case, the organized industrial districts are intended to influence locational and investment decisions of industrial entrepreneurs, for whom the determining motive is profitability and efficiency. If so, one of the principal criteria for employment the organized industrial district and of the test of its efficiency is whether it will satisfy the demand and need of the industrial entrepreneur.

Main objective of an organized industrial district established in Turkey is to contribute to economic and industrial development. Many advantages have been obtained from the organized industrial districts existing in the different regions of the country. They permit advance acquisition or reservation of suitable land for industry, concentration of development in suitable industrial locations, large-scale unified development of industrial land, services and facilities, together with other elements of regional and urban development, maintenance of infra-structure and technical support operation, combination with fiscal and other incentives, and some controls over unplanned haphazard industrial location.

If in conjunction with other measures of encouragement districts are properly used, the following contributions can be realized in Turkey:

- A- Promotion of rapid industrialization,
- B- Planned industrial location,
- C- Increase of industrial employment,

3 United Nations, Industrial Development Organization: "*Industrial Estates in Europe and the Middle East*", United Nations, New York, 1968, p. 101.

4 Cari E. Goderez; "*The Planning and Implementation of Industrial Estates and Export Processing Zones*", World Bank, Washington D.C., 1980, p. 4.

5 Ercan Dülgeroğlu; "*Organized Industrial Districts and Bursa Case*", İstanbul, 1976, (Ph. D. Dissertation in Turkish), p. 154.

- D- Attraction of foreign and national private investments,
- E- Change the industrial structure,
- F- Increase of the labor productivity,
- G- Effective use of resources,
- H- Reduction of cost,
- I- Reservation the most suitable urban land for industrial use,
- J- Improvement the transportation system,
- K- Maximization of efficient land use,
- L- Integration urban marginal people into the productive industrial system,
- M- Protection the non-industrial areas from troubles to be created by industry,
- N- Provision of external economies,

There are many other goals of organized industrial districts which are not available in Turkish implementation, because of the different conditions existing in the country.

ESTABLISHMENT OF ORGANIZED INDUSTRIAL DISTRICTS IN TURKEY

The Five Year Development Plans of Turkey envisage the establishment of organized industrial districts as a means of developing industry⁶. According to the concerning parts of the development plans, the objectives of establishing the organized industrial districts are shortly summarized as follows:

A- To provide industrial locations to the scattered modern small-scale and medium-sized industries and to develop their integrations.

B- To encourage new investments with cheaper location costs as complementing infrastructure.

C- To locate industrial firms with the requirements of city planning.

Organized industrial districts projects in Turkey are planned and regulated by the State; Ministry of Industry and Commerce, State Planning Organization and Ministry of Construction and Resettlement. The chambers of commerce and industry, municipalities, provincial governments, co-operatives and various combinations of them may be a sponsoring agency to establish and manage the organized industrial districts.

The establishment, organization, finance and all other regulations are designated by a regulation. This is "The Regulation Concerning the Fund for the Establishment of Organized Industrial Districts". This regulation was firstly issued in 1967, and then was amended and improved seven times in the period of 1969-1982. In accordance with this fund regulation while the costs of infrastructure facilities and development of organized industrial districts will generally be met by the State 90 percent, the entrepreneurs (usually chambers) interested in establishing an organized industrial district in a certain area of their city will deposit the remaining 10 percent in the People's Bank. After construction the institutions and firms

6 "Industrial Districts in Turkey and the World", A publication of The Turkish Union of Chambers, Ankara, 1983, p.32-36, (Turkish).

which are to occupy organized industrial districts will contribute to the expenditures within their means.

According to this regulation there is also a mutual credit agreement to be signed by the People's Bank as the representative of State and the entrepreneurial institution (or sponsoring agency).

In practice, generally the chambers of commerce and industry undertake of sponsoring the construction, organization and management of the organized industrial districts. In the meantime the Union of Chambers of Commerce, Industry and Commodity Exchanges of Turkey has a great contribution to the development of the physical planning of all organized industrial districts in Turkey. But, organizational regulations are made by a special department of the Ministry of Industry and Commerce. It is obvious that the most important role belongs to the State, because the financial assistance is realized by the Government.

The Turkish Union of Chambers of Commerce and Industry guiding the entrepreneurial institutions has developed some criteria to select the location area of organized industrial districts for providing of standard applications in establishment. Most of them are about the physical conditions of the area to be chosen. At the same time the potential assets of the neighbour settlement center are being taken into the considerations. Recommended land use of the organized industrial districts in Turkey is given by the following table proposed by The Turkish Union of Chambers of Commerce and Industry⁷.

Table: 1
Average Percentages for Utilization of Land in Organized Industrial Districts in Turkey

Types of Land use	Percentage Ratio in Total Area
Area under roads and pavements	12.0
Area covering infra-structure	2.0
Area under administrative and service buildings	2.0
Warehouses and other commercial areas	1.0
Open green spaces	5.0
Industrial areas	78.0
Total Area	100.0

Source: E. Onat; "Organized Industrial Districts: Principles of Physical Planning", Turkish Union of Chambers, Ankara, 1969.

The percentage values frequently show the changes in favor of industrial areas from district to district. For each district, a preliminary project is prepared by the Union of Chambers carrying out the necessary information⁸.

After establishment of organized industrial districts, the management and running the estate is left to the entrepreneurial institution.

7 Esen Onat; "Organized Industrial Districts: Principles of Physical Planning", A Turkish Union of Chambers Publication, Ankara, 1969, p. 55 (Turkish).

8 For further information; "The Preliminary Projects of Organized Industrial Districts", published by the Turkish Union of Chambers.

DEVELOPMENT OF ORGANIZED INDUSTRIAL DISTRICTS IN TURKEY

The implementation of organized industrial districts in Turkey was initiated as a pilot project at Bursa in 1961. This was a very critical case for Turkish experience. Because, Turkey was attempting to plan the economic development preferring the industrialization as a leading sector. At the request of the Turkish authorities and as a practical approach to the organized industrial district concept, particular attention was devoted to selecting and developing project for a specific district. Accordingly, specific plans have been developed and are set forth for the first such district at Bursa. A feasibility report for establishing an organized industrial district at Bursa was carried out in 1961 by the Turkish Government and a consulting firm — Checchi and Company — for a financial aid through the "Agency for International Development of United States - USAID" according to the U.S. PL-480⁹.

The Organized Industrial District at Bursa, sponsored by the Bursa Chamber of Commerce and Industry, has already been established on a site of 280 hectares excluding recently added areas of enlargement.

If we take into the account the Bursa Organized Industrial District as a starting point, nearly in a decade a very important progress was ensured. All Development Plans of Turkey and their programmes try to use organized industrial districts as a tool for industrialization, planned urbanization and regional planning. Thus, it can be thought that organized industrial districts in Turkey have an affirmative position within the process of economic development¹⁰.

Today organized industrial districts are means of encouragement to the private industrial investments from the point of having cheaper site ready to construct. So that the development of an industrial district should be an attempt to provide adequate space and facilities for potential industries near the centers of settlement.

After twenty years, only six organized industrial districts are under operation in Turkey. Some information about these districts has been shown by the following tables.

Table: 2
Organized Industrial Districts under Operation in Turkey

Organized Industrial Districts	Total Area (m ²)	Beginning Year	Operation Year
Bursa	2.433.430	1962	1966
Manisa	1.691.460	1968	1970
Konya (1)	1.002.834	1966	1970
Gaziantep	2.209.665	1972	1973
Eskişehir	1.050.000	1972	1975
Erzurum	1.050.000	1975	1981

Source: E. Dülgeroğlu; "Organized Industrial Districts and Bursa Case", İstanbul, 1976, p. 124-148, and Ministry of Industry and Commerce.

9 Ercan Dülgeroğlu; Op. cit., p.166.

10 See: "Five Year Development Plans", State Planning Organization, Ankara.

These figures have not included the recent expansion data as they have been performed in Bursa and Eskişehir Districts. The next Table 3, explains the land distribution in the mentioned districts.

Table: 3
The Patterns of Land Use in the Organized Industrial Districts
Under Operation in Turkey

Organized Industrial Districts	Infrastructural Land Use (m ²)	Industrial Plots (m ²)	Industrial Plots % to Total Area
Bursa	712.352	1.721.078	70.7
Manisa	193.070	1.498.390	88.6
Konya (1)	208.397	794.437	79.2
Gaziantep	287.640	1.922.025	86.9
Eskişehir	137.850	912.150	86.8
Erzurum	204.110	945.600	82.3

Source: E. Dülgeroğlu, *İbid.*, p. 130.

Another organized industrial district in Konya is recently being constructed. Together with Konya, there are four provinces to have more than one organized industrial district attention within the provincial borders. These provinces are Konya (second under construction), Eskişehir (expansion of the first district is taken into the consideration as a second one because of the official regulations), Hatay (İskenderun and Antakya) and Bursa (second is being constructed at İnegöl).

Table 4 gives the information about the approval date, confirmation and construction estimates of the organized industrial districts under construction in Turkey.

Accordance with the Table 4 organized industrial districts are being constructed in the different regions of Turkey. The latest years of completion of these organized industrial districts under construction are avaragely about 1990. So that there will be added 7.750 hectares more industrial area to the present 960 hectares organized industrial districts under operation. In addition to these figures, it has to be considered that the enlargement activities will increase the total capacity of utilization of them. At the present time, approximately 400 industrial firms are benefited through the infrastructure investments made to the present organized industrial districts under operation. The actual investment has been reaching to amount to TL. 1 billion at current prices. In 1975, total investments of these organized industrial districts (except Erzurum) were about 200 million TL. at current prices. If we exclude the investment credits financed by USAID Fund for Bursa Organized Industrial District, the distribution of the total investment credits obtained from "The Fund for the Establishment of Organized Industrial Districts" according to the years, can be shown in Table 5.

As it is seen in Table 5, during the 1965-1983 period the infrastructure investments were totally realized as a great percent of the Fund allocated. This is approximately 70 percent. The relatively highest amount of investments were realized during 1977 because of 8 new projects beginning to construct. The total invest-

Table: 4
The Organized Industrial Districts Under Construction in Turkey (1983)

Organized Industrial Districts	Total Area (Hec.)	Approval Year	Confirmation Year	Construction	
				Beginning Year	Expected Year of Completion
Adana	1100	1973	1977	1977	1990
Afyon	400	1976	1977	1981	1988
Ankara	400	1968	(x)	1978	1984
Antalya	65	1976	1977	1976	1985
Bilecik	150	1976	1976	1977	1984
Bolu	150	1975	1976	1977	1986
Burdur	70	1976	1976	1982	1986
Bursa (İnegöl)	300	1973	(x)	1977	1984
Çankırı	110	1976	1977	1981	1985
Çorum	260	1976	1977	1979	1984
Denizli	400	1975	1977	1982	1987
Erzincan	250	1976	1977	1981	1987
Eskişehir (Expansion)	190	1969	(x)	1979	1984
Hatay (İskenderun)	80	1977	(x)	1982	1986
İstanbul (Kurtköy)	240	1968	(x)	1982	1987
İzmir (Çiğli)	600	1976	(x)	1980	1985
Kars	200	1975	1976	1976	1984
Kayseri	700	1973	1977	1977	1986
Konya (2)	300	1976	1977	1977	1986
Malatya	300	1976	1977	1977	1987
Mardin	300	1976	1977	1976	1985
Sakarya	150	1976	1977	1980	1987
Samsun	150	1976	(x)	1982	1988
Tekirdağ (Çerkezköy)	440	1973	(x)	1975	1984
Tokat	200	1976	1977	1978	1987
Uşak	200	1976	1977	1982	1988
Zonguldak (Bartın)	45	1973	(x)	1982	1986

Source: Ministry of Industry and Commerce

Table: 5
Investment Expenditures Financed by the Allocations of
the Organized Industrial Districts Establishment Fund
(1965-1983) (At 1981 Prices) (000 TL.)

Years	Net Infrastructure Investment Expenditures	Allocations Through The Fund
1965	240.768	240.768
1967	289.756	301.770
1968	79.140	79.140
1969	94.338	359.685
1970	469.200	469.200
1971	396.680	422.000
1972	402.300	447.000
1973	1.425.223	1.601.379
1974	878.640	1.187.360
1975	639.886	927.367
1976	712.239	1.795.500
1977	1.675.960	5.860.000
1978	1.613.150	2.095.000
1979	801.796	801.796
1980	3.222.230	3.222.230
1981	371.500	1.618.000
1982	4.700.000	4.700.000
Total	18.012.806	26.128.195

Source: Ministry of Industry and Commerce.

ment expenditures realized at the end of 1982 together with the investments of the running organized industrial districts have been reaching to amount to TL 19 billion.

The above information gives a short brief about the organized industrial districts under operation and construction. As a result, these findings show that estimately a quarter billion expenditure invested for 33 organized industrial districts has resulted 8.710 hectares infrastructured industrial land ready to locate for nearly 5000 medium-sized industrial firms.

Additionally, we have to consider another view of the organized industrial districts. This is about the approved and planned organized industrial districts. Here we are only indicating their titles and approval years in the Table 6.

As seen in Table 6, there are 30 projects of organized industrial districts potentially considered in the future. If we add this amount to the operating and being constructed organized industrial districts totally 63 organized industrial districts will actually be taken into the account in the process of industrialization activities. In addition, the credit of Nevşehir Organized Industrial District project was cancelled. No demand came from the local authorities of those 6 provinces following.

- 1- Adıyaman
- 2- Bingöl
- 3- Bitlis
- 4- Hakkari
- 5- Siirt
- 6- Tunceli

Table: 6
The Organized Industrial Districts in the Phase of
Project Design in Turkey (1983)

Organized Industrial Districts	Approval Date	Confirmation Date
Ağrı	24.10.1976	12. 6.1978
Amasya	24.10.1976	7.10.1977
Artvin	15. 7.1976	—
Aydın	15. 7.1976	23.10.1977
Balıkesir	24.10.1976	20.10.1977
Çanakkale	15. 7.1976	7.10.1977
Diyarbakır	8. 6.1976	1.10.1980
Edirne	29. 3.1973	—
Elazığ	26. 6.1974	—
Giresun	15. 7.1976	25. 8.1978
Gümüşhane	24.10.1976	—
Hatay (Antakya)	—	7.10.1977
Isparta	24.10.1976	—
İçel	24.10.1976	7.10.1977
Kastamonu	24.10.1976	7.10.1977
Kırklareli	24.10.1976	7.10.1977
Kırşehir	8. 6.1976	—
Kahramanmaraş	15. 7.1976	7.10.1977
Kütahya	23. 3.1973	25. 4.1976
Muğla	24.10.1976	7.10.1977
Muş	24.10.1976	—
Niğde	15. 7.1976	14.10.1977
Ordu	15. 7.1976	7.10.1977
Rize	24.10.1976	7.10.1977
Sinop	15. 7.1976	27.12.1977
Sivas	15. 7.1976	20.10.1977
Trabzon	15. 7.1976	11.10.1977
Urfa	15. 7.1976	18.11.1977
Van	15. 7.1976	22. 5.1980
Yozgat	15. 7.1976	25. 7.1978

Source: Ministry of Industry and Commerce.

MAJOR PROBLEMS OF ORGANIZED INDUSTRIAL DISTRICTS IN TURKEY AND CONCLUDING REMARKS

The main purpose of establishing an organized industrial district is to help to industrial sector to develop easily around the settlement centers having an enough industrial potential to grow. So that, all centers to be industrialized should have at least one organized industrial district for medium-sized industries according to the present circumstances of the Turkish experience of industrialization. If the small-scale industries are considered in the same procedure, the industrial estates will necessarily be multiplied in order to respond the requirements.

If there is inefficiency in the implementation of organized industrial districts in Turkey, this does not come out because of its specifications, but incompetent practices. In Turkish case some major factors affecting the fruitfulness of the organized industrial districts can be summarized as follows;

First, the organizational troubles are faced. Especially in establishing and running of the districts, organizational problems are the most important bottlenecks. Authorities and responsibilities are not certain. And this uncertainty has particularly resulted construction delays. The postponement of the opening to the operation of an organized industrial district has an important role to increase the infrastructure costs. So that the sale prices of industrial plots to the industrialists will be higher than the estimations and industrial growth will be at a lower rate consequently.

To accelerate of construction through the new regulations will decrease the period of construction which is 9 years at average from the beginning of construction to full operation. Thus, especially in the regions relatively more developed, the industries will not decide to locate the fertile agricultural areas. Industrial investment decisions will not naturally wait for completion of an organized industrial districts for years.

Particularly in the underdeveloped regions of the country; if it is required to develop the private industrial investments in the organized industrial districts, other incentives of encouragement such as tax concessions and exemptions, industrial credits and grants have to be effectively applied at the same time. Accordingly, the organized industrial districts have mainly been utilized for the purposes of decentralization of industry, urban and regional development planning. But for the implementation of organized industrial districts in Turkey it can not be said that there is a success or effectiveness in decentralization of industry or regional planning. As a matter of fact those are secondary targets of organized industrial districts in Turkey. The original aim should not be neglected as establishing them in the regions having developmental potential from the point of industry.