

Turkey

In BEEPS V, the top three business environment obstacles identified by Turkish firms were competitors' practices in the informal sector; political instability; and electricity issues (Chart 1). Large and services firms were most concerned about political instability. Corruption was no longer among the top three constraints, except for young firms.

Concerns about informal sector competitors amid political instability

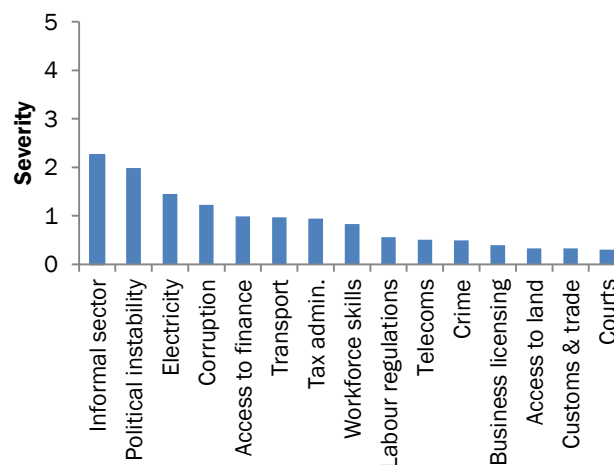
Competitors' practices in the informal sector were the top obstacle faced by Turkish firms. Although the share of firms that compete against unregistered or informal firms decreased from 52.4% in BEEPS IV to 40% in BEEPS V, it still remained slightly above the BEEPS V average of 38.8%. Most affected by the competition from informal firms were large firms (67.5%). 40-50% of the Turkish economy is typically estimated to be informal.

It is not surprising to see **political instability** in second place. The period during which the survey was in the field was characterised by heightened political turbulence, including widespread street protests in the summer of 2013; high-level graft allegations in December 2013; and a formal change of political leadership following the first direct presidential elections in August 2014. These events may have disrupted trade and reduced investments due to uncertainty.

Firms viewed **electricity** issues as the third top obstacle. This is likely due to the 9.8% rise in electricity prices in early October 2012, in line with the by-then rising global energy costs, with the aim to help support public finances. The average number of power outages in a typical month in BEEPS V was 5.4, slightly below the BEEPS IV figure of 5.7, but above the BEEPS V average of 5.2 power outages in a typical month. Moreover, the percentage of total annual revenue lost due to power outages was 8%, exceeding the BEEPS V average of 5% (Chart 3).

The ranking of **corruption** as an obstacle improved slightly, moving from third place in BEEPS IV to fourth place in BEEPS V. There were some improvements on several corruption indicators: the shares of firms that reported informal payments were expected or requested by tax officials declined from 3.5% in BEEPS IV to 0.6% in BEEPS V, below the BEEPS V average of 8.6%. For construction-related permits, this share declined from 7.3% to 0.9%, well below the BEEPS V average of 17.6%. On the other hand, the share of firms agreeing that the court system is fair, impartial and uncorrupted, while above the BEEPS V average, decreased from 65.8% in BEEPS IV to 53% in BEEPS V.

Chart 1. Business environment obstacles



Estimated for a hypothetical "average" firm. Higher values correspond to a weaker business environment.

Chart 2. Competition from the informal sector

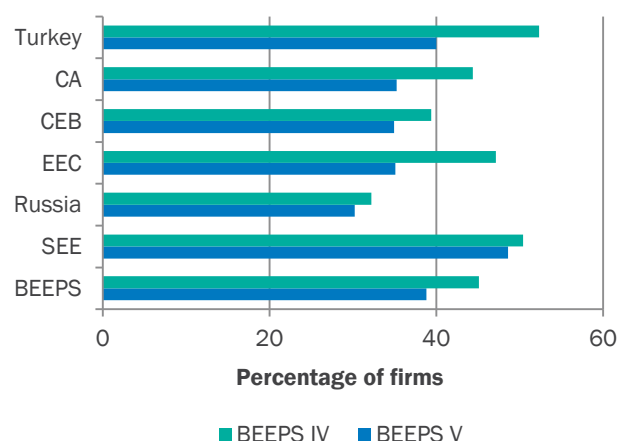


Chart 3. Losses due to power outages

