

Public-Private Dialogue

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TURKEY/Public Sector YOIKK The Coordination Council for the Improvement of Investment Environment

by

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Background and Context

Strengthening private sector's role in Turkish economy continues to be an integral part of Turkey's overall macroeconomic program. To this end, Turkey has put efforts for improving the investment climate among the top agenda items and initiated a comprehensive reform program – "The Reform Program for the Improvement of The Investment Environment" – in 2001 in order to streamline all investment-related procedures.

Accordingly, the improvement of investment climate in Turkey has been carried out by a platform called YOIKK, which is a Turkish acronym for Coordination Council for the Improvement of Investment Environment.

YOIKK is one of the pioneer public-private partnership platforms which tries to maintain an investor-friendly environment through identifying policy options that would enhance the competitiveness of Turkey.

To examine in detail, the foundation of YOIKK was dated back to the efforts began in the beginning of 2000s. Upon the request of Undersecretary of Treasury, World Bank Group's Foreign Investment Advisory Service (FIAS)¹ prepared two reports. One of them is "A Diagnostic Study of The Foreign Direct Investment Environment Report" and the other is "Administrative Barriers Report". The diagnostic study report determined status quo of foreign investment inflows to Turkey and the latter focused on reducing red type. As a result of these reports, 12 priority areas were determined to construct an investor-friendly environment by the FIAS including taxation system, employment and land acquisition. After those reports submission, a workshop was organized to share and discuss the findings of these reports with both public and private sector stakeholders. In order to carry out the reform actions, YOIKK Platform was established in 2001 by the Council of Ministers Leading

¹ FIAS is a joint facility of the International Finance Corporation and the World Bank.

Decision. After its establishment, the structure of the YOİKK Platform aligned several times in order to meet private sector demands and domestic and international requirements. These revisions are summarized below:

- By the Council of Ministers Leading Decision numbered P/2002/10, the Minister Responsible for Treasury became YOİKK President;
- By The Decree Law No.637, Ministry of Economy was established;
- By the Council of Ministers Leading Decision numbered P/2012/2, the structure of YOİKK and technical committees were revised;
- With the Council of Ministers Leading Decision numbered P/2014/3, NGOs' participation to YOİKK platform was rearranged in order to increase private sector representation and Independent Industrialists' and Businessmen's Association (MUSIAD) became the fifth private sector member of YOİKK;
- Finally, by the Council of Ministers Leading Decision numbered P/2016/1, the structure of YOİKK was changed so as to increase the political ownership. The presidency of YOİKK started to be carried out by the Deputy Prime Minister responsible for monitoring and coordinating the reforms in Turkey. YOİKK structure was strengthened by including the Ministers having relevant duties and responsibilities regarding investments.

In the first stage, the project was financed by the Undersecretariat of Treasury but after that International Investors Association (YASED), Istanbul Stock Exchange (ISE) and Turkish Industrialists and Businessmen Association (TUSIAD) and FIAS gave support to this project.

Youth and Inclusion Dimension

Turkish economy has maintained a high and continuous level of growth rate since 2002. During this process although there were several positive developments on employment, women and youth inclusion to active labor force stayed problematic areas. In addition to this, indirect effect of regional instability, emerging migration issue and structural problems of the labor markets had negative impact on employment, labor productivity and working conditions. Thus, in liaison with private sector representatives, Turkish Government has also initiated very significant and comprehensive reform studies on the overall employment policy. The most significant reform studies were carried out by Ministry of Labor and Social Security under the Employment Technical Committee of YOİKK. YOİKK follows an annual agenda through 10 Technical Committees working on specific issues with participation of both public and private institutions. One of these Technical Committees is "Employment" and chaired by Deputy Undersecretary of Ministry of Labor and Social Security. The Committee mainly focuses on enhancing education-employment relationship, increasing effectiveness of the work permit procedure for foreigners, increasing flexibility of labor market. The Committee follows an annual agenda set by the recommendations of the private sector representatives. In its 2016-2017 Action Plan, there are 11 agenda items some of which are on:

- Establishment of courses and programs in order to constitute qualified labor;
- Increasing occupational health and safety compliance;
- Facilitating employment incentives for the women and youth.

In addition to this, under the scope of reform studies “International Workforce Law No. 6735” was entered into force recently. The main aim of the Law is to determine, implement and monitor policies on international labor and to regulate rules and principles in work permits, rights and obligations in the international labor.

Partnership, Structure and Processes

The private sector stakeholders of YOIKK consist of the leading nationwide NGOs: the Union of Chambers and Commodity Exchanges of Turkey (TOBB), Turkish Exporters Association (TIM), Turkish Industrialists and Businessmen Association (TUSIAD), International Investors Association (YASED), Independent Industrialists and Businessmen Association (MUSIAD) and Foreign Economic Relations Board (DEIK). YOIKK is a highly effective public-private dialogue platform in which private sector can voice their comments and concerns through these NGOs. The structure of YOIKK is based on a simple hierarchy. There are four main platforms which are YOIKK, the Steering Committee, Technical Committees, and the Investment Advisory Council. **10 technical committees** were formed in order to carry out the technical aspect of the issues on different aspects of the investment environment. These committees are Company Transactions and Corporate Governance, Employment, Input Supply Strategy (GITES) and Sectoral Licenses, Investment Location, Environment and Zoning Permits, Taxes and Incentives, Foreign Trade and Customs, Intellectual Property Rights and R&D, Legislation of Investment Climate, Access to Finance and Infrastructure. The presidency of each technical committee is carried out by the Deputy Undersecretaries of relevant Ministries and the reporting is made to the relevant Undersecretaries. The works on the technical issues in YOIKK were closely monitored by the **Steering Committee** which comprised of the Undersecretaries of the relevant Ministries and Secretary Generals of YOIKK NGOs. **YOIKK** is set as the top level decision body. The presidency of YOIKK is carried out by the Deputy Prime Minister who is responsible for monitoring and coordinating the reforms in Turkey.

The **Investment Advisory Council (IAC)** is a platform established with the participation of leading executives from prominent multinational companies in order to address the administrative barriers to investment, improve the image of Turkey as an attractive investment destination and provide an international perspective to the ongoing investment climate reform agenda. Since the establishment in 2004, the IAC of Turkey made nine meetings under the chair of H. E. Prime Minister. The investment environment reforms are evaluated with an international perspective and the Council members via publicly declared statements, list their recommendations about the reform agenda. The progress achieved in accordance with these recommendations are shared with the public through Investment Advisory Council Progress Reports. Since the establishment of the YOIKK Platform, the secretariat activities of the YOIKK, IAC and Steering Committee is carried out by the same team, **YOIKK Secretariat**, under the General Directorate of Incentive Implementation and Foreign Investment in Ministry of Economy, thus providing an institutionalized structure.

Working principle of YOIKK is also based on above mentioned basic hierarchy. First of all, public and private sector representatives come together to discuss investment related issues. Private sector brings on the table investment related problems of everyday business to devise a solution. Additionally, recommendations from public institutions, assessments in international indices, IAC recommendations, basic policy guidelines like employment

strategies and development plans are also being taken into account while setting up the agenda. Technical committees work on these action items to have them completed and they submit regular updates to the Steering Committee about the progress or the obstacles related to those action items. Unsolved or complex issues are always discussed at the Steering Committee meetings so as to provide solutions. Finally, Steering Committee informs YOIKK regarding about the recent updates on these issues and if a final decision or political ownership is required, YOIKK carries out this duty.

Results so far

Structural reforms have always been among the Government's top priorities in order to increase the quality of the investment climate in Turkey. Various reforms were made in order to improve Turkey's business climate. Recent reforms are summarized as follows:

- In 2016, with the Law No. 6728, it's aimed to improve various legislation regarding removal of bureaucratic barriers, reduction of transaction costs and procedures and improvement of tax legislation;
- A legislative amendment was made to integrate auto enrollment in the individual pension system which became applicable as of January 1, 2017;
- Turkey Wealth Fund was established in order to increase the variety and depth of capital markets, benefit from publicly owned national lands, contribute to strategic and large-scale investment projects;
- A project-based support system was also introduced for specific investments with strategic significance for the country's technology transformation capacity;
- Additionally, International Workforce Law No. 6735 was enacted in order to facilitate the work and residence permit process of qualified foreign personnel and their families;
- The Law on Pledge over Movable Assets in Commercial Transactions No. 6750 was aimed to increase SME's access to finance, which has been an issue that has been technically studied throughout YOIKK platform over years.

Expected Results

Improvement of investment environment is an ongoing process and since its establishment YOIKK maintains a continuously updated investment reform agenda. Recent changes in the renowned PPP initiative, YOIKK's structure increased the Platform's political ownership, provided quick decision making opportunity and its positive results will be observed in the near future. Furthermore, the investment climate improvement activities will continue to focus on improving flexibility of the labor market, participation to employment of disadvantaged groups, simplifying and decreasing cost of sectoral licensing, rationalizing customs procedures, easing access to finance for SMEs, increasing transparency and public awareness, enhancing corporate governance and strengthening R&D activities.

Challenges

The main challenge of almost all long-lasting PPD initiatives is to maintain its momentum over the course of a period. In the first stage, reforms were realized more quickly but after that reform process aged, it would have a more stable flow. When compared with other PPD initiatives, YOIKK has a relatively long lifetime and continuously refreshed its structure in order to avoid this pitfalls. Another challenge is about drafting effective action plans. During this process related actions of technical committee should be selected in a careful manner. For example, an action item can be beneficial for business circles but at the same time, it can be against workers right. One another problem in PPD initiatives is on effective coordination. While some public institutions may have positive perspectives on investment climate reforms, others can resist or prevent reform actions, so Secretariat should formulate a way to tackle coordination problems.

Biography of the Author

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She graduated International Relations Department of Erciyes University in 2013 and still continues post-graduate education in Ankara University. She speaks English and Korean. She has started to work at department in the charge of secretariat activities of YOIKK of General Directorate of Incentive Implementation and Foreign Investment of the Ministry of Economy as assistant foreign trade expert since 2014. She is responsible for secretariat activities of Employment and Company Transactions and Corporate Governance Technical Committees in Ministry of Economy. She participated below mentioned international organizations;

- The 8th PPD Workshop in Denmark;
- The EU-Turkey Sub-Committee Meeting in Brussels in 2015;
- Meeting on Global Forum on Steel Excess Capacity in Berlin in 2017;
- Exhibitions in Italy and Algeria as a supervisor on behalf of Ministry of Economy.