

tepaV

The Economic Policy Research Foundation of Turkey

Strengthening the Connectivity and Business Synergies in the SEE

Session four
Policy recommendations and project ideas

Sarajevo, July 21, 2015

Framework

- Policy recommendations
 - Not yet concrete, rather, policy dialogue & learning areas that we identified
 - A different type of government and think-tank engagement
 - Dealing with perceptions / image issue
 - Managing both positive and negative aspects
 - Three project ideas to jump-start cooperation
 - Industrial Zones
 - Fostering ICT connectivity
 - Targeted matchmaking programs
- + Next session: Connecting entrepreneurship ecosystems

Policy dialogue and policy learning

Areas...

- Industrial policy, SME and entrepreneurship development
 - Role of development banking? Incentive schemes?
 - Privatization & SME development links?
- Improving investment climate
- Public-private partnership frameworks
 - PPP in industrial zone development and management
 - PPP in energy projects
- Tourism strategy planning and implementation
- Agriculture policy, targeting the bottlenecks in the entire food chain.
- Enhancing ODI and FDI promotion policies

Policy dialogue and policy learning

Mechanisms...

- Knowledge transfer programs
 - Forming of task forces (high level bureaucrats and experts), study tours and policy reports, on selected issues
- Policy exchange platforms
 - Joint symposia, policy workshops and conferences
 - Joint ministerial committees
 - Engagement of think-tanks, building and strengthening second track networks

Key issue 1: Content, commitment, coordination

Key issue 2: Going from country level to regional level

Dealing with perceptions

Perception in the Balkans

- On the positive side;
 - Turkey's remarkable transformation well acknowledged;
 - Soap operas; people-to-people connectivity
- On the negative side;
 - Too many business delegations with little impact (there are businessmen and there are businessmen)

Selection mechanism needed!

Perception in Turkey

- Somewhere to visit, maybe, but somewhere to invest?
- Marmara region & roots
- Small and problematic markets.
 - Uncertainties, fluctuations etc.
- Not a gateway into the EU
- Image as a «cool» tourist destination not yet established

A social media campaign?

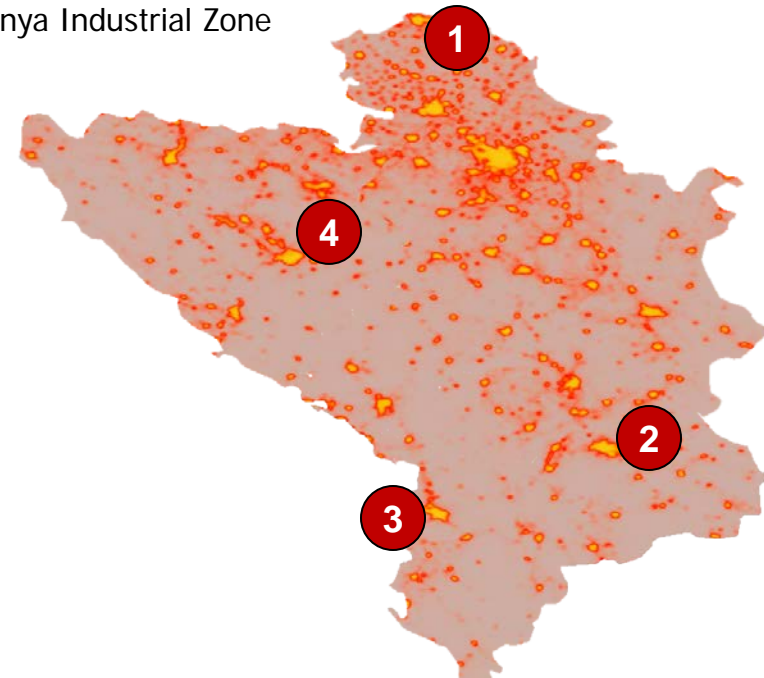
Project Idea #1: Special Economic Zones

Mechanism for increasing Turkish investments?

- Rationale: Istanbul's new frontier to the EU market
 - 150.000 trucks to DE+FR+IT in 2014
- Piloting economic reforms in the SEE
 - SEE overall investment policy 2/5
 - Can we create zones that are 5/5?
- One stop shop + superb infrastructure
- Targeted investment promotion in line with national industrial policy priorities
- Links with SMEs + environmental sustainability
- Lower cost of production
 - €11/m² v. €450/m²
 - Cheaper electricity, labor costs, logistics..



Konya Industrial Zone



Can we create perfect micro-climates?

Doing Business rankings (2015) of SEE-6 and Turkey

	Doing Business Rank	Starting Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit
ALB	68	41	157	152	118	36
BIH	107	147	182	163	88	36
KOS*	75	42	135	112	34	23
MKD, FYR	30	3	89	88	74	36
MNE	36	56	138	63	87	4
SRB	91	66	186	84	72	52
TUR	55	79	136	34	54	89

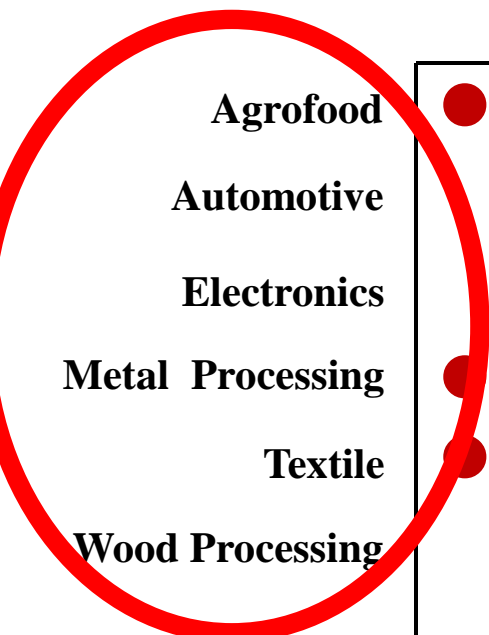
Source: WDI, TEPAV calculations

* Legend: **GREEN** if in top ¼; **RED** if in bottom ½ of ranked economies.

SEZs can increase the level of connectivity between the Marmara Region and the EU market



- Government Priority
- Growth Potential
- VC Connectedness



	ALB	BIH	MKD	KOS*	MNE	SRB
Agrofood	● ● ●	● ● ●	● ● ●		● ● ●	● ● ●
Automotive		● ● ○	● ● ○			● ● ●
Electronics						● ● ●
Metal Processing	● ● ●	● ● ●	● ● ●	● ● ●		
Textile	● ● ●	● ● ●	● ● ●	● ● ●		
Wood Processing		● ● ●				● ● ●
Construction	○ ● ○					○ ● ●
Energy	● ● ○	● ● ○		● ● ●		
ICT		● ○ ○	● ● ●			● ● ●
Tourism	● ● ●				● ● ●	

DRAFT!

Project idea #2: Fostering ICT connectivity between Turkey and SEE-6

- A different target group; different from conventional SMEs
 - ➔ More open, more dynamic, more connected
 - ➔ Currently: very low level of connectivity between TR-SEE
- Connecting the ecosystems
 - ➔ Novi Sad, Belgrade, Sarajevo, Skopje, Istanbul, Ankara, Izmir, Bursa
 - ➔ PE, VC, incubator, cluster managers & entrepreneurs
- Pilot actions
 - ➔ Entrepreneurship delegations
 - ➔ Joint (regional) business plan competitions
 - ➔ Start-up weekends, mixing teams.
 - ➔ Targeted events (outsourcing fairs)
- Regional policy coordination
 - ➔ «we don't need to be close, we need to be systemized»
 - ➔ Overcoming systemic failures (tax, labor, work permit, incentives)



The region has a number of inspiring cases to build on

Valuation of largest entrepreneurship success stories in Serbia, BiH and Turkey

Source: Various sources, interviews & news articles

	Year Established	Focus	Valuation	# of Employees	Annual Turnover
NORDEUS (SRB)	2010	Online gaming	€400 million	150	€65 million (2013)
Zira Solutions (BiH)	1995	Telecom solutions	€55 million*	100	€10 million (exports)
Hepsiburada (TR)	1998	E-commerce	\$440 million	200-250	\$200 million (2012)
Yemeksepeti (TR)	2000	Online food ordering delivery service	\$500 million	250-349	\$130 million (2012)

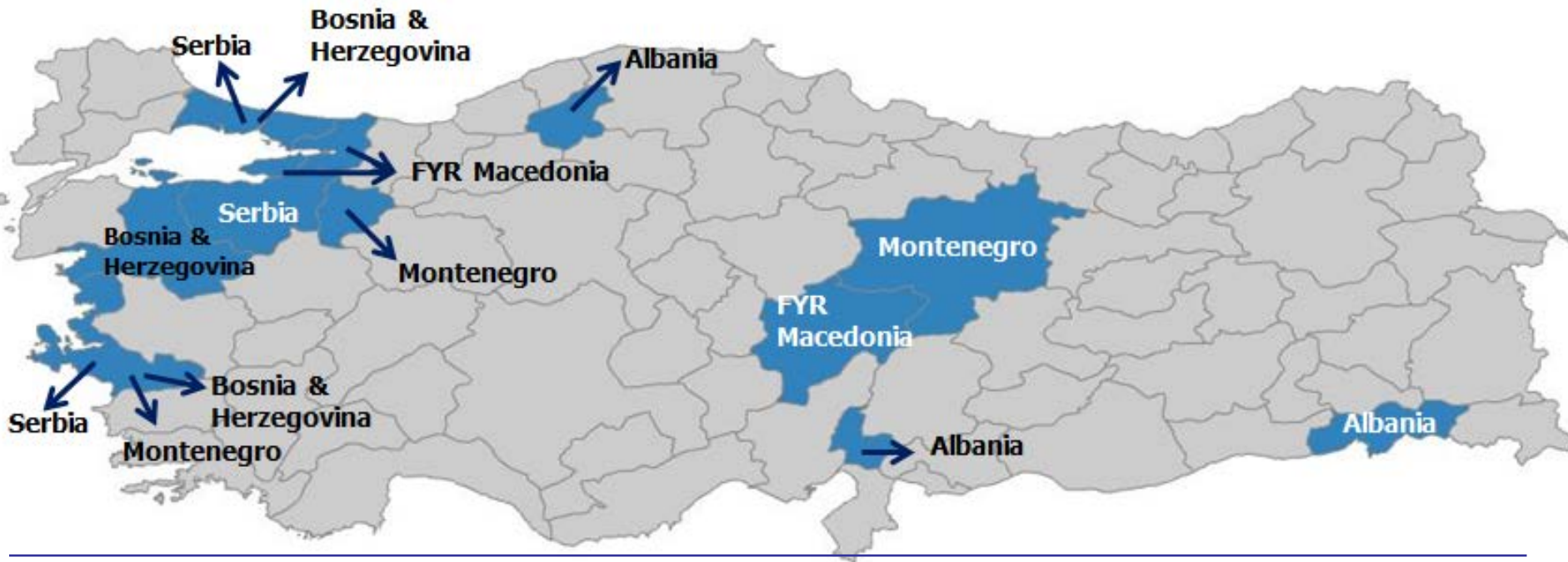
*intangible assets.

Project idea #3: Sub-national level cooperation

- Going beyond national level cooperation
 - Chambers, Development Agencies, Municipalities
 - Scaling up and support Bigmev Experience
- Matchmaking based on complementarities
 - Sarajevo & Bursa; Tuzla & Afyon-Uşak-Kütahya
 - Skopje & Kayseri; Budhva & Marmaris;
 - Bursa & Kragujevac; İzmir & Novi Sad; Denizli & Nis; Adana-Mersin & Vojvodina; Tekirdağ & Subotica;
- Design of concrete cooperation agendas
 - Capacity building, matchmaking, investor / entrepreneur delegations, investment and trade promotion

How to make matchmaking more targeted & informed? One example...

Trade Complementarity between Turkish cities' import and SEE-6 economies' export* (2013)



	Albania	Bosnia & Herzegovina	Montenegro	Serbia	FYR Macedonia				
Osmaniye	45%	İzmir	48%	Bilecik	53%	İstanbul	60%	Yalova	45%
Şırnak	45%	İstanbul	48%	Sivas	50%	İzmir	57%	Kayseri	42%
Karabük	42%	Balıkesir	46%	İzmir	40%	Bursa	57%	Kocaeli	42%

* At HS 2 digit (without natural resources: HS 2-27), Trade Complementarity Index, Michaely (1996), is calculated. Results for top three matches are represented.

Source: BACI, TURKSTAT, Michaely (1996), TEPAV calculations

Ideas for further research

- Balkans fast growth 50
- In depth value chain analyses
 - ICT, Agrofood, Automotive, Furniture, Tourism
- Investor roadshow design
- Special economic zone feasibility study
- Content and coordination for policy dialogue