

Güneydoğu Anadolu Projesi and the Imperatives of Regional Development

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Introduction

The official web site for the Southeastern Anatolia Project (GAP), Turkey's massive dam and irrigation project, lists a total investment requirement of 14 quadrillion 865 trillion and 753 billion Turkish Lira — more than \$3 million per day over the planned 29-year life of the project. (www.gap.gov.tr/Turkish/Frames/fr4.html) Centered around 22 dams, 19 hydroelectric power plants and the planned irrigation of 1.7 million hectares of land in and around the Tigris and Euphrates river valleys, GAP is the largest and most ambitious development plan in the history of the Turkish Republic, seeking to end decades of socio-economic underdevelopment in the country's southeast. Depending on whom one asks, GAP is either one of the world's most comprehensive and innovative development projects or one of its most wasteful and misguided. An objective analysis reveals that both of these superlative-laden accounts of GAP are excessive. The project has

considerable potential for attaining its goals, but faces a complex and interrelated set of obstacles that have thwarted previous attempts at promoting development in southeastern Turkey.

The following essay focuses on one of the largest challenges facing regional development in the southeast — the highly centralized nature of the Turkish government and its approach to the region. As GAP enters its final decade, it is increasingly clear that the project's ultimate benefit will depend fore-most on the extent to which Ankara's bases its policies on a candid and comprehensive assessment of the factors driving the region's underdevelopment.

Evaluation

Despite considerable natural resource potential southeastern Anatolia has under-performed the rest of Turkey economically for decades, consistently contributing less to gross domestic product (GDP) than its share in surface area, population and irrigable land. (Republic of Turkey Prime Ministry, 1997, p. 5) Characterized by a population with limited skills and a lack of entrepreneurial vigor or professional specialization, the region's gross national product

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(GNP) per capita is less than one-fifth of the national average. (Barkey and Fuller, 1998, p. 18) Literacy and school attendance rates are the lowest in Turkey. While reproduction rates are significantly higher than anywhere else in the country, the southeast's share of the national population has risen only slowly, primarily because of higher infant mortality rates and emigration to urban centers in central and western Turkey, where professional opportunities are greater. Unfortunately for the southeast, it is the educated and skilled workforce that tends to migrate, perpetuating the region's underdevelopment.

in a generally arid Middle East, the Tigris and Euphrates river systems account for as much as 97 percent of fresh water resources, making their control and utilization extremely important for the industrial and agricultural development of the riparian states. (State Planning Organization, 1998, p. V) Recognizing the economic potential these rivers provide, the Turkish government began studying the region's water resources and developing initial plans for energy production and irrigation during the 1960s.

It is often said that the southeast is fifty years behind the Marmara and Aegean regions of Turkey. in fact, Turkey's development strategy for these regions in the 1950s was virtually the same as that for GAP today, aimed at "fostering agricultural and industrial production, improving basic infrastructure and integrating the rural and urban sectors into a single market economy" (Canevi, 1994, p. 179).

GAP's eye-catching price tag has led many to question whether it is worth pursuing. The total present-value in 2010 -GAP's planned completion date- of the project's input costs discounted over the projected life of the project and expressed in year 2000-dollar terms will reach about \$127.5 billion. The average annual hydroelectric and agri-cultural bene-

fits provided by the project, measured in value-added terms based on optimistic production capacities and market price projections, amount to about \$1.8 billion between 2000 and 2010. This figure peaks at about \$3.3 billion per year in the first full decade after the completion of all agricultural and hydroelectric projects (2010-2020). Given these projections, agricultural and energy-related benefits of GAP will not surpass the total present-value of the project's input costs until 2045. That is, Turkey will have to wait four and a half decades until GAP has paid for itself, not a very encouraging prospect in a country with extensive budget difficulties.

Surely, the GAP Regional Development Administration (RDA), a ministerial body created in 1989 to oversee the project, has done these calculations. Why, then, have successive administrations pursued the project so enthusiastically for more than twenty years? Primarily because the above assessment does not include all the potential benefits GAP has to offer. Yes, GAP did originally begin as a narrowly focused land and water resources development effort, with the agricultural and energy benefits described above as the primary incentive and goal. it became clear however, that the needs of the region's population extended beyond dams and irrigation canals. in its 1989 "GAP Master Plan," Ankara began emphasizing the "human factors of development", including literacy, business skills development, health care, and female fertility issues. Changes to GAP were introduced to emphasize a multi-sector, integrated and sustainable approach to human development, defined in social, cultural, economic and ecological terms.

Whether this adjustment will make GAP more cost effective is unclear. Unlike energy and agriculture this "human side of development" is not a commodity whose price and quantity can be measured and projected over

time to calculate a value-added benefit. Nonetheless, these human factors are emerging as the project's most important because their ultimate benefit has the potential to vary much more widely than do the energy and agriculture figures considered above. Development experts note that these human-focused policies will require a generation or two before their intended effects can become fully manifest. Early returns however, offer insight into the longterm prospects and highlight those factors that will be most important in determining the policies' effectiveness.

At the center of these policies lie the government's attempts to promote employment opportunities in the region. Agricultural reforms are intended to make farming more efficient, which threatens to raise unemployment levels if jobs cannot be created in alternative sectors. The RDA has emphasized mining, tourism and manufacturing as substitutes, but mining is already a significant economic factor in the region and tourism has been slow to develop. Manufacturing offers the best opportunity for immediate job creation and is considered the most effective means of securing the longterm, sustainable growth needed to diminish economic disparities both within the region and relative to Turkey as a whole. Ankara has focused on "strategic industries", designed to promote exports, entrepreneurial development and the use of locally available raw materials. Given GAP's emphasis on agricultural development, agro-industries like textile manufacturing, vegetable canning and rope production are being promoted to create rural employment opportunities and reverse a history of migration to cities within and beyond the region.

So far the picture is mixed. Some regions and cities have responded very well to the initiatives developed by the RDA and the State Planning Organization (DPT). Others have been left behind, partially due to Ankara's

focus on industries and locations offering a comparative advantage in an attempt to have GAP begin paying for itself. This can be seen in the "Kinked Development Axis", a corridor linking southeastern Turkey's three main cities —Gaziantep, Şanlıurfa and Diyarbakır— through tax incentives, a modern highway system and cooperative development projects. The different affect GAP has had on these cities is a symptom of the RDA's inability to structure policies to address the particular needs of specific regions.

Gaziantep, already the most advanced and industrial city of the southeast, has benefited considerably from GAP, receiving investor attention because of its existing infrastructure and the collection of larger, established firms already in operation international investment in Gaziantep and Ankara's plans for promoting the region as an agro-related export base to the Middle East have encouraged many European firms to establish branches in the city.

Şanlıurfa, about 120 kilometers to Gaziantep's east, was not a success story before GAP. Lacking infrastructure and public investment, the city was home to a fast-growing population whose needs were increasingly difficult to meet. But its proximity to the Atatürk Dam —the largest in Turkey— and the presence of abundant agricultural land in the nearby Harran Plain have drawn public money to Şanlıurfa as part of GAP investments. Between 1995 and 1998, 67 factories set up shop in or near the city. In the 70 years theretofore only 57 plants were established. (Yackley, *Turkish News*, 26 November 2001, p. 13) One of the biggest reasons for Şanlıurfa's success has to do with the GAP Regional Directorate, located just outside of town. As a result, projects in the area have gained more attention from the RDA and adjustments are made more quickly and frequently to better address local needs.

Not every city in southeastern Turkey is singing the praises of GAP, however. The region's largest center Diyarbakır, a medieval city perched atop a plateau on the banks of the Tigris river, has missed out on many of the gains seen in Gaziantep and Şanlıurfa, which are located along the Euphrates river. Ankara bet quick, returns on state investment in other cities would provide funds for later construction in and around Diyarbakır, which RDA officials argue will see the benefits of the GAP once projects along the Tigris are completed.

The lack of development in Diyarbakır is not due just to its unfortunate geography, however. Fighting that broke out in 1984 between Turkish security forces and separatist Kurdish rebels was centered in and around the city. Although the violence has leveled off since the 1999 capture of Abdullah Öcalan and the military defeat of his Kurdistan Workers Party (PKK), investors remain concerned that Ankara's failure to respond to Kurdish demands could lead another pro-Kurdish group to pick up the PKK's cause with similarly destabilizing results. This is particularly troubling for Diyarbakır because a 1999 earthquake in Turkey's industrial northwest and financial crises in 1995 as well as 2001-2002 have severely limited the extent to which Ankara can invest in the city, making private investment indispensable to Diyarbakır's development.

Mixed results are also emerging in the southeast's countryside. Completed irrigation projects in the fertile Harran Plain have improved agricultural capacity, tripling cultivatable land and doubling agricultural output per hectare. The growth in agricultural products has made irrigable land more valuable, leading to greater profits and more work during the longer harvests. In most cases however, investing in irrigation technology and farming equipment has proven cost effective only for larger farms, which tend to operate on a type of feudal sys-

tem in which landowners, or *ağas*, require a percentage of the harvest as payment from farmers who lease the land. Smaller landowners have been left out while many of the *ağas* live in urban centers outside of southeastern Turkey, investing their profits in the country's more lucrative industrial northwest.

Some of the hardest hit by GAP's development plans have been the 90,000 people forced out of their homes by the flooding of the Tigris and Euphrates river valleys to create reservoirs for irrigation and hydroelectric power generation. Ankara has provided modest compensation and resettled families in state-built housing, but residents complain about poor soil and the lack of roads, health services or schools in these often remote settlements.

GAP has had some success in diminishing economic disparities between the southeast and other parts of Turkey, but imbalances within the region are growing. The varying effects GAP has had for different cities and parts of the population grow out of the tremendous socio-economic variation and diversity of factors leading to underdevelopment in southeastern Turkey. Some causes of the region's underdevelopment are fairly widespread and cannot be addressed through even the most ambitious development initiatives, including high altitude, harsh climate and short growing seasons. The socio-economic limitations to the region's development, however, are different. They vary in their scope, effect and solution across the Region, taxing the ability of a centralized plan to recognize the local factors limiting development and provide appropriate solutions in individual cases. RDA research indicates that the areas that have benefited the least from GAP suffer from poverty, high fertility rates, illiteracy, poor health care, low skill levels, unemployment and the lack of industrial development—all of which tend to

be mutually reinforcing. Unbinding the connections driving this dynamic depends on Ankara's willingness to promote a localized approach to development, seeking specific strategies capable of identifying and addressing areas' unique conditions and needs,

Turkey's current approach to GAP is a symptom of its general centralist tendencies. While the GAP RDA was created to oversee the project, it exercises relatively little control. Other elements within the national government are responsible for the implementation and operation of the GAP's individual projects. The DPT is in charge of large-scale development initiatives, while the National Water Works is responsible for the dams. Other government bodies with important roles include the Ministry of Public Works and Settlement, the General Directorate of Mineral Research and Exploration, and the Ministry of Agriculture and Rural Affairs, to name just a few. This type of bureaucratic partitioning burdens program implementation. Ankara has tried to adjust its approach to development in the past. Law No. 933, enacted in 1967, designated underdeveloped townships and villages as Priority Development Areas (PDAs). These areas tend to have lower urbanization rates, higher percentage of the population employed in agriculture and higher birthrates, population growth rates and average number of persons per household. (Dağ, 2000, p. 77) in addition to investment incentives PDAs are supposed to receive a larger share of state resources to help promote economic growth. A study carried out by the DPT shows that between 1963 and 1993, while PDAs did receive more assistance than prior to their priority designation, they still obtained a smaller share of public resources relative to their population. By the late 1980s a new approach, emphasizing "Regional Development Sche-

mes" and "functional regions" was promoted. This was re-emphasized through a focus on "spatial development matters" in Turkey's seventh Five-Year Plan (1996-2000), which noted that while PDA policies have helped reduce development differences between regions, inter-regional imbalances persist. (Dağ, p. 72)

The problem lies in the fact that these area or regional approaches have amounted to little more than convenient administrative categories. Their designation has not resulted in greater local control or improved strategies designed for specific regions. Development policy has long since been devised in Ankara, leaving many local causes of underdevelopment unnoticed and unaddressed.

Centralized control also makes the development of the southeast highly susceptible to the national economic outlook. Tight budgets and recurring financial crises limit the extent to which the state can fund the project by itself. Despite entering its third and final decade, spending on GAP to date amounts to less than half of the planned total. In order to meet its target completion date of 2010, Ankara would need to devote nearly \$2 billion per year, a sum not even approached in any of the project's first 21 years, during which the Turkish economy experienced relatively robust economic growth.

In order to cover the current budget shortfall, the government has emphasized attracting private investment, but high inflation has exposed currency risk as a major issue in project finance in Turkey, undermining the use of foreign exchange funds in the form of equity or debt. The current financial crisis has made matters worse, discouraging even the bravest of investors. They remain concerned about the bureaucratic complexities involved in investing in the region, the ability of the state to build

the needed infrastructure, the expansion of access to regional markets, and the extent to which local officials have the authority to solve the problems that inevitably arise in building a factory or opening a transportation company. Beyond this, the Kurdish question is a major constraint to investment. The continued strong presence of the Turkish military in the southeast makes investors wary. Any military action deemed to be in the interest of the state can occur at any time and given the region's history, this does not instill confidence in a predictable business environment. Investors make decisions based on a risk-adjusted rate of return. Until the region becomes more profitable or less risky, this problem will persist.

Decentralization

Political devolution –the surrender of powers to local authorities– is not a prominent feature of highly centralized Turkey. During the 19th and 20th centuries, a series of quasi-nationalist revolts at the Ottoman Empire's periphery contributed to its eventual collapse following defeat in World War I. Given the multi-ethnic nature of Turkey today, the fear that devolution would encourage similar problems remains an influential political force. Southeastern Turkey has the highest concentration of ethnic groups, primarily Kurds and Arabs, than any other region. The history of Kurdish uprisings and disputes with Iraq and Syria over territorial claims, water rights and support of separate Kurdish factions have led to heightened tensions in the region, providing the Turkish military plenty of reasons for retaining its strong political hold on the southeast.

Things might change soon, however. After 23 years and more than \$14 billion, Turkey cannot afford to fall further behind in financing GAP. As Ankara seeks alternative

means of paying for the project, it is becoming increasingly difficult to resist investor demands for more local control. The state must do something to generate the investor interest needed to drive the region's growth beyond 2010, when large state transfers to the region are scheduled to end.

Centralization tends to stifle civil participation, limiting the exchange of information between local and national authorities and marginalizing valuable knowledge of local capacities for implementing development programs. Recognizing this, the European Union has supported projects that promote local participation in Turkey, including an \$8 million contribution to support citizen initiatives, sponsor NGO activity and encourage capacity building in local municipalities. In statements and press releases Dr. Olcay Ünver, President of the GAP RDA, has pointed to greater local involvement through training centers, investment opportunities and business forums as essential to GAP's success. While encouraging, these programs do not address the underlying problems, which pertain to a more fundamental question about centralized structures, authority and decision-making. Providing local officials greater influence is something for which neither the European Union nor the GAP RDA has legal sanction.

In defending its tight control over the southeast, Ankara has pointed to the need to curb PKK violence, which it cites as the primary cause of the region's underdevelopment. The absence of fighting over the past three years however, has resulted neither in decentralization nor economic development. In order to move forward, Ankara must learn to recognize that in southeastern Turkey regional insecurity, centralized authority and the lack of economic development are mutually reinforcing. The ability of GAP to fulfill its varied and

challenging goals will require adjustments in each of these interdependent categories.

Promoting local control is the necessary first step in generating private investment, thereby improving the financial prospects and effectiveness of GAP development initiatives and undermining a major cause of regional insecurity. Specifically, Ankara should increase the powers of the GAP Regional Directorate in Şanlıurfa, remove emergency state measures, including the appointment of emergency public administrators in Kurdish-populated regions of the country and seek to minimize the role of the National Security Council in the region's development plans.

In order to promote regional security, Ankara should demilitarize the Kurdish issue by promoting a political solution to the conflict that includes greater recognition of Kurdish cultural rights. Withdrawing troops and the gendarmerie from the southeast and dismantling the government's village guard system, established in the 1980s to arm and train local villagers to resist PKK fighters, would help reduce the expensive military costs devoted to the region, freeing up financing for development.

Before being able to attract significant private capital, Ankara must first secure macroeconomic stability in the country. Turkey should then seek to privatize state enterprises in the southeast. The creation of a one-stop shop in which investors could ask questions, apply for the necessary permits, locate investment opportunities and explore financing options would help overcome concerns about the bureaucratic difficulties involved with investing in the southeast.

The process of decentralization, the most comprehensive and long-term of the three categories mentioned above, must be approached in stages. An initial proposal could be to provide each city and provincial administration sole responsibility for implementing a

specific aspect of GAP, such as a training center or social program. The next step would involve transferring a specific amount of state money for a specific time, dependent on the local authorities' ability to identify local needs and improve program effectiveness and implementation. Similar funding should then be established in advance, allowing adequate time to establish a long-term development plan. Finally, decision-making authority should be transferred to the southeast by allowing a certain percentage of locally generated tax revenue to remain in the region earmarked for projects. In the end, the nature and implementation of these projects would remain up to the discretion of local authorities, subject only to annual and modest review by Ankara to determine adjustments in funding for the following fiscal year.

If implemented correctly, these measures would promote local participation, program efficiency and overall flexibility. These measures could help save money, while easing the GAP's administrative burden and supporting private sector development. Most importantly, a slow, yet consistent shift of responsibility for GAP to regional authorities would promote greater political and economic decentralization.

Initiatives designed to support political decentralization, private investment and regional security promote each other and should be pursued in concert. But this process must start in Ankara. Neither long-term security nor private investment will materialize by itself. The conditions for promoting greater local authority and responsibility haven't been this good since GAP began. Kurdish violence in the region has diminished considerably. Relations with Syria have been improving following its expulsion of Ocalan and overtures from President Bashar al-Assad for improved relations. Iraq remains a question mark, but signifi-

cantly less of a threat to Turkey than in the past. More than ever before, the real limitations to investment can be found in Ankara rather than in the southeast.

Conclusion

Despite considerable progress, GAP remains bound by financial difficulty, limited local participation, minimal private investment, modest economic returns and misdirected social programs. The successful completion of GAP is imperative to Turkey's future. The failure of the project to bring socio-economic development to southeastern Turkey would not only compromise the financial and political health of the country, it would place in question the state's ability to promote economic development well into the future.

GAP does not, in the short to medium term, pass a cost-benefit test limited to the input costs and the market value of the gains made in hydroelectric energy and agriculture alone. The success or failure of GAP should not be judged in terms of hectares of irrigated land or kilowatt-hours of generated electricity. Hydroelectric plants, reservoirs of fresh water, irrigation lines and watered fields are empty if not utilized within the right context. Rather than the tangible, concrete projects, it will be the lessons GAP teaches Turkey and its future leaders about promoting decentralization, pursuing regional security and attracting private investment that will determine whether GAP's long-term benefits outweigh its cost.

The GAP RDA has focused its attention and investment on the civil infrastructure necessary for regional development. The agricultural gains offered by GAP provide a consistent and significant source of income for the region. Generating plentiful and relatively cheap hydroelectric energy and expanding transportation lines and civil infrastructure are important ingredients for the future industrial development of the area. However, these measures are not enough. Fulfilling the region's development potential requires Ankara accepting its role as facilitator, not creator, of development in so-

utheast Anatolia. Given the size and duration of Turkey's financial and political investment in GAP, the pressure on Ankara to promote real political reform is growing. Should these reforms be carried out, the benefits of GAP would extend beyond the economic development of the southeast, benefiting the entire country well after the project is completed.

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