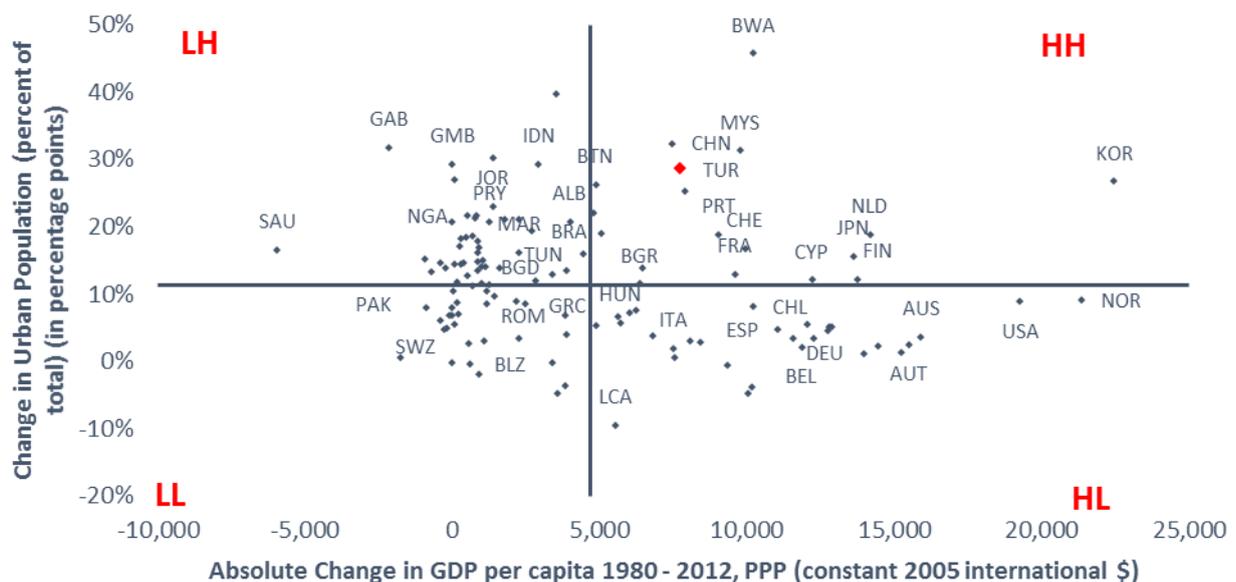


Focus Note on Urbanization: Rise of Anatolian Tigers

Turkey is among only a few countries that have combined fast urban growth rates with increases in per capita incomes during the period 1980-2012, as illustrated in Figure 1 below. Chile, Malaysia, China, South Korea, Botswana, and a handful of OECD countries have similarly managed successful urbanization. In other developing countries, urbanization has either been stunted by policies or the gains from agglomeration were lost in urban slums and sprawling cities. A recent World Bank report describes Turkey's urbanization experience and the policy choices that have made it a success.¹

Figure 1: Urbanization and Per Capita Income Growth, 1980-2012



A key factor to understand Turkey's experience is that much of the urban and periurban land during peak periods of urbanization was owned by the central government. Rural migrants coming to the cities settled (informally) on that land, where they were initially tolerated. However, they were later granted legal ownership rights, which prompted them to invest in their properties and municipalities to connect them to public services. Thus, Turkey encouraged migration to the cities in line with economic opportunities, while avoiding the creation of slums seen in other emerging markets. From the late 1980s and at an accelerating pace in the past decade, these migrant settlements were transformed into modern housing and commercial developments. Urbanization in Turkey was thus associated not only with improved economic opportunities but also with improvements in people's access to basic services, thereby reinforcing the economic benefits of agglomeration.

Two specific policy choices are equally important in Turkey's urbanization story. The first was the 1984 metropolitan municipality law, which consolidated city planning and the provision of public services in large cities such as Istanbul, Ankara, and Izmir at the level of the metropolitan municipality in line with the cities' economic footprints. This greatly facilitated coordinating urban development and investments in critical municipal infrastructure.

The second was central government investments in connecting infrastructure, most importantly in transport. Starting with the railways in the 1930s, successive Turkish governments have ensured that transport infrastructure has kept pace with economic development. This has connected the Anatolian hinterland with the commercial centers on the coast and has meant that Turkey's rapid global economic integration after 1980 was associated with increasing domestic integration and regional convergence.

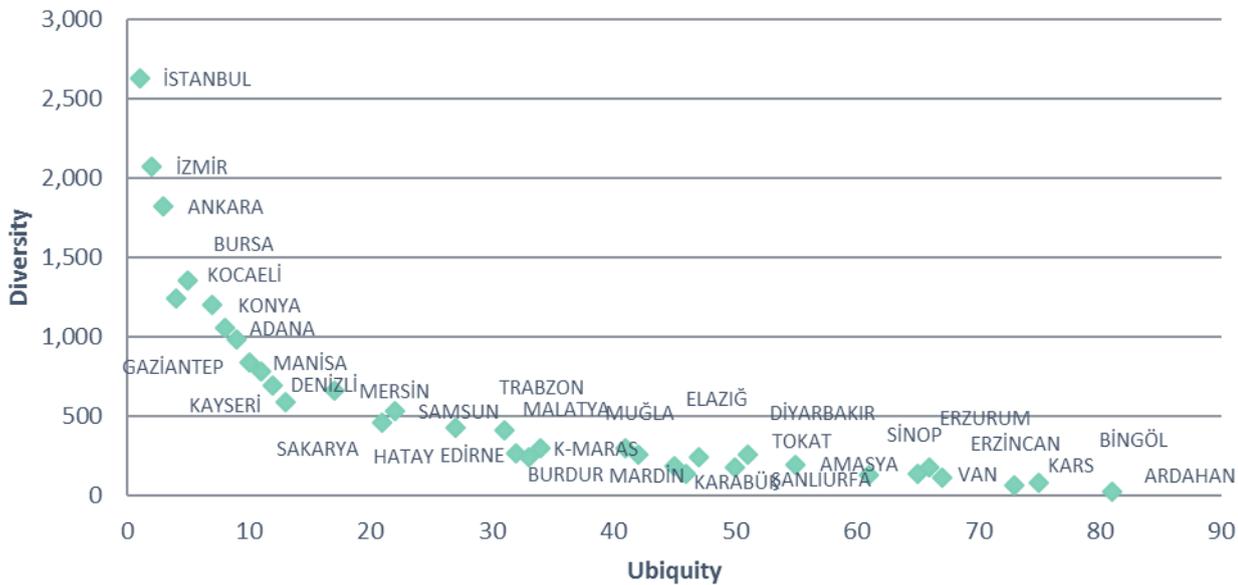
¹ World Bank (2015), Rise of the Anatolian Tigers: Turkey Urbanization Review. Washington DC.

See also Raiser, M. (2015). "Building sustainable cities with Turkey's urbanization agenda". Web blog post. Brookings Institution.

Still, Turkey faces four important policy challenges to ensure its cities turn from being simply functional to becoming magnets for global talent and hubs for greater innovation and productivity growth.

First, to improve their competitiveness, second tier cities, as illustrated in Figure 2, will need to diversify the number of products and services they offer, while increasing their value added to set them apart from other cities – following the example of internationally competitive cities like Istanbul, Izmir, and Ankara.

Figure 2: City Competitiveness Measured by Diversity and Ubiquity of Their Products and Services



Note: Diversity refers to the range of products and services offered by a city, while ubiquity refers to the number of cities producing the same good or service. A high performing city offers a diverse set of products and services, many of which are not produced by others (non-ubiquitous).

Second, the urban redevelopment model based on valuable public land in city centers may have run its course. Land is becoming scarcer and trade-offs between multiple demands on urban land use are becoming sharper. Public land cannot anymore lubricate investments in a combination of social housing and commercial real estate at no additional cost to the budget. New forms of government support and intervention are needed to mediate these trade-offs.

Third, public policy could create substantial additional value through better planning and a more transparent system for the allocation of land development rights. For instance, the provision of public transport helps relieve the problems of congestion and pollution. Policy choices will determine whether motorization rates in Turkey follow the North American or the Northern European models: in the former, the private car is the preferred mode of transport even within cities, while in the latter, efficient urban transport systems make private cars not only unnecessary, but even a hindrance at times. Public transport also significantly enhances land values, a gain that could be captured through property taxes or the auctioning of land development rights to help finance public investment priorities, including social housing and the provision of services.

Fourth, the economics of agglomeration are likely to continue to benefit Turkey’s more dynamic and advanced cities over settlements less well connected and less densely populated. To further reduce regional inequities, the government will need to continue to transfer resources to such lagging regions. In addition to central government investments in transport, health and education, there is scope to rethink and strengthen transfers from the center to local governments, in parallel with measures to strengthen municipal autonomy, governance and accountability.

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