

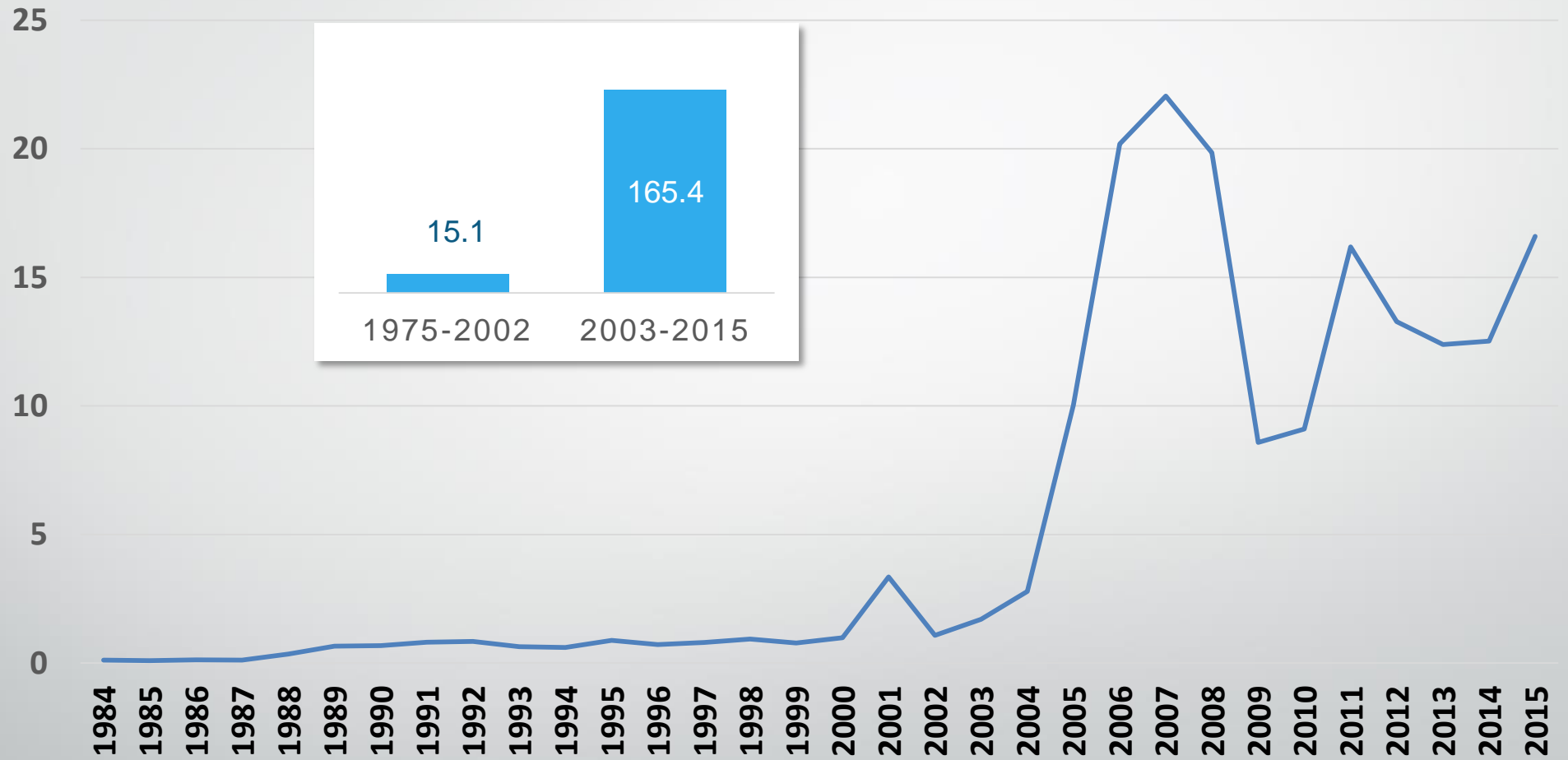


**Increasing Turkey's FDI attractiveness:  
Major reform areas and improvement of business environment**

**EU –Turkey High Level Economic Dialogue  
Foreign Direct Investments and Investment Climate in Turkey Conference**

**April 25, 2016- Istanbul**

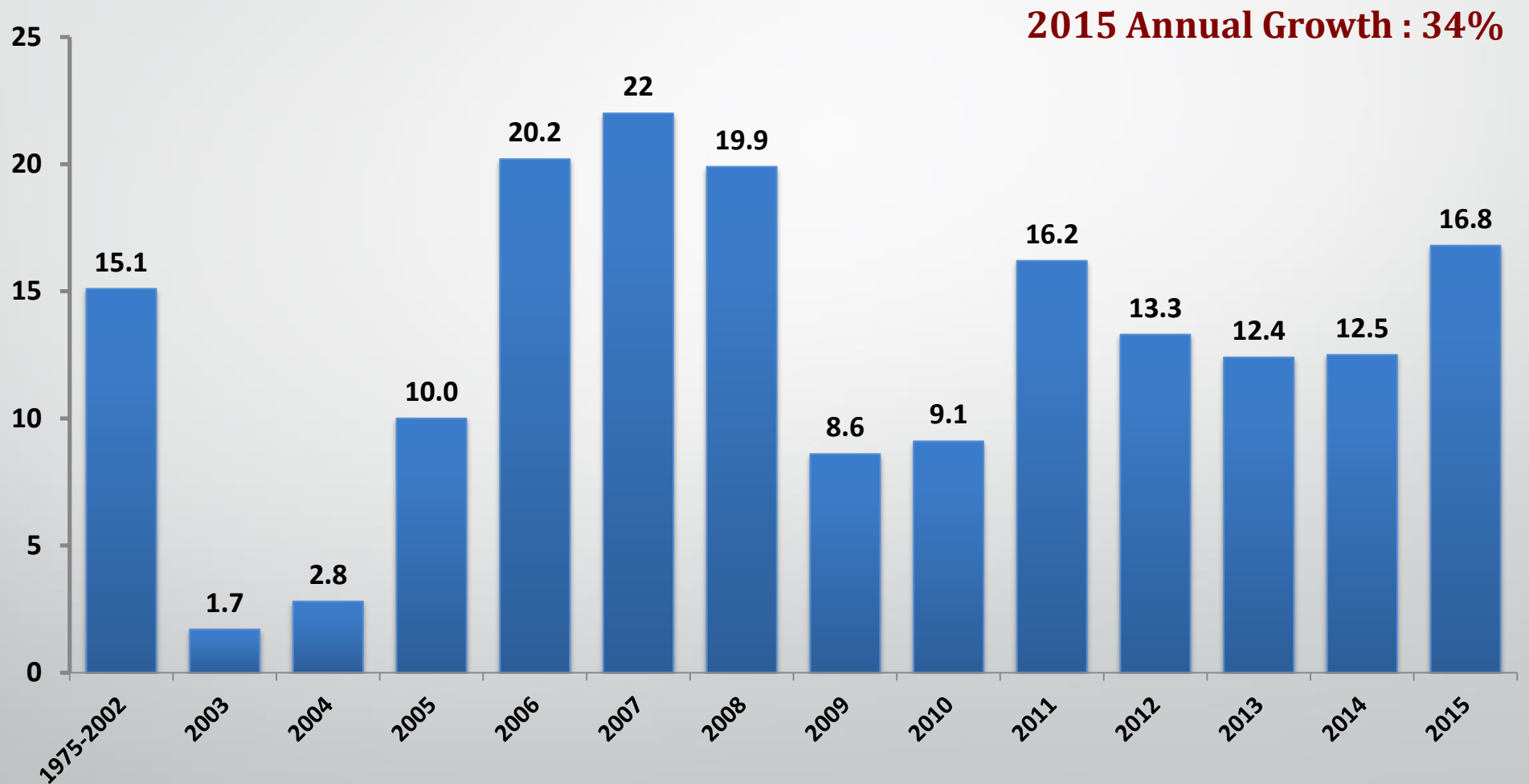
# Foreign Direct Investment Inflows (Billion USD)



Source: CBRT

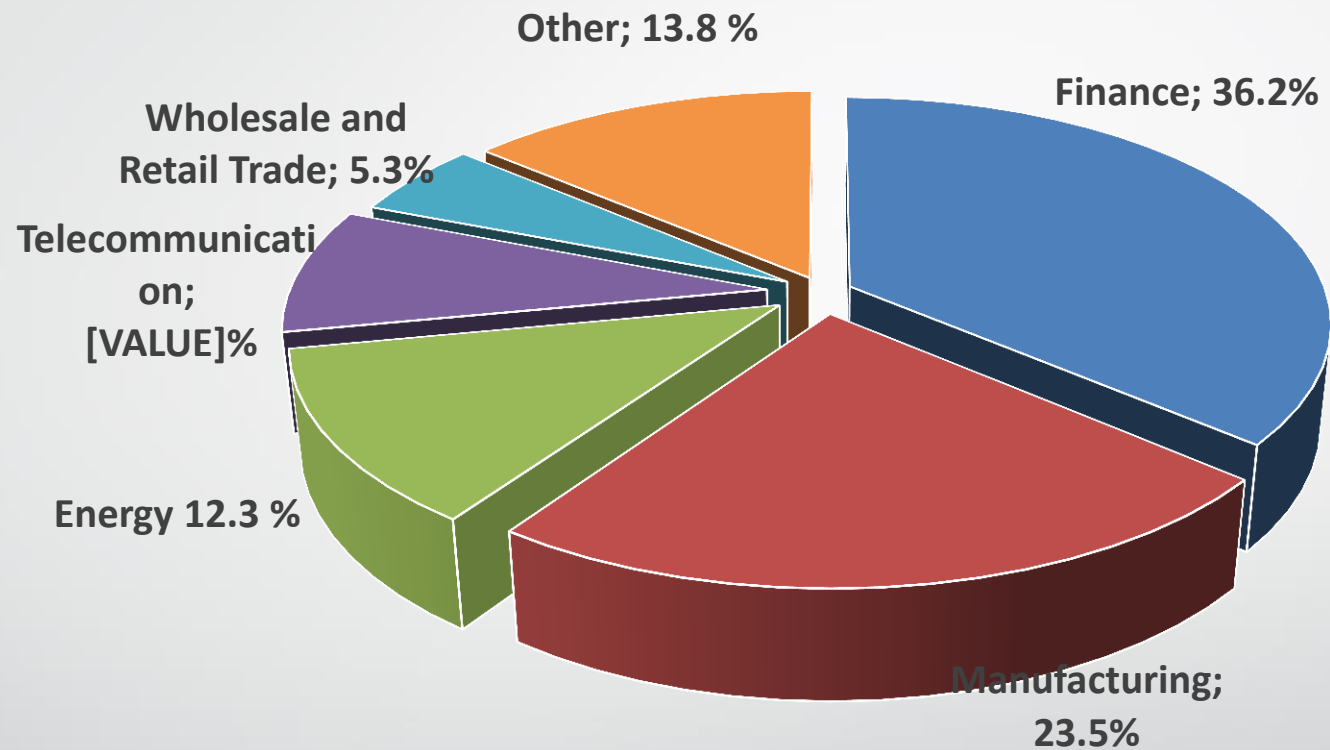
# Foreign Direct Investment Inflows

(Billion USD)



Source: CBRT

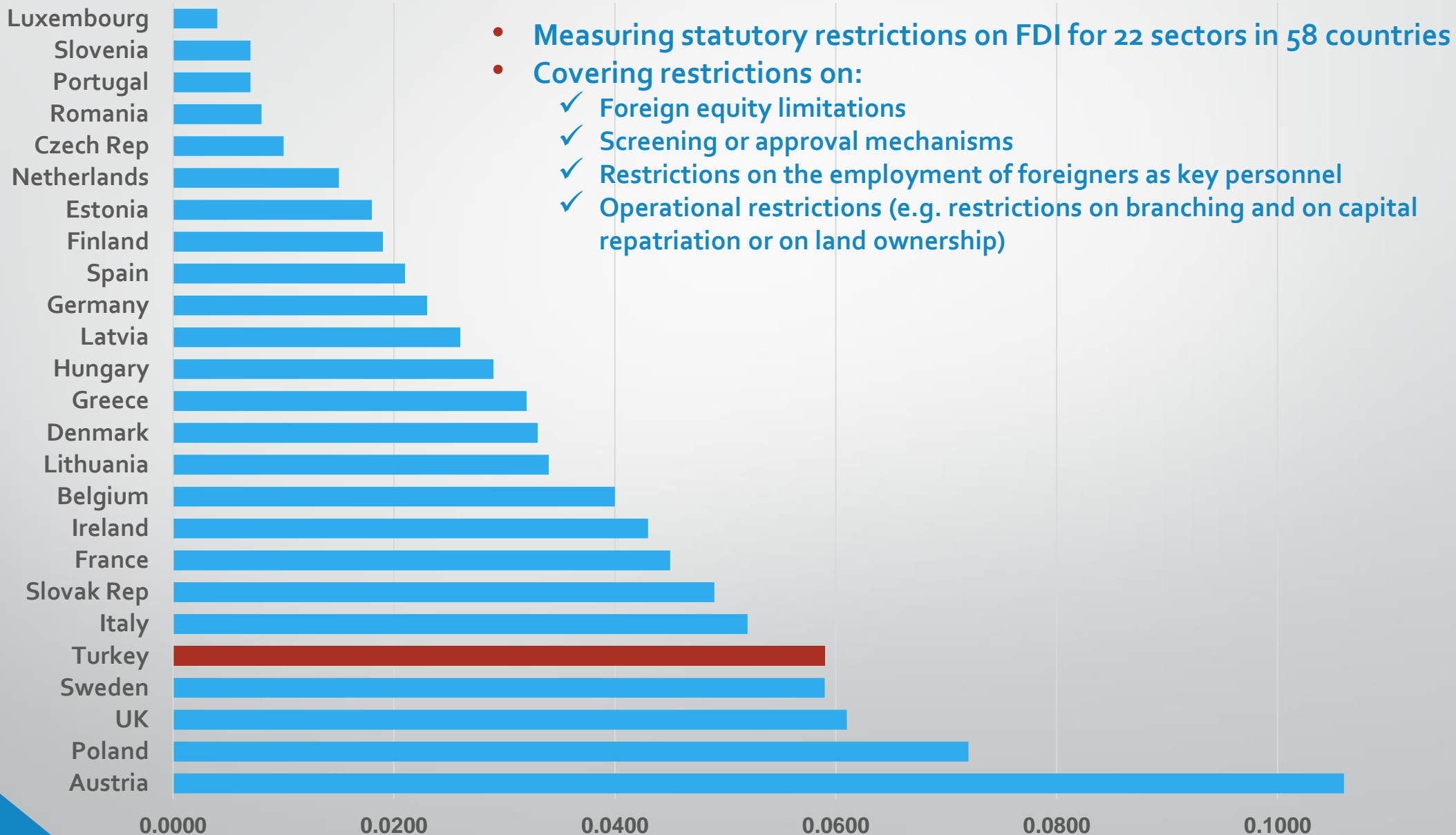
# Foreign Direct Investment Inflows By Industry (2002-2015)



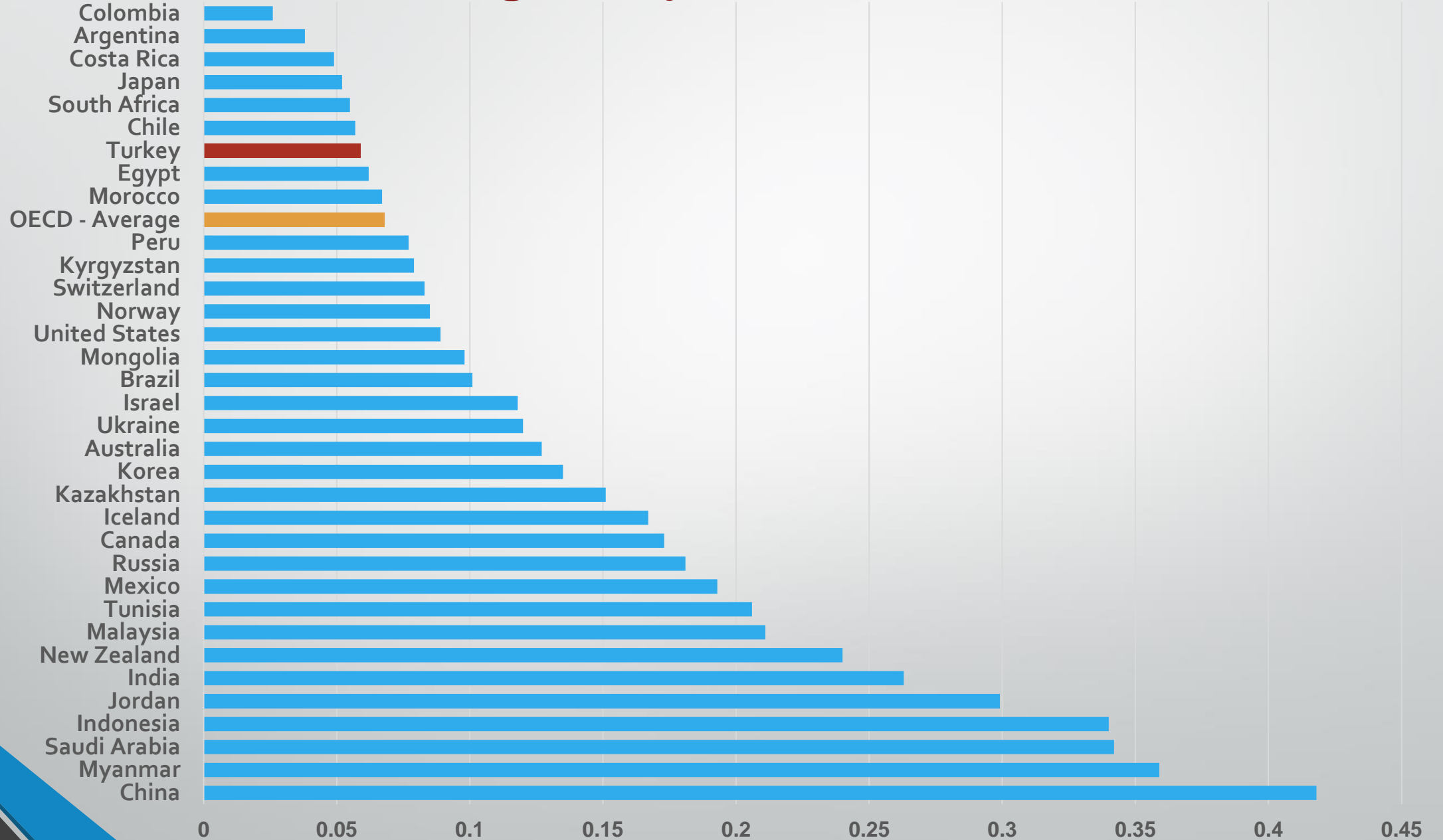
Food & Beverages	5,7%
Chemicals	3,7%
Refined Petroleum Products	3,3%
Computer, Electronic and Optical Products	2,4%
Basic Metals	2,3%

# OECD FDI Regulatory Restrictiveness Index 2014

## EU Members and Turkey



# OECD FDI Regulatory Restrictiveness Index 2014



# Legal Framework of Investment Relations between Turkey and EU

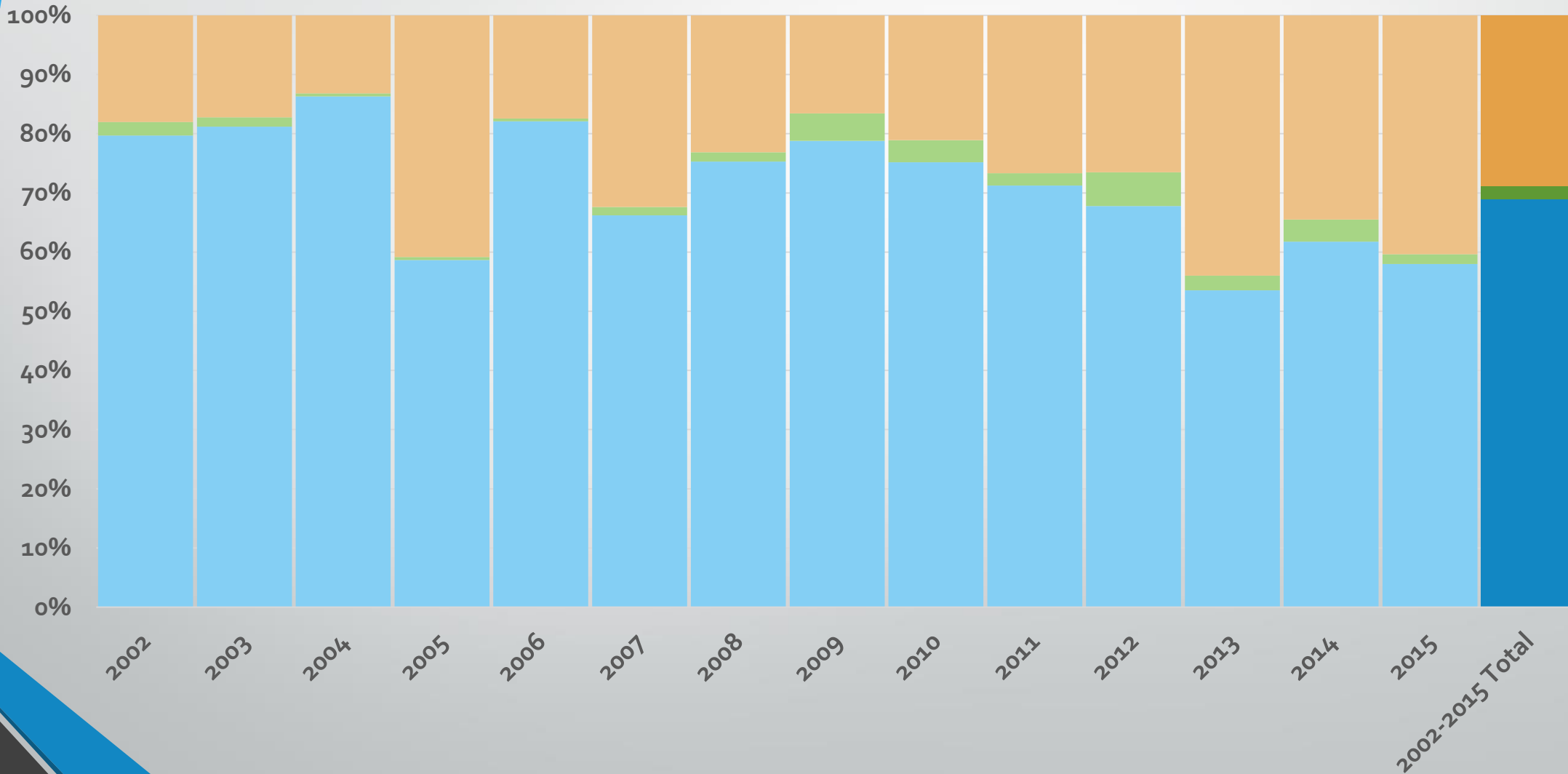
	Investment Protection and Promotion Treaty	Double Taxation Agreement
Austria	1992	1974
Belgium	1990	1992
Bulgaria	1997	1998
Croatia	2013	2001
Czech Republic	2012	2004
Denmark	1992	1991
Estonia	1999	2006
Finland	1995	1989
France	2009	1990
Germany	1965	1990
Greece	2001	2005
Hungary	1995	1993
Ireland		2011
Italy	2004	1994

	Investment Protection and Promotion Treaty	Double Taxation Agreement
Latvia	1999	2004
Lithuania	1997	2001
Luxemburg	1990	2006
Malta	2004	2014
Netherlands	1989	1989
Poland	1994	1998
Portugal	2004	2007
Romania	2010	1989
Slovakia	2013	2000
Slovenia	2006	2004
Spain	1998	2004
Sweden	1998	1991
United Kingdom	1996	1989

# Foreign Direct Investment Inflows

## By Home Countries

■ EU ■ Other Europe ■ Others



Source: CBRT



# Foreign Direct Investment Inflows

## Leading Home Countries

2013 (% in Annual Total)		
1	Germany	19,9
2	Netherlands	9,3
3	Russian Fed.	8,9
4	Azerbaijan	8,1
5	Austria	6,7
6	Lebanon	5,8
7	Spain	5,1
8	Qatar	4,7
9	Japan	4,4
10	USA	3,3

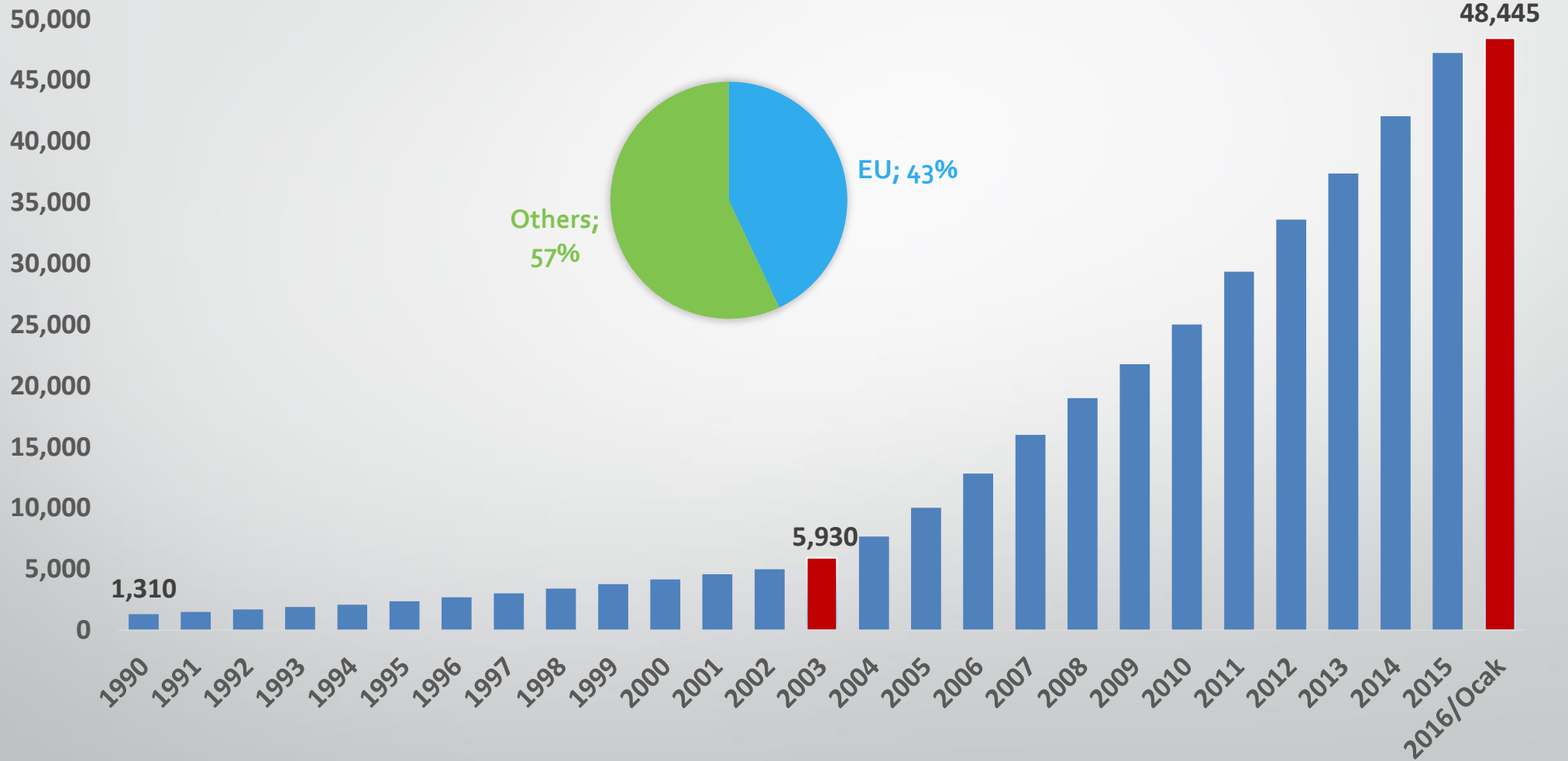
2014 (% in Annual Total)		
1	Netherlands	23,5
2	UK	12,3
3	Azerbaijan	10,3
4	Russian Fed.	8,4
5	Germany	7,0
6	Luxemburg	6,2
7	Italy	5,7
8	USA	3,9
9	France	3,3
10	Japan	3,0

2015 (% in Annual Total)		
1	Spain	18,4
2	USA	13,2
3	Luxemburg	10,7
4	Netherlands	10,0
5	Azerbaijan	6,6
6	Belgium	6,4
7	Russian Fed.	6,3
8	UK	5,0
9	Germany	3,3
10	Japan	3,0

2002-2015 (% in Total)		
1	Netherlands	15,9
2	USA	8,1
3	Austria	7,1
4	Luxemburg	6,5
5	UK	6,5
6	Germany	6,4
7	Belgium	6,2
8	Spain	5,4
9	Greece	5,2
10	France	5,1

Source: CBRT

# Companies with Foreign Capital (Cumulative)





The Coordination Council for the Improvement of Investment Environment

Launched in 2001

Adapted in years  
(2012, 2014, 2016)

Public- Private Sector  
Dialogue

15 Ministeries /  
Institutions and  
Private Sector NGOs

Chaired by Deputy  
Prime Ministry

Ministers Responsible  
for Investment  
Climate Policies are  
Members

Private Sector NGOs  
(TOBB,TIM, TUSIAD,  
YASED, MUSIAD,  
DEIK)

Annual Action Plans



The Coordination Council for the Improvement of Investment Environment

## COUNCIL OF MINISTERS

Coordination Council for the Improvement of Investment Environment (YOIKK)

Investment Advisory Council (IAC)

Steering Committee

Monitoring

Working Groups for Assessment and Evaluation

## TECHNICAL COMMITTEES

Company Transactions and Corporate Governance

Employment

Input Supply Strategy (GITES) and Sectoral Licensing

Land for investment, Environmental and Zoning Permits

Taxes and Incentives

Foreign Trade and Customs

Intellectual Property Rights and R&D

Legislation on Investment Climate and Legal Procedures

Access to Finance

Infrastructure

# Investment Advisory Council (IAC)



- Under the chair of HE Prime Minister, Presidents of World Bank and IMF and top-level executives of leading multinational corporations
- Since 2004, 8 Meetings
- Council members at 8th IAC Meeting: multinational companies from 10 different countries and 12 different sectors with a total turnover of USD 572 billion and total employment of 1.8 billion



# Coordination Council for the Improvement of Investment Environment (YOIKK) Action Plans

## 2015-2016 YOIKK Annual Action Plan

- The process of opening new business and obtaining work permits
- Alternative dispute resolution mechanisms for labor disputes
- Developing solutions for the problems of vocational education centers
- Increasing labor market flexibility
- The articles on sub-contracting of Labor Law
- The articles on paid leave of Labor Law
- Land for investment- classification of agricultural land
- Incentives for R&D
- Stamp Tax Law
- VAT Law
- Increasing the design capacity of Turkey
- Customs Law
- The Single Window System for Customs
- Mandatory arbitration
- The problems related with suspension of bankruptcy
- The online availability of Supreme Court decisions
- The Draft Law on Expert Witness System
- Time management in judiciary
- Mandatory article for hiring a company lawyer
- Finalization of legislation and technical works on utilizing moveable assets as collateral
- Accepting indemnity insurance as collateral
- Liberalization of Turkish railway market

# Coordination Council for the Improvement of Investment Environment (YOIKK) Action Plans

2016

1. The Law on Data Protection (April 7, 2016)
2. The Law Amending the Law on Research and Development and Certain Laws and Statutory Decrees (February 26, 2016)
3. The Law Amending the Law on Income Tax and Other Laws (February 10, 2016)
4. Law no. 6656 (January 9, 2016)- [amending some articles on setting up aquaculture facilities]
5. Law no. 6655 (January 1, 2016)- [amending some articles of VAT, Income Tax, Individual Pension System, General Health Insurance]

2015

1. Law no. 6592 Amending the Law on Mining and Certain Laws
2. Law no. 6645 Amending the Law on Occupational Health and Safety and Certain Laws and Statutory Decrees
3. Law Amending the Law no. 644 Supreme Court and Code of Civil Procedure
4. Law no. 6637 Amending Certain Laws and Statutory Decrees
5. Law no. 6585 on Regulation of Retail Trade

# Coordination Council for the Improvement of Investment Environment (YOIKK) Action Plans

2014

1. Law no. 6518 Amending the Statutory Decree on the Organization and Duties of the Ministry of Family and Social Policies and Certain Laws and Statutory Decrees [articles on unemployment insurance and labor act]
2. Law no. 6570- Law on Istanbul Arbitration Center

2013

1. Law no. 6428 on Concerning the Construction of Facilities, Renovation of Existing Facilities and Purchasing Service by the Ministry of Health by PPP Model and Amending Certain Statutory Decrees
2. Law no. 6446- Electricity Market Law
3. Law no. 6460 Amending the Code of Civil Procedure and Certain Laws
4. Law no. 4628- Electricity Market Law
5. Law no. 6458- Law on Foreigners and International Protection
6. Law no. 6456 Amending Public Finance and Debt Management and Certain Laws and Statutory Decrees
7. Law no. 6461 The Law on Liberalization of Turkish Railway Transportation
8. Law no. 6475- Postal Services Law



# Coordination Council for the Improvement of Investment Environment (YOIKK) Action Plans

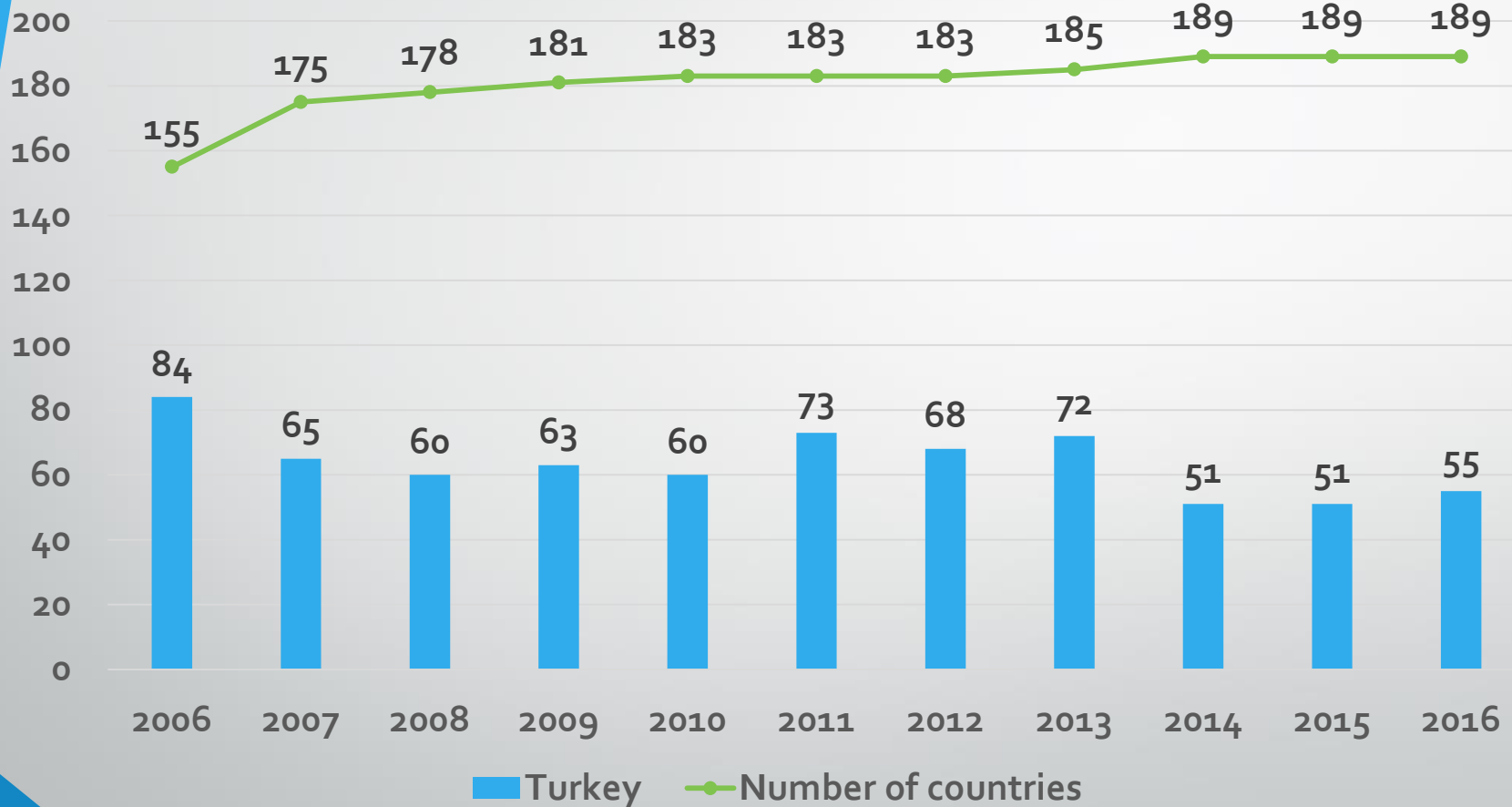
2012

1. Law no. 5941- Turkish Cheque Law
2. Law no. 6362- Capital Market Law
3. Law no. 6325- Law on Mediation in Civil Disputes
4. Law no. 6335 Amending the Turkish Commercial Code and the Law on the Application of Turkish Commercial Code
5. Law no. 6361- Law on Financial Leasing, Factoring and Financing Companies
6. Law no. 6288 Amending the Laws on VAT, PPP based investments and services and Public Procurement
7. Law no. 6352 Law on amending Certain Laws to Ensure Effectiveness of the Judicial Services and Postponement of the Cases and Sentences Regarding Crimes Committed via Press and Broadcasting (3rd Judicial Package)
8. Law no. 6353 on Amendments in Certain Laws and Statutory Decrees
9. Law no. 6360- Law on Establishing 13 new metropolitan cities and 26 townships [the creation of “investment monitoring coordination centers” in place of special administrations.]

# Investment Climate Rankings



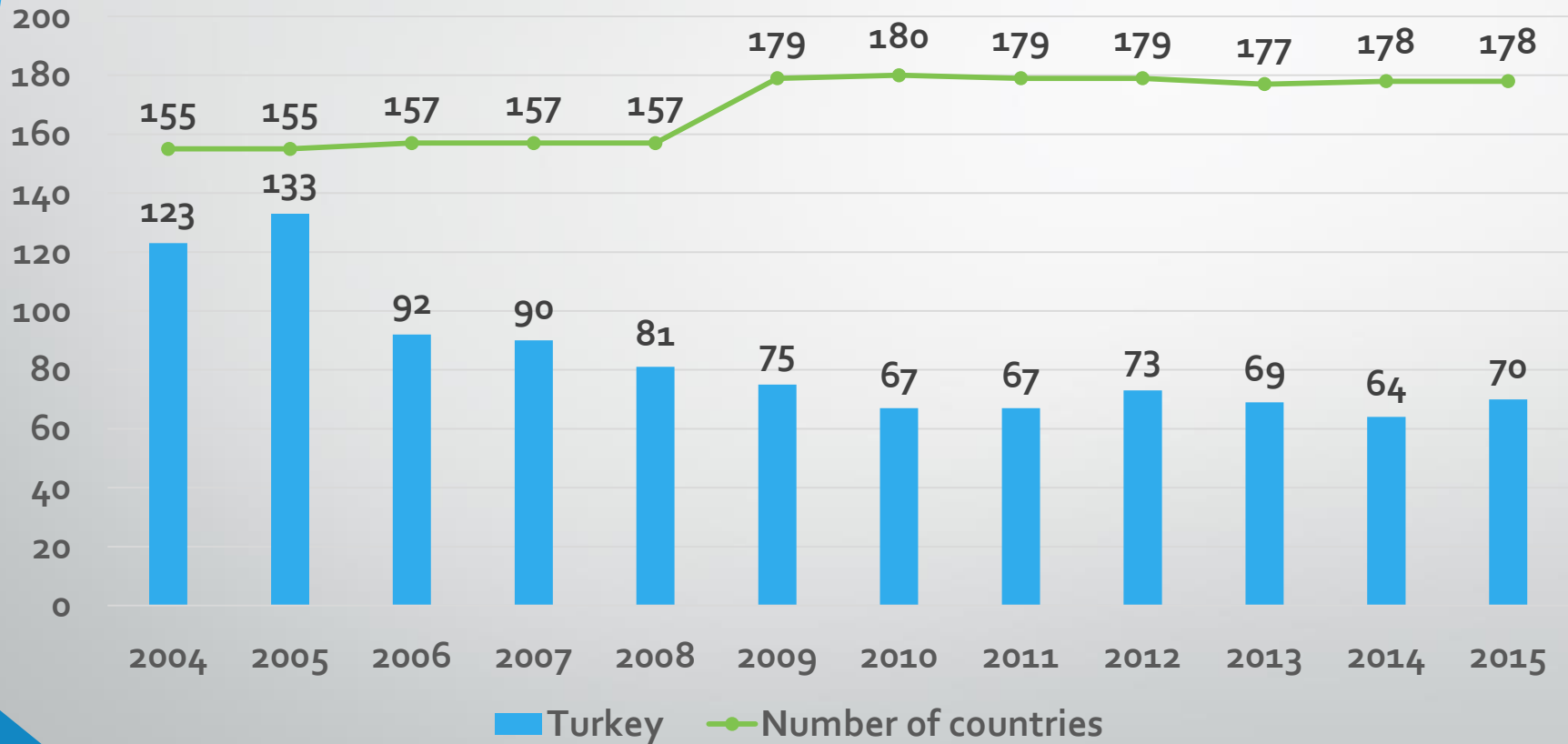
## World Bank Doing Business Report



- Starting a business
- Dealing with construction permits
- Getting electricity
- Registering property
- Getting credit
- Protecting minority investors
- Paying taxes
- Trading across borders
- Enforcing contracts
- Resolving insolvency
- Labor market regulation

# Investment Climate Rankings

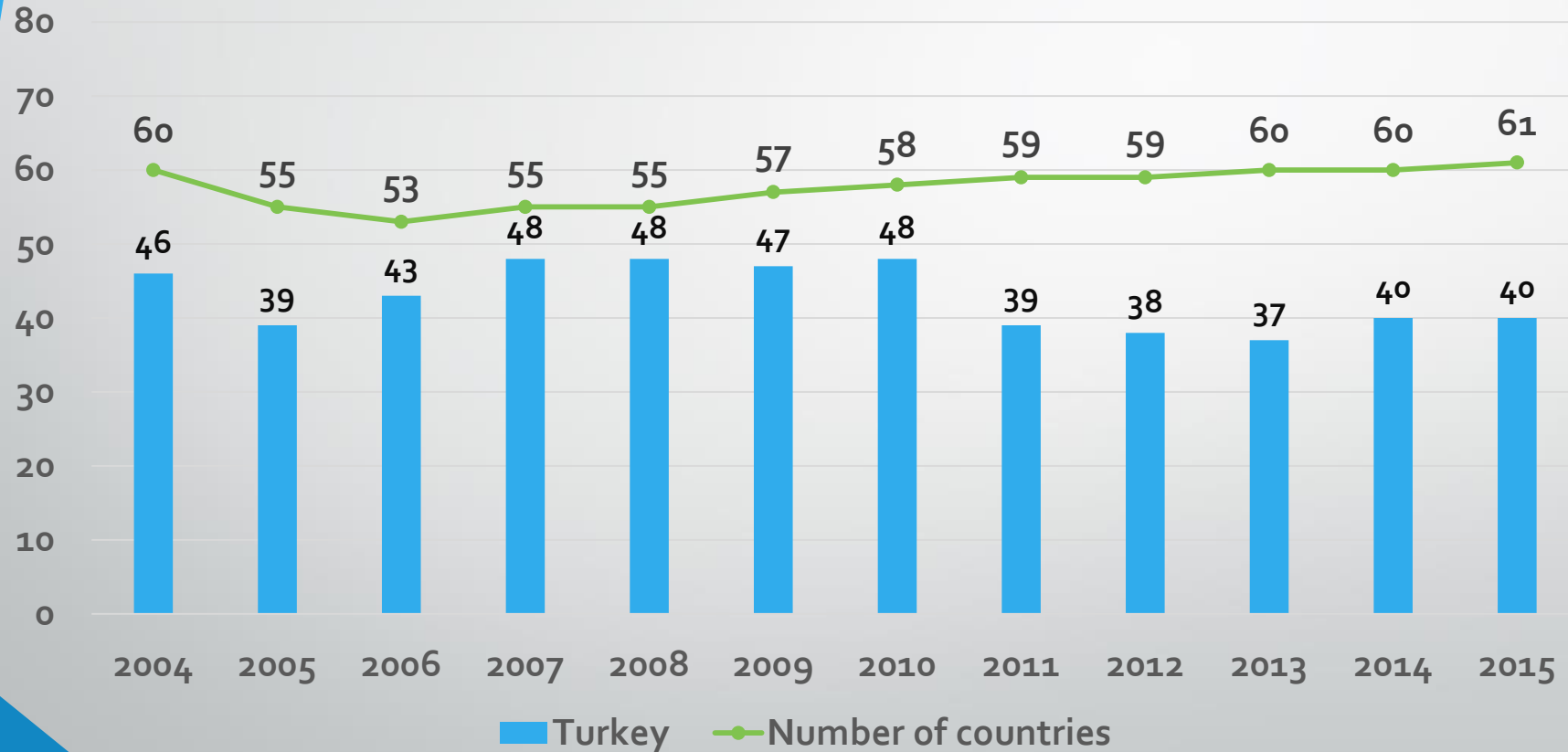
## The Heritage Foundation - Index of Economic Freedom



Business Freedom  
Trade Freedom  
Investment Freedom  
Financial Freedom  
Fiscal Freedom  
Government Spending  
Monetary Freedom  
Property Rights  
Freedom from  
Corruption  
Labor Freedom

# Investment Climate Rankings

International Institute for Management Development - The World Competitiveness Yearbook



Economic Performance

Government Efficiency

Business Efficiency

Infrastructure

20 subcategories

300 criteria

# Business Climate Structural Reforms

- Encouraging job creation and investment
- Improving productivity
- Boosting economy's competitiveness, growth potential and adjustment capacity

64th Government Action  
Plan

10th Development Plan

Priority Transformation  
Programs

Annual Programs

The Coordination Council  
for Improvement of  
Investment Environment  
Action Plans

# 64th Government Action Plan (172 Actions)

3 Months- March 21, 2016  
(20 items)

- Public Administration(2)
- Transparency (3)
- Fundamental Rights and Freedoms (4)
- Social Policies and Working Life(5)
- Economy, Finance and Trade (6)

6 Months- June 21, 2016  
(81 items )

- Democratization(2)
- Justice (6)
- Public Administration(10)
- Education (7)
- Social Policies and Working Life (9)
- Economy, Finance and Trade (15)
- Improvement of Investment Environment(9)
- Savings (5)
- Science, Technology and Innovation (8)
- Environment, Local Governments and Urban Transformation (7)
- Foreign Policy(3)

1 Year- December 21, 2016  
(71 items)

- Fundamental Rights and Freedoms (5)
- Justice (6)
- Public Administration(6)
- Social Policies and Working Life (9)
- Education (12)
- Economy, Finance and Trade (19)
- Science, Technology and Innovation (5)
- Environment, Local Governments and Urban Transformation (8)
- Strategy Documents (1)

# 64th Government Action Plan

## 3 Month

- Protection of Personal Data
- Work-life flexibility
- Private employment office
- Severance pay
- Sub-contracting
- İstanbul Arbitration Center
- The exemption of Banking and Insurance Transactions Tax (BITT) for financing of machinery- equipment investments in manufacturing

## 6 Month

- Expert witness system
- Determination of case durations- Judicial Time Management System
- Labor Courts
- Courts of Appeal in Justice and Administrative Courts
- E-trade
- New Income Tax Law
- Law on Tax Procedure
- Promoting energy efficiency
- Establishing a joint decision making process for the large-scale infrastructure projects
- Establishing a Single Window System for Customs
- Increasing the attraction of the Free Zones
- Increasing FDI attracted to Turkey
- Eliminating red-tape
- Establishing a mechanism to reduce the cost of land in the Industrial Zones and Organized Industrial Zones
- Simplifying the process of opening a business place and work license
- Simplifying the process of obtaining energy licenses, permits and approvals
- Simplifying the establishment and liquidation process of companies
- Patent Law
- Establishing a fund for the early stage of research and development and innovation.
- Turquoise Card System

## 1 Year

- The workload of administrative justice will be decreased.
- Public notary system will be restructured.
- Public Procurement Law will be updated.
- Inventory of immovables registered under the property of Treasury will be improved.
- Revision of Stamp Tax Law
- The infrastructure of geographic information systems, which will be utilized for the land for investment searches will be completed
- Specialized courts will be established .
- The movable assets of SME's will be used as collateral.
- Inward processing regime will be reviewed.
- Standard Cost Model will be utilized
- An infrastructure for licensing and accreditation of health tourism institutions.
- Audit system for buildings
- The functioning of market surveillance and control system will be evaluated and an efficient implementation mechanism will be established

# PRIORITY TRANSFORMATION PROGRAMS

01. Program for Enhancing Productivity In Manufacturing
02. Program for Reducing Import Dependency
03. Program for Increasing Domestic Savings And Avoiding Waste
04. İstanbul International Financial Center Program
05. Rationalization of Public Expenditures Program
06. Public Revenue Quality Enhancement Program
- 07. Business and Investment Climate Improvement Program**
08. Program for Improving Labor Market Effectiveness
09. Program for Reducing Informal Economy
10. Statistical Infrastructure Development Program
11. Program for Commercialization in Priority Technology Areas
12. Program for Technology Development and Domestic Production Through Public Procurement
13. Domestic Resource Based Energy Production Program
14. Energy Efficiency Improvement Program
15. Program for Enhancing Efficiency of Water Use in Agriculture
16. Healthcare Related Industries Structural Transformation Program
17. Health Tourism Improvement Program
18. Transformation Program From Transportation to Logistics
19. Basic and Occupational Skills Development Program
20. Attracting Qualified Human Resources Program
21. Healthy Life and Mobility Program
22. Family and Dynamic Population Structure Conservation Program
23. Institutional Capacity Improvement Program at Local Level
24. Competitiveness and Social Cohesion Enhancing Urban Regeneration Program
25. Program for Improving the Infrastructure of International Cooperation for Development



# PRIORITY TRANSFORMATION PROGRAMS

## Business and Investment Climate Improvement Program

- Tenth Development Plan- July 6, 2013 Official Gazette
- 25 Priority Transformation Programs
  - **1.7 Business and Investment Climate Improvement Program**
  - **4 Components, 10 Policies and 41 Action Items**
    - Improving Bureaucratic Procedures / Prime Ministry
    - Improving Judiciary Processes / Ministry of Justice
    - Facilitating the Provision of Investment Location / Ministry of Environment and Urbanization
    - Improving the Governance of Business and Investment Climate at Regional Level / Ministry of Development

# Investment Projects in Progress

	Investment Projects	Fixed Investment (Billion TL)	Potential Employment (Thousand)
2014	4.011	64,6	144,6
2015	4.576	103,1	147,9
2016 (As of March)	1.601	21,7	34,7

Investment Projects								
	Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	Multiple Regions	Total
2014	1.436	708	588	443	363	456	17	4.011
2015	1.512	892	670	500	478	512	12	4.576
2016 (As of March)	425	329	272	210	232	127	6	1.601