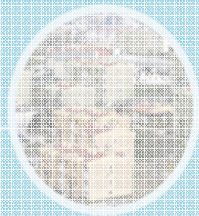
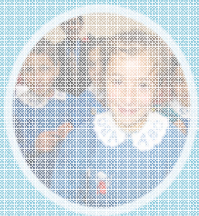




Turkey: The Global Crisis and Beyond Investment Climate & Long-Term Growth

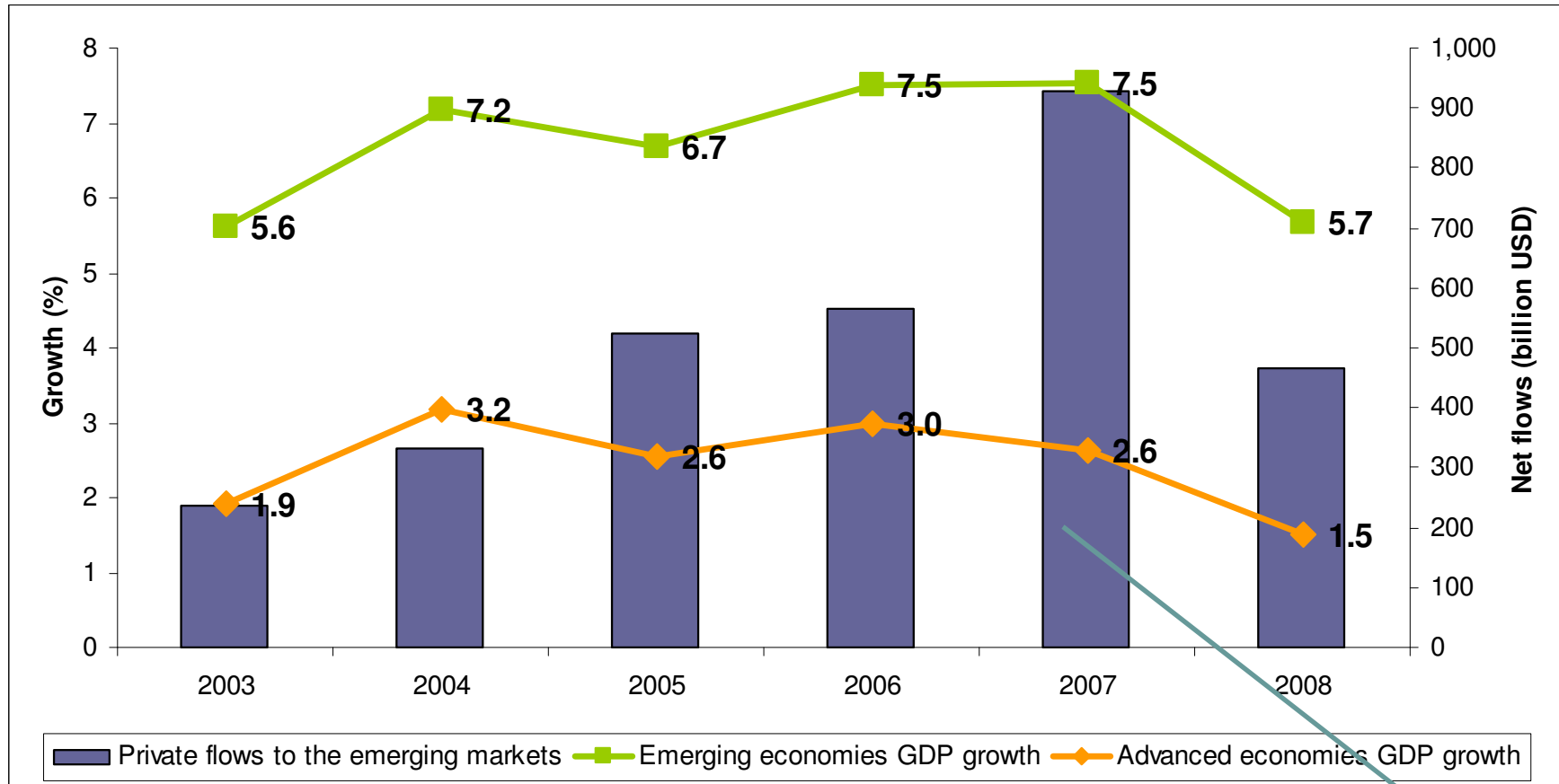
Ulrich Zachau
Country Director, Turkey
The World Bank

YASED Conference, Istanbul
11 February 2009





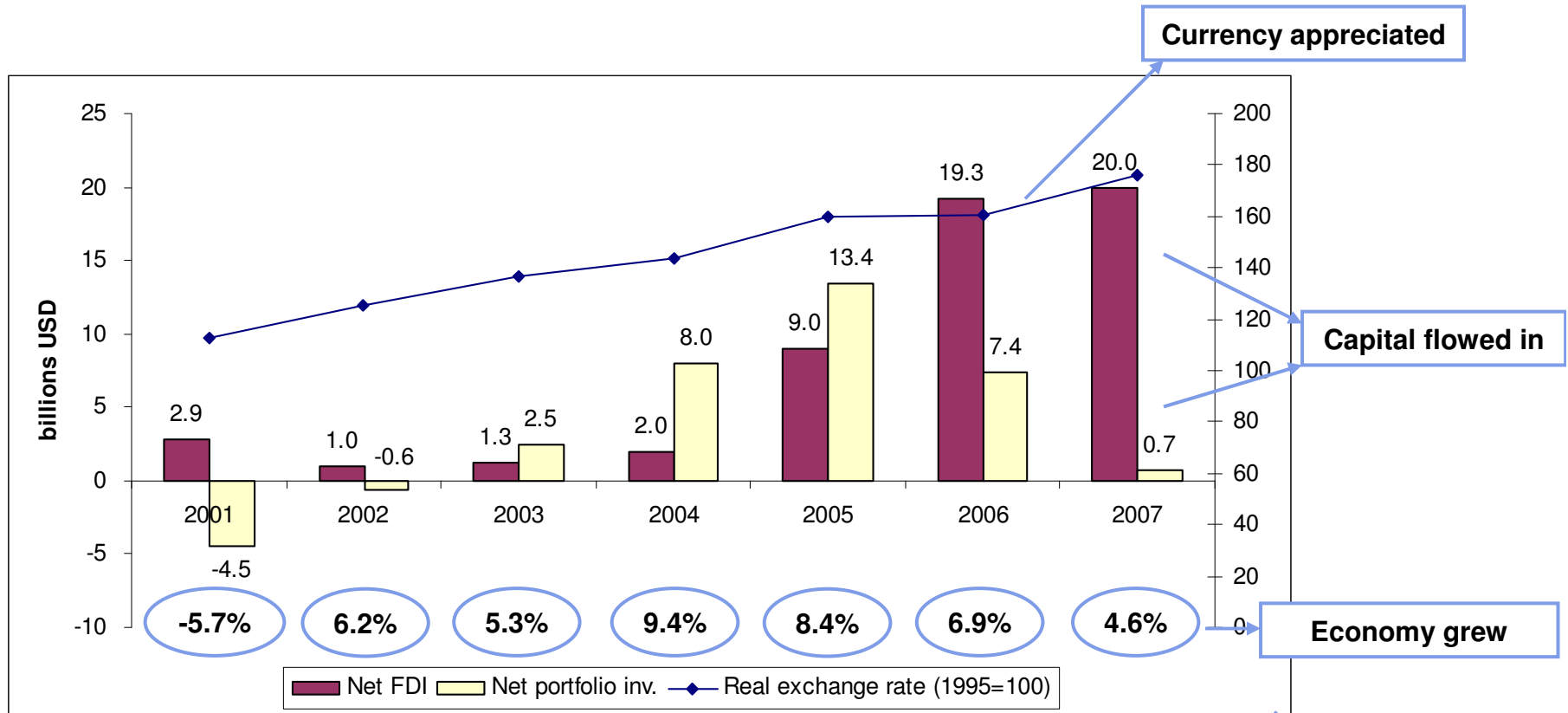
A Good Story Until 2007: in the World ...



Liquidity aplenty!



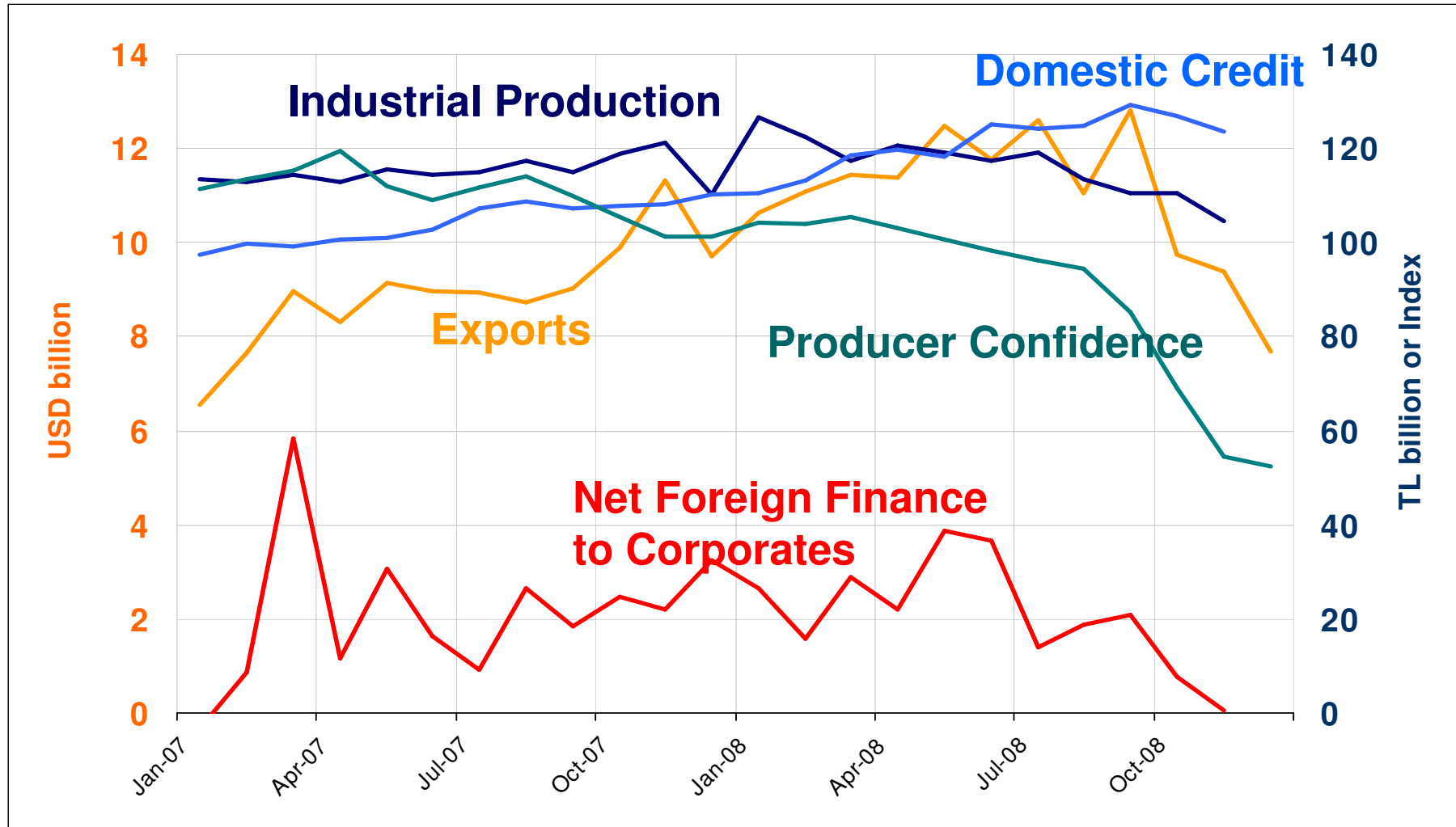
...and in Turkey...



What happens next?



Things Look Different Now including in Turkey

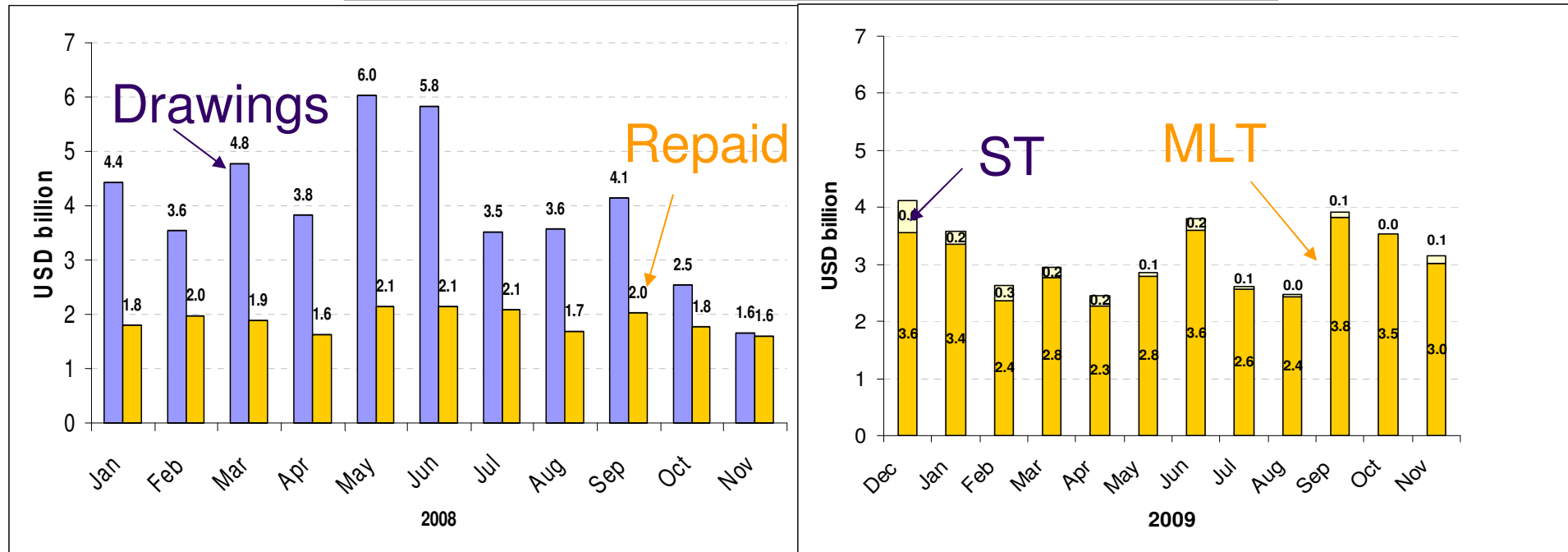




Corporate External Refinancing Requirements are Up in 2009

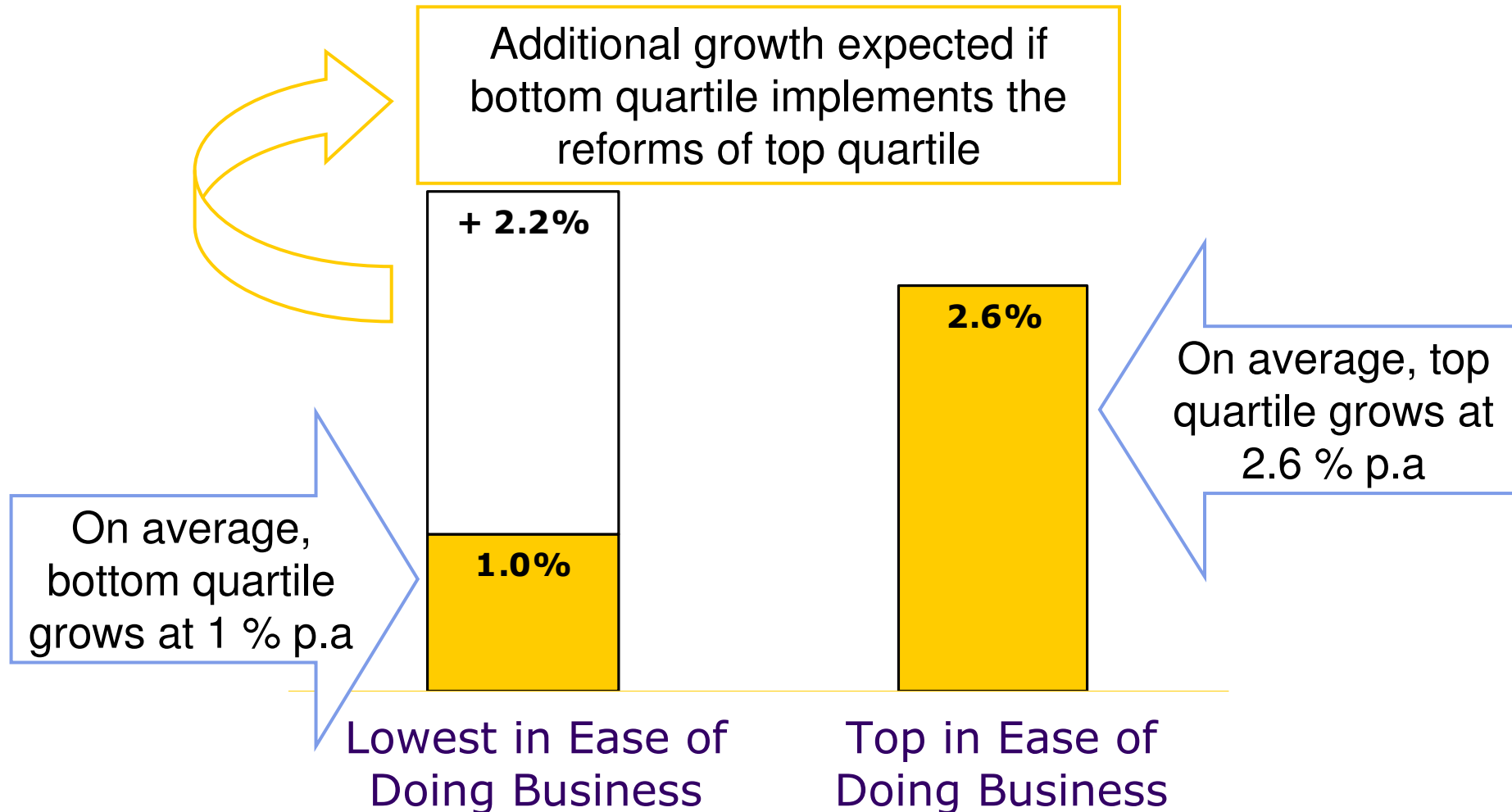


Corporate external rollover by month





Ease of Doing Business $\uparrow \Rightarrow$ Economic Growth \uparrow^*

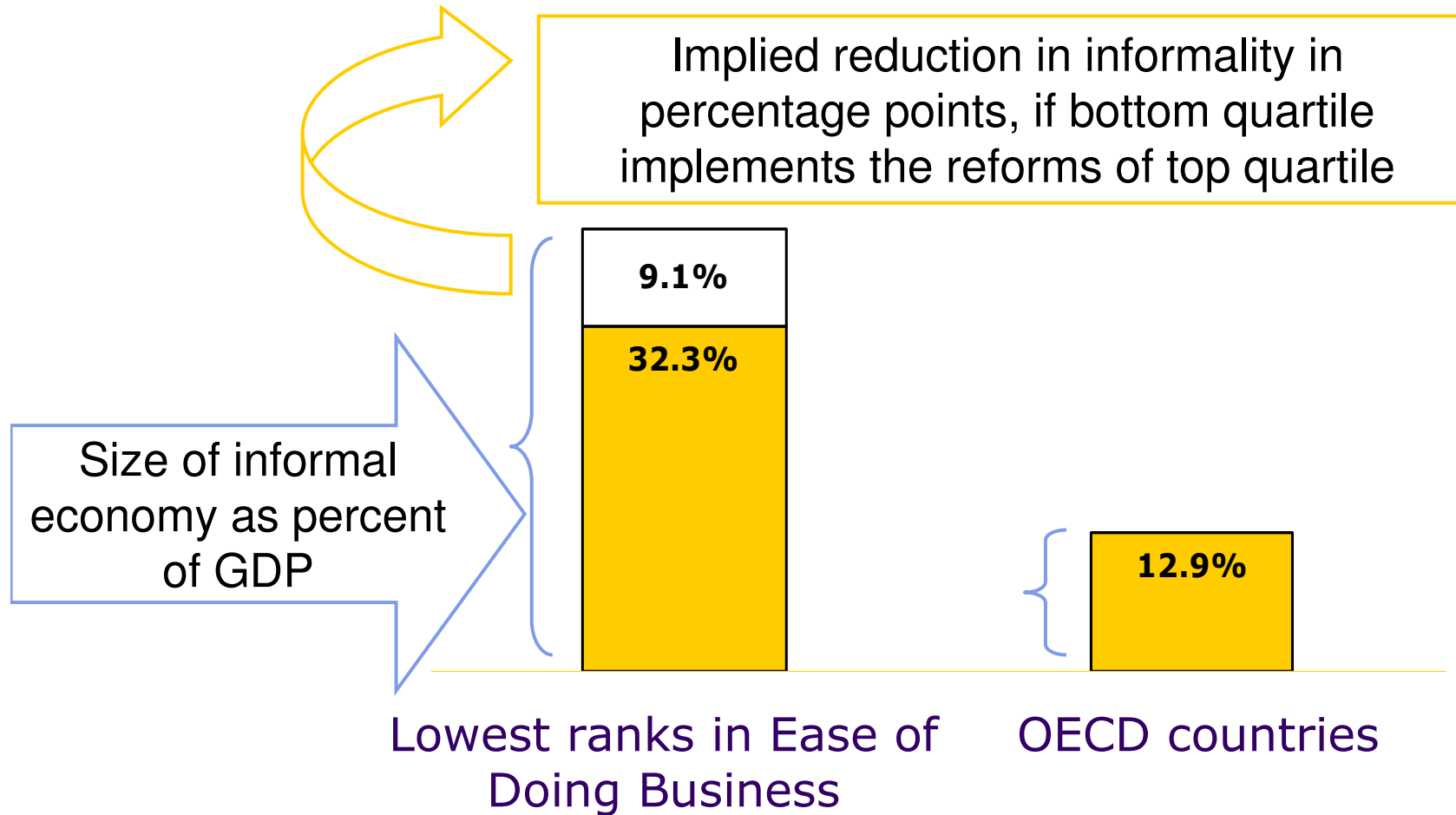


* Growth rates are actuals from the period 1994-2004

** Regressions control for initial levels of per capita income, education level, civil conflict and regional dummies

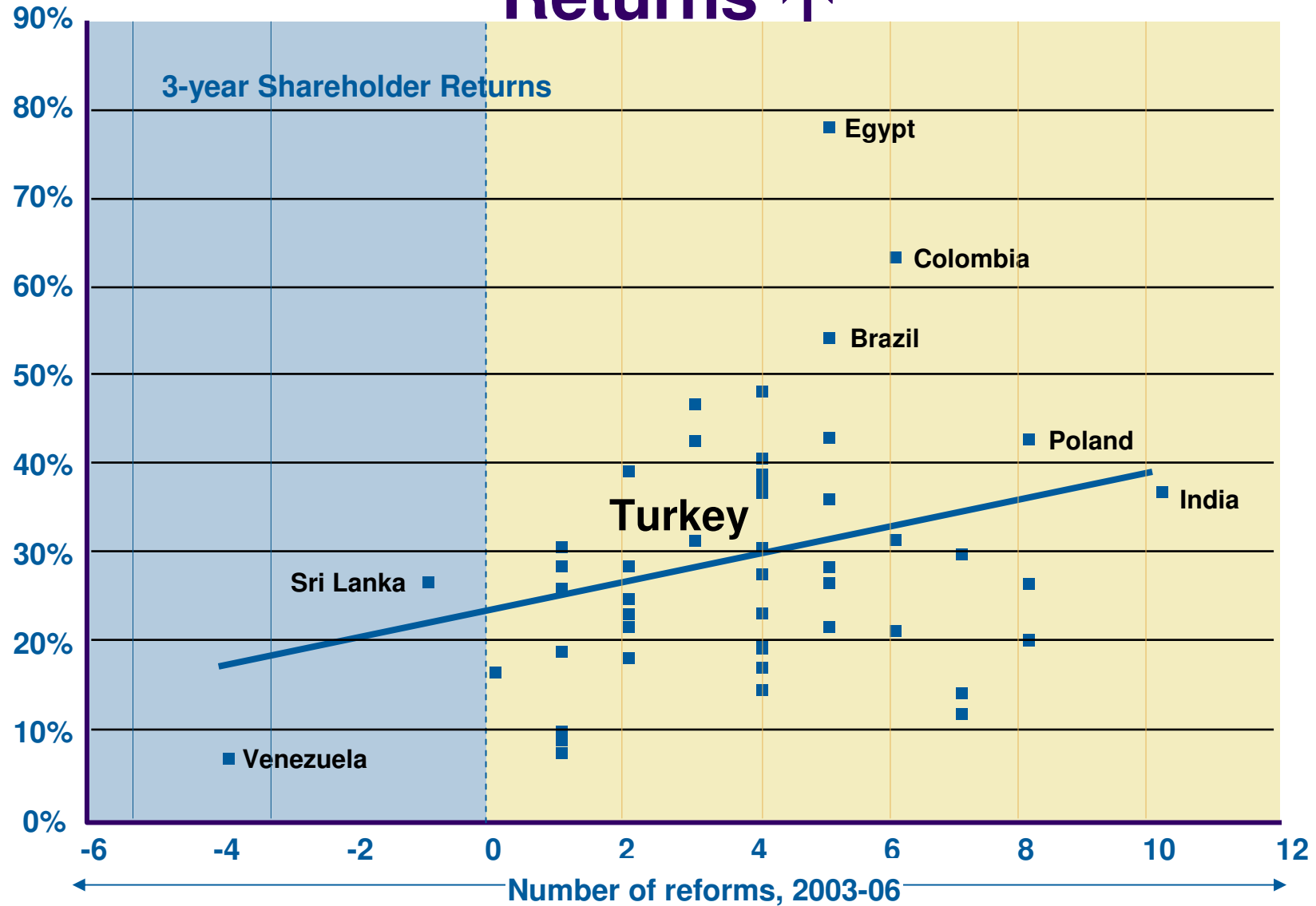


Ease of Doing Business \uparrow \Rightarrow Informality \downarrow





Ease of Doing Business $\uparrow \Rightarrow$ Returns \uparrow

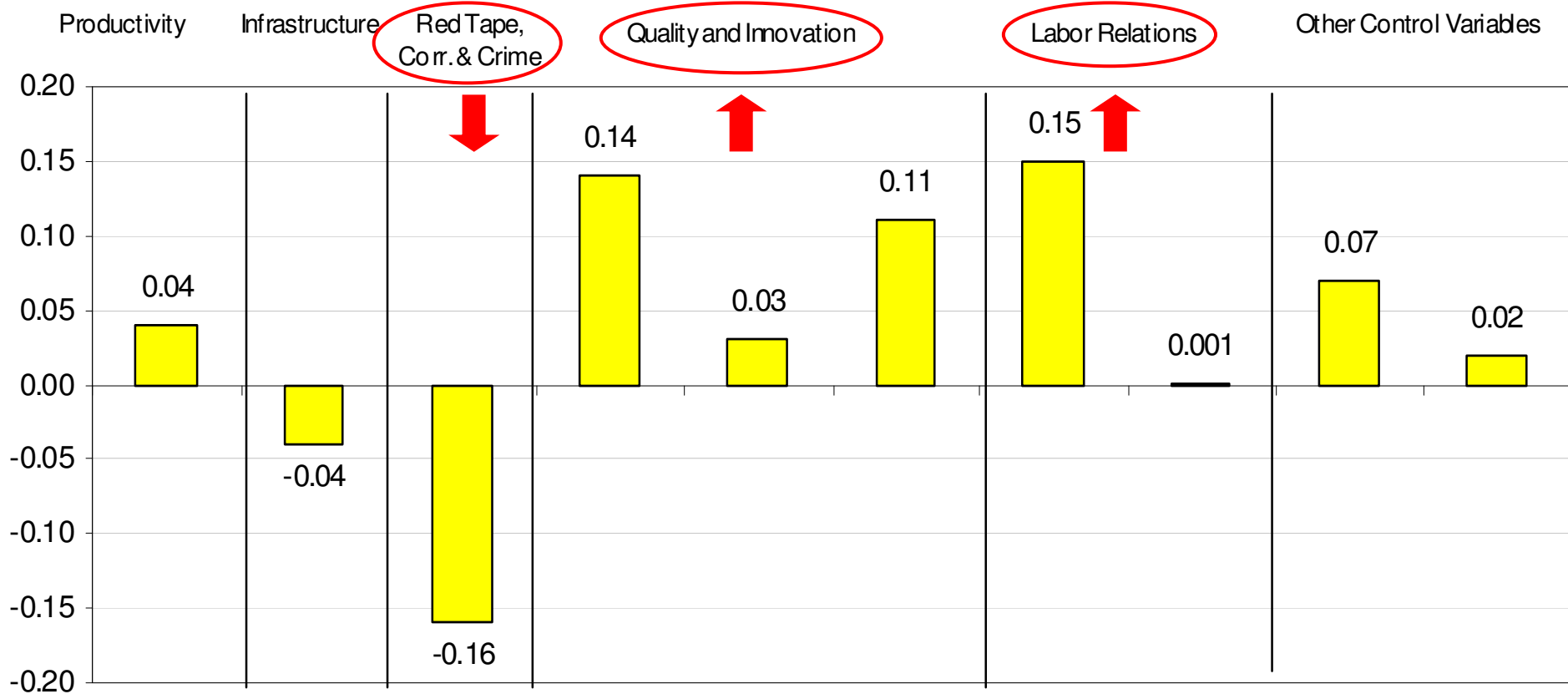




FDI in Turkey: More Skilled Labor, Innovation, Less Red Tape are Key



Foreign Direct Investment: Linear Probability Coefficients with Respect to IC Variables



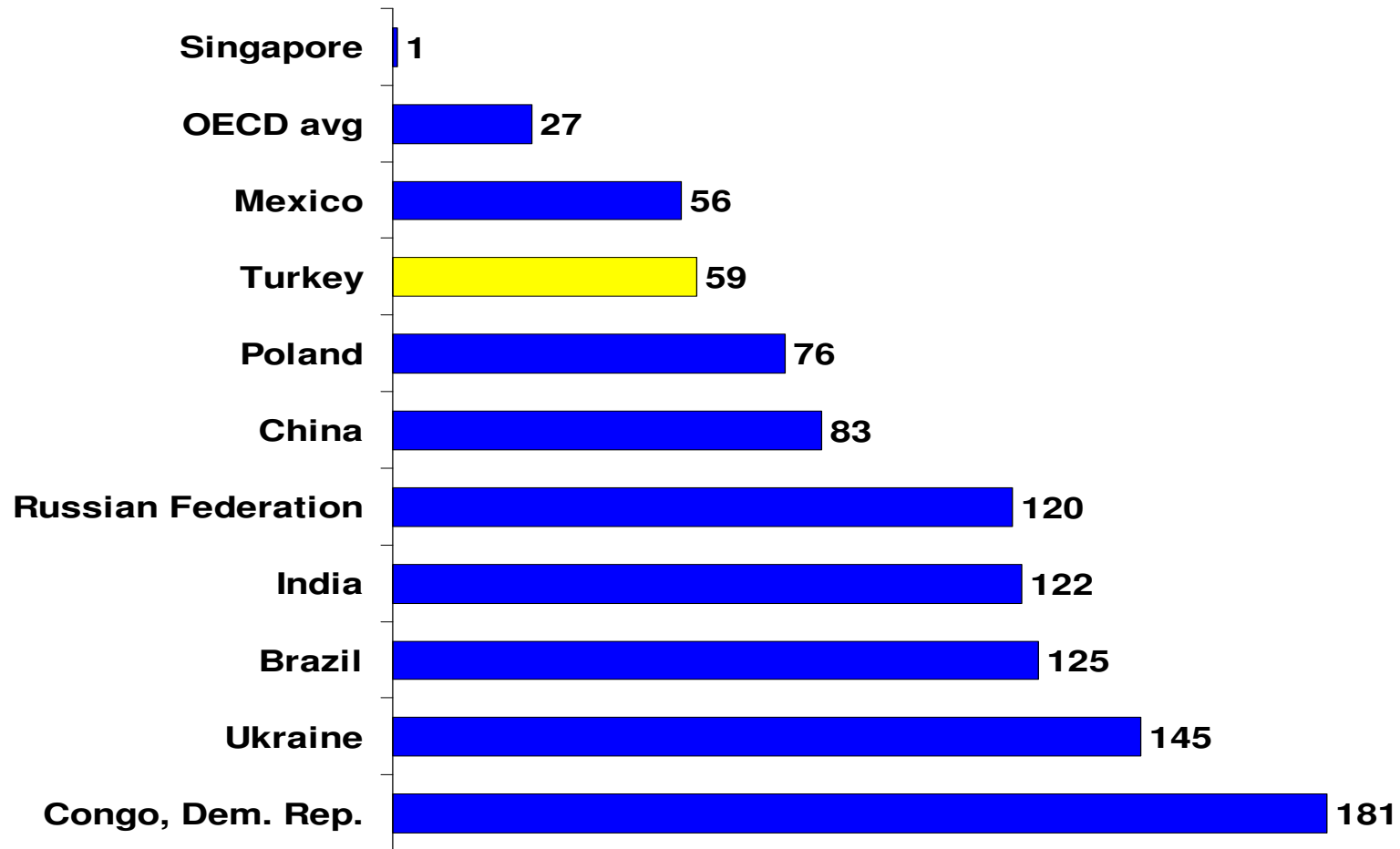
Source: Escribano et al (2006). Turkey ICA. Background Paper. Mimeo



Doing Business in Turkey: Above BRICs, Below OECD

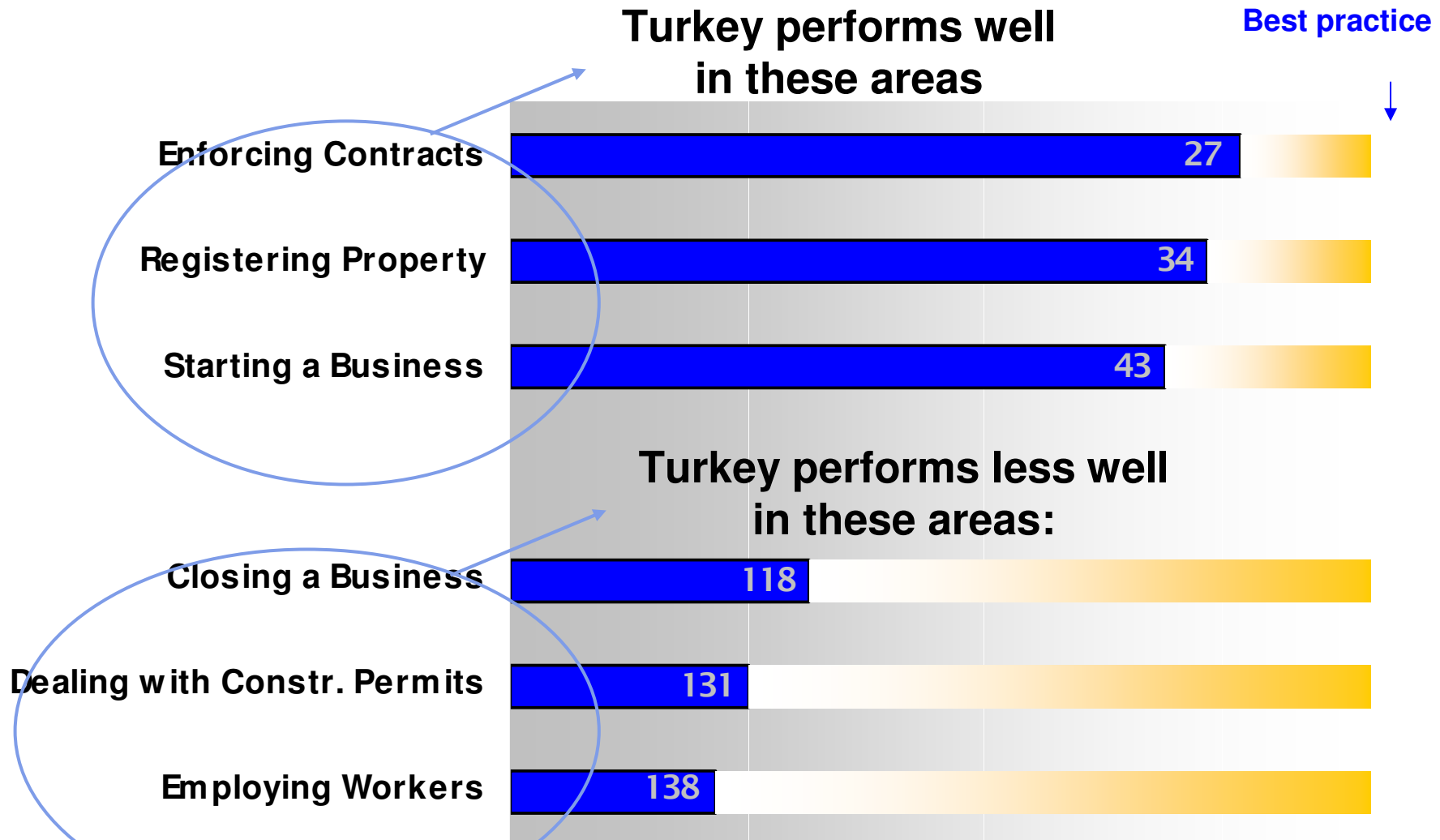


Average Rank, Ease of Doing Business, 2009



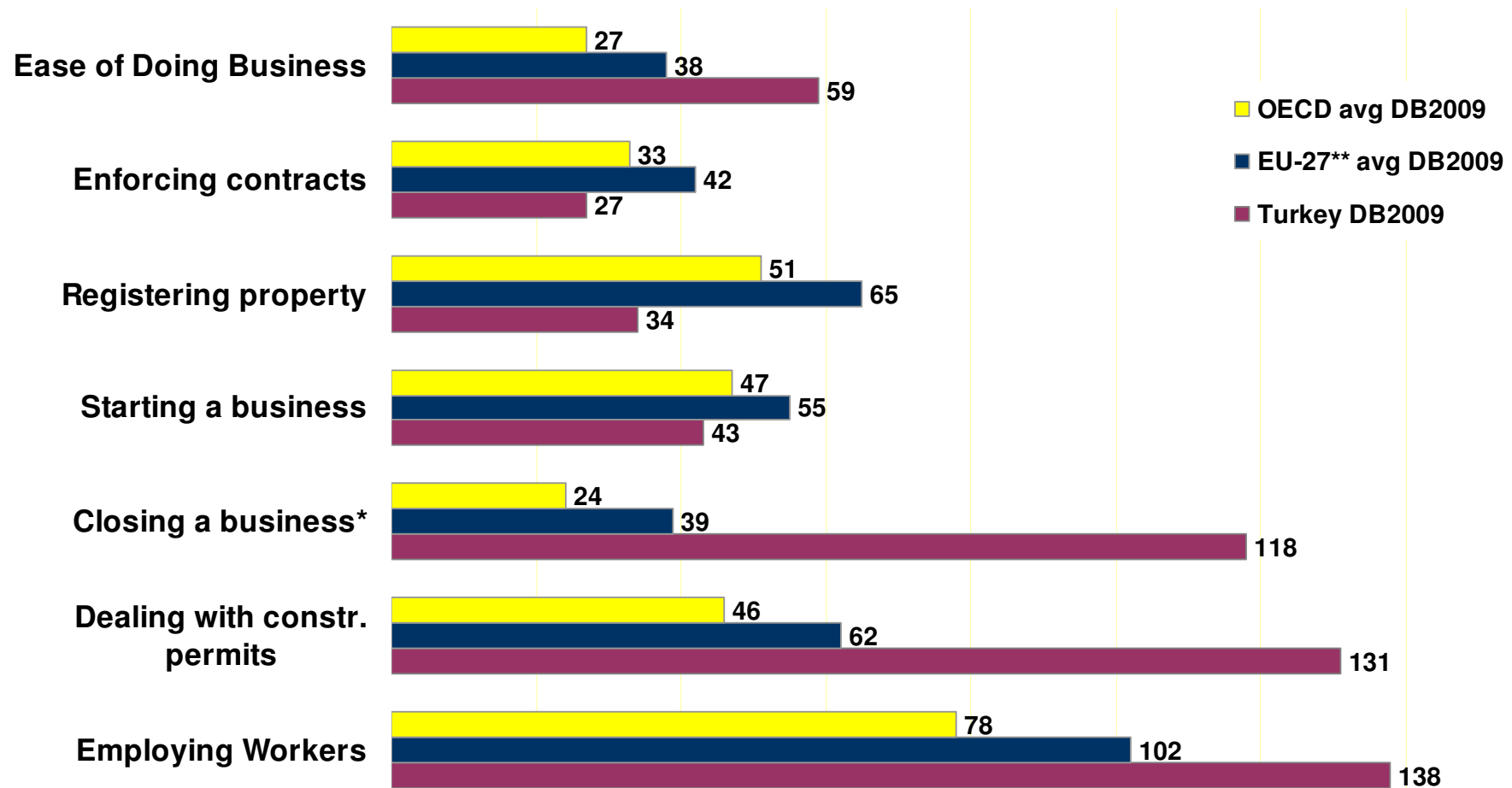


Doing Business in Turkey: Strong & Weak Areas ...





... Particularly Compared with EU-27 and OECD Countries





Rigid Labor Markets: a Key Challenge in Turkey



Employing Workers (2009)



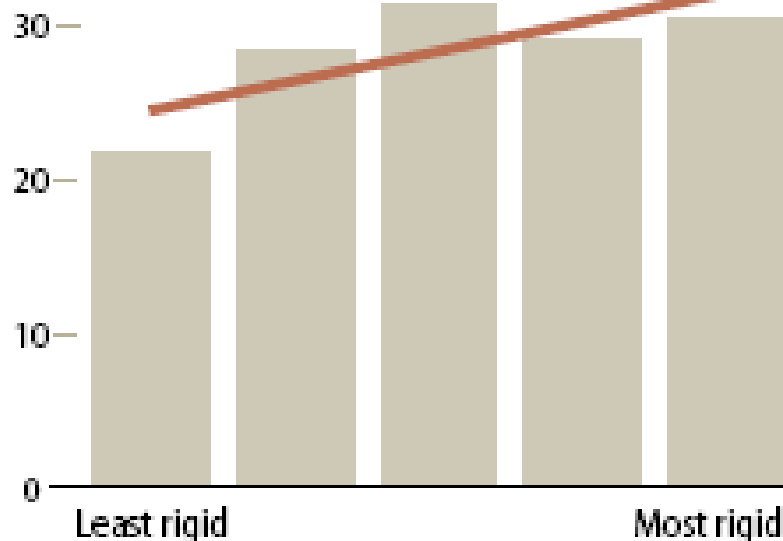


Labor Market Flexibility Reduces Unemployment & Informality



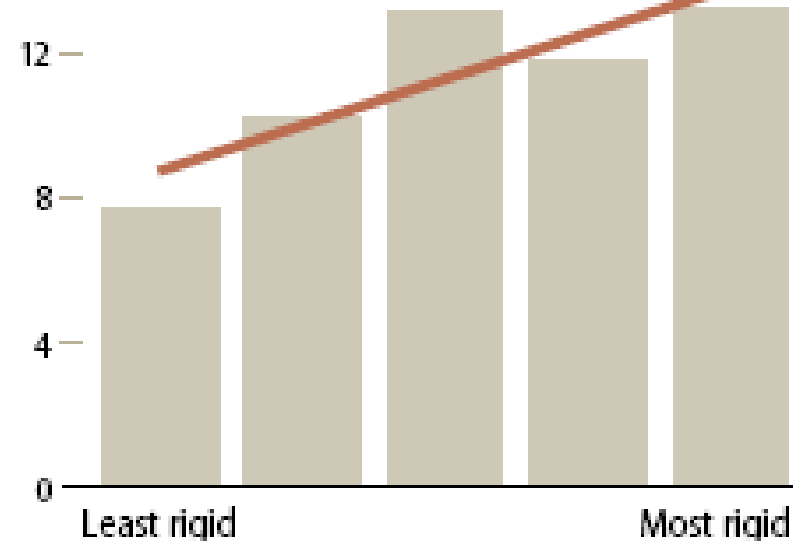
Rigid labor regulations are associated with high informality and high unemployment

Size of informal sector (% of GDP)



**Economies ranked by
rigidity of employment index, quintiles**

Female unemployment (%)



**Economies ranked by
rigidity of employment index, quintiles**

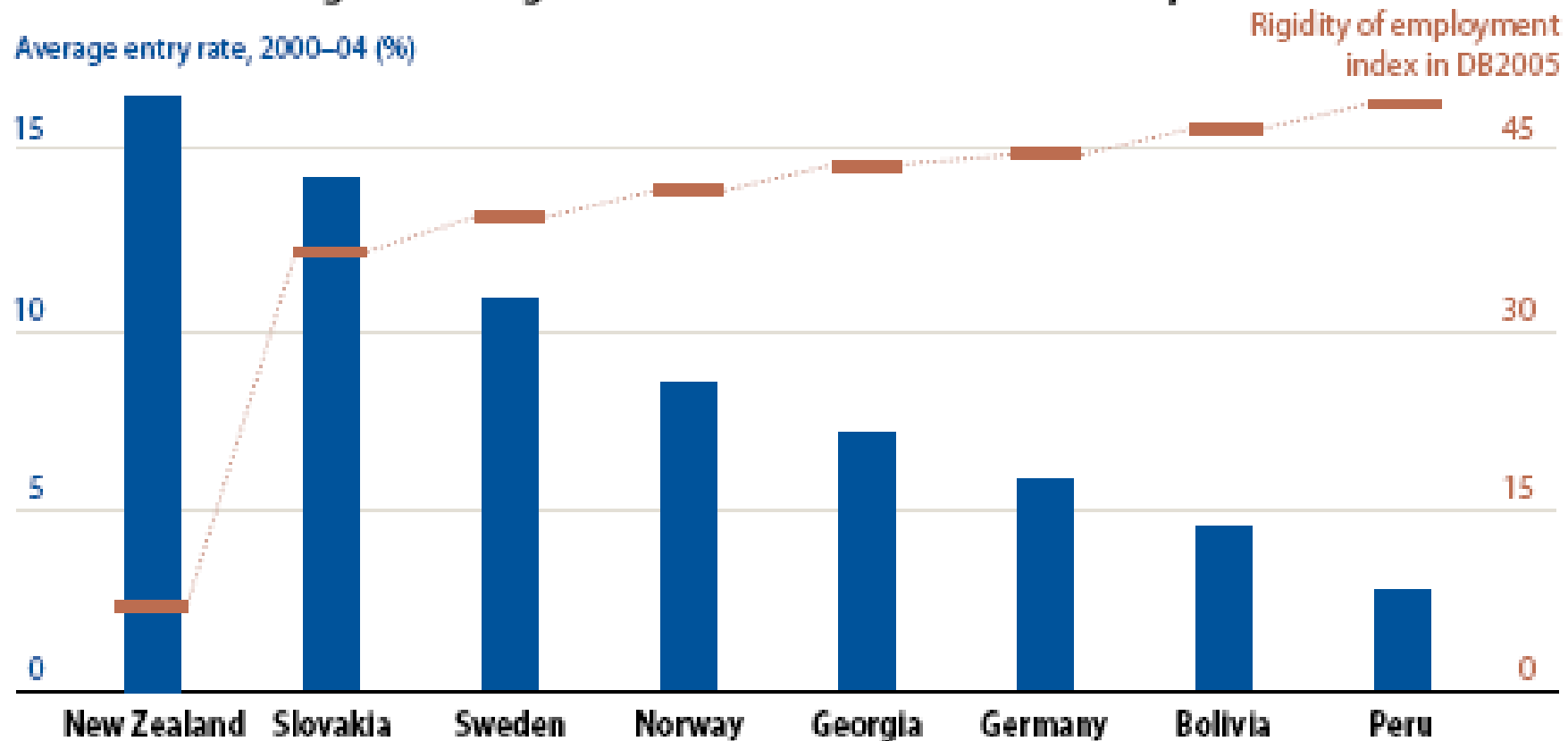
Note: Relationships are significant at the 1% level for size of the informal sector and at the 10% level for female unemployment, and remain significant when controlling for income per capita.

Source: Doing Business database; WEF (2007); World Bank, World Development Indicators database.



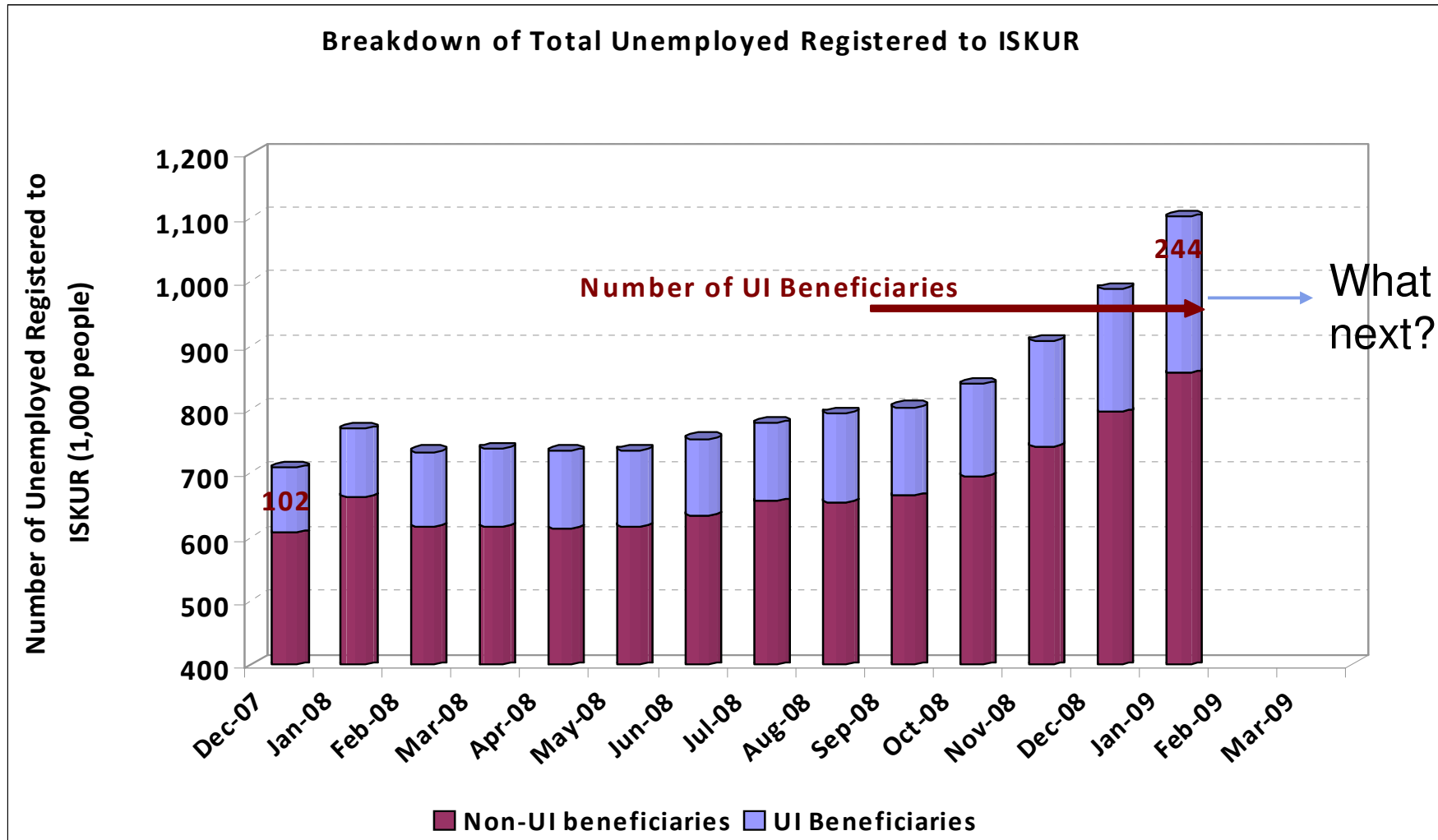
Labor Market Flexibility Increases Business Start-ups

Economies with rigid labor regulations have fewer business start-ups





Rising Unemployment Makes Investments to Create Jobs a Top Priority





Employment and Social Policies during Economic Recession



What Mix of Policies?

- **Maintaining Employment in the Short Term, ...**
 - Targeted wage subsidies?
 - Short-term work incentives?
 - Targeted payroll tax holidays?
 - ... for firms that are viable in the long run
- **... While Protecting the Most Vulnerable,**
 - Reviewing unemployment benefit and eligibility?
 - Expanding safety net policies to support the most vulnerable?
- **... and Investing in the Future**
 - More skill building: on-the-job learning, vocational training?
 - Expanding public works?



Education: Focus on Quality





Teşekkür Ederim
Thank You