



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN TURKEY 2021

A REPORT FROM TEAM SWEDEN IN TURKEY

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FOREWORD

With its strong and sustained presence in the Turkish market, Sweden has long-standing economic relations with Turkey. Swedish companies in Turkey have over many years contributed to the Turkish economy by investing in new factories, building R&D facilities and acquiring local companies. Today, Swedish companies in Turkey perform a wide range of business activities in diverse sectors ranging from manufacturing to consumer and professional services, thereby creating many job opportunities and driving the country's growth with increased exports.

In the recent years, Turkey and the Turkish economy have experienced severe challenges. As the whole world continues to struggle to shake off the COVID-19 pandemic, the challenge for Turkey has further intensified with political and regional uncertainties and Turkish lira volatility. However, Turkey had the strongest post-lockdown economic performance among its neighbouring peers, largely achieved in the third quarter, but with positive growth continuing into the fourth quarter in 2020.¹ As one of the few OECD countries that experienced positive growth in Europe, Turkey's GDP grew by 1.8 per cent in 2020, which was also the highest amongst the G20 countries in 2020, aside from China. The increased economic activity in late 2020 was mainly driven by credit stimulus, loose monetary policy, and other regulatory measures to promote credit expansion.²

However, Turkey's recovery in the second half of 2020 came at a price. Turkey experienced a record drop in the lira, inflation has risen and unemployment has become widespread. These have in turn further exacerbated Turkey's vulnerabilities in the market. Our survey results show that 43% of the respondents are still neutral in their assessment of the business climate, while 31% of respondents had a negative perspective of the Turkish market.

Despite the severe markets challenges of 2020, Swedish companies still managed to maintain profitable business in Turkey. In fact, 75% of our survey respondents stated that 2020 was a profitable year for their operations. In addition, Swedish companies in Turkey are more optimistic today than a year ago during the onset of the pandemic – more than half (58%) are expecting an increase in their turnover in 2021. The growth forecast for the Turkish economy has been revised upwards to 6 per cent in 2021.³ Accordingly, Turkey is expected to see a rebound in real economic activity, mainly driven by export growth. This demonstrates the potential of Turkey, currently ranked 11th globally in terms of GDP at PPP.⁴ With its large population and strong geopolitical location, Turkey is the 18th largest export market for Sweden⁵ and the country is expected to remain one of the more important markets for Swedish companies in the future.

In this report we aim to quantify opportunities and challenges in the Turkish market from the perspective of Swedish companies. We hope that this report will help to increase your understanding of how Swedish companies are performing in Turkey and give you insight into the opportunities and challenges of the Turkish market. In addition, it will hopefully serve as a reference in bilateral trade dialogues between Sweden and Turkey.

Lastly, we would like to extend our most sincere gratitude to the participating companies and respondents who have contributed to this report during challenging COVID-19 times.



Peter Ericson
Consul General of
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Trade Commissioner of
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¹ The World Bank, Turkey Economic Monitor, April 2021: Navigating The Waves
² The World Bank, Turkey Economic Monitor, April 2021: Navigating The Waves
³ IMF, World Economic Outlook, Statistics for Turkey
⁴ IMF, World Economic Outlook, Statistics for Turkey
⁵ Statistics Sweden, Trade Statistics of Sweden, 2020

EXECUTIVE SUMMARY

COVERAGE



57%

of the contacted Swedish companies responded to the survey

Swedish companies' experience in the market

52% Mature

32% Experienced

13% Newcomer

Global size of Swedish companies in the market

69% Large

19% Medium

11% Small

MARKET & ECONOMY



75%

of respondents reported **profitability** for 2020

Business Climate

Neutral



Most satisfying conditions

- Physical infrastructure
- Access to service providers
- Access to distributors

Least satisfying conditions

- Customs
- Transparency/equal treatment
- Financial system

SUCCESS FACTORS



Key Success Factors

- Cost efficiency
- Brand awareness
- Sales competence



Swedish Brand Image

90%

of respondents stated Swedish brand image supports their businesses

SUSTAINABILITY



Low environmental concerns

48%

of respondents stated environmental concerns don't affect purchasing decisions

ABOUT THE SURVEY

The Business Climate Survey gives insight into the Turkish market from the perspective of Swedish companies

The Business Climate Survey Turkey 2021 was sent out to Swedish companies in Turkey on the 17th of March and responses have been collected until the 21st of April, with the aim of mapping the opportunities and challenges Swedish companies face when doing business in Turkey. Going beyond offering a snapshot of the Turkish market from Swedish companies' perspective, the results of the survey provide valuable input for interpreting how the COVID-19 crisis – this unprecedented social, economic, and geographical disruption – has affected businesses in Turkey.

The survey was sent out to companies:

- originally established in Sweden and which later, as part of their internationalisation efforts, established a Turkish entity according to the Turkish Commercial Code or
- which were originally established in Turkey and have later been acquired by a company originally established in Sweden

The survey targeted company representatives who are mostly business unit, country or sales managers of Swedish companies defined above. The survey was sent out to 109 recipients and received 62 responses (57% response rate). Despite the disruption caused by the pandemic, including reaching respondents who were mostly working from home, the survey was deemed to have achieved a sufficient number of responses. The Business Climate Survey 2021 does not include all Swedish companies operating in Turkey, but it is a firm barometer of how they experience the Turkish market.

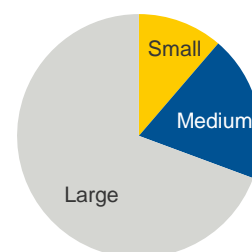
The report is divided into the following sections:

- **Economic outlook:** In the economic outlook section, in addition to macro data, Swedish companies' performance and expectations from Turkey are defined
- **The market:** Overall activities and Swedish companies' perspective to the market are explained and the impact of COVID-19 is demonstrated
- **How Swedish companies succeed in Turkey:** Presentation of Swedish companies' experiences to guide new market entrants
- **Acting sustainably:** The Turkish market is analysed from a sustainability point of view

A panoramic overview of the respondent base shows that:

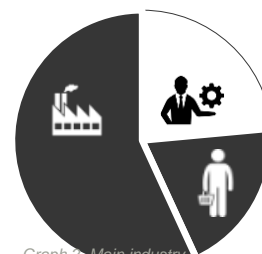
- The respondents of Business Climate Survey Turkey 2021 are mostly large companies with more than 1,000 employees globally (69.3%), while 19.3% are medium sized and the remaining 11.2% are small companies.
- When it comes to the represented sectors, the industrial sector leads with 55% of the companies, while the professional services segment comes second with 21% of participants and the consumer segment third with 11%.
- Most of the respondent companies entered the Turkish market between 2001-2015 (52%). "Mature" companies which entered the Turkish market before the

SIZE OF COMPANIES



Graph 1. Size of Companies

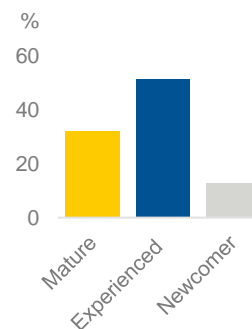
Note: Global employees. Large >1000. Medium: 250-1000. Small: 0-249



Graph 2. Main industry

NOTE: 55% Industrial. 21% Professional services. 11% Consumer.

AGE OF COMPANIES



Graph 3. Age of companies

NOTE: Mature (<2000). Experienced (2001-2015). Newcomer (2016-)

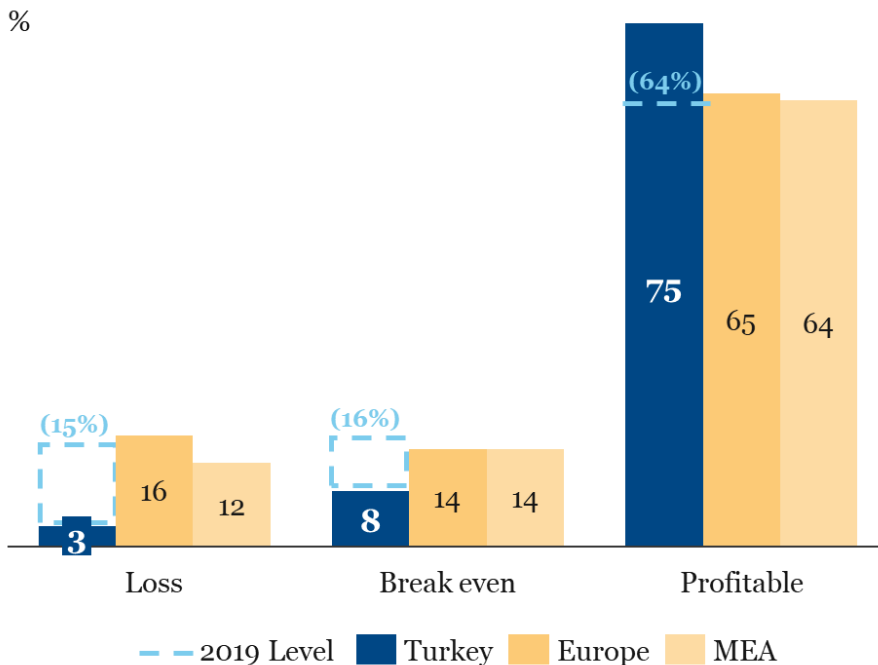
year 2000 constitute 32%, while “newcomers” that entered the Turkish market after 2015 make up 13%.

ECONOMIC OUTLOOK

After an exceptionally challenging year, Turkey continues to offer strong growth potential for Swedish companies

Turkey, with its strategic geographical location between Europe and Asia, its population of more than 80 million, and growing economy, has always been an attractive investment destination for foreign companies. Today, as the pandemic continues to transform the global value chains, Turkey aims to strengthen its position to take part more robustly in new investment and production networks, particularly owing to its diversified resources and strong infrastructure. Benefiting from Turkey's unique position, Swedish companies in Turkey have over the years invested in new factories, built R&D facilities, acquired local Turkish companies, contributed to Turkish exports and provided thousands of job opportunities – and continue to do so. Today, Swedish companies have an impressive footprint in the Turkish market, operating in diverse sectors ranging from industrial equipment and automotive to retail and healthcare.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN TURKEY IN 2020?



Graph 4. Financial performance in 2020

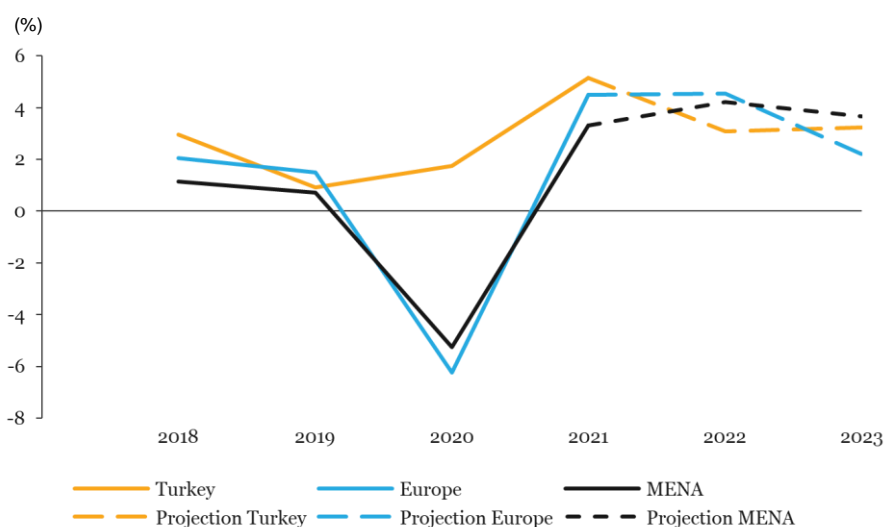
NOTE: "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Turkey 2021.

Despite challenges in Turkey, 2020 was a successful year for Swedish companies – who achieved higher profitability than in some European and MEA markets

As the world struggled to fight the COVID-19 pandemic, the challenge for Turkey further intensified with political and regional uncertainties and Turkish lira volatility in 2020. Firms particularly operating in industrial sectors have experienced a dramatic and sudden loss of demand and revenue. Macroeconomic challenges also affected Swedish companies operating in the Turkish market. However, even in this challenging year, with their strong presence and successful operations, most of the Swedish companies (75%) reached profitability from their businesses in Turkey in 2020 – a higher ratio compared to 2019 (64%). The high rate is mainly due to the existence of large and export-oriented multinational Swedish companies that benefit from producing high quality goods at more attractive prices, as well as their immunity against macro-economic risks, enabling them to close the year with profitable figures or break even with an 83% ratio.

GDP GROWTH IN TURKEY



Graph 5. GDP Growth

SOURCE: Oxford Economics, GDP, real, LCU. 2021-03-31

Turkey had the strongest post-lockdown economic performance among neighbouring peers, largely achieved in the third quarter, but with positive growth continuing into the fourth quarter in 2020.⁷ Turkey's GDP grew by 1.8 percent in 2020, which was the highest among the G20 countries in 2020 aside from China. The recovery is also reflected in the survey results, where Swedish companies in Turkey report higher profitability compared to European and MEA counterparts in 2020.

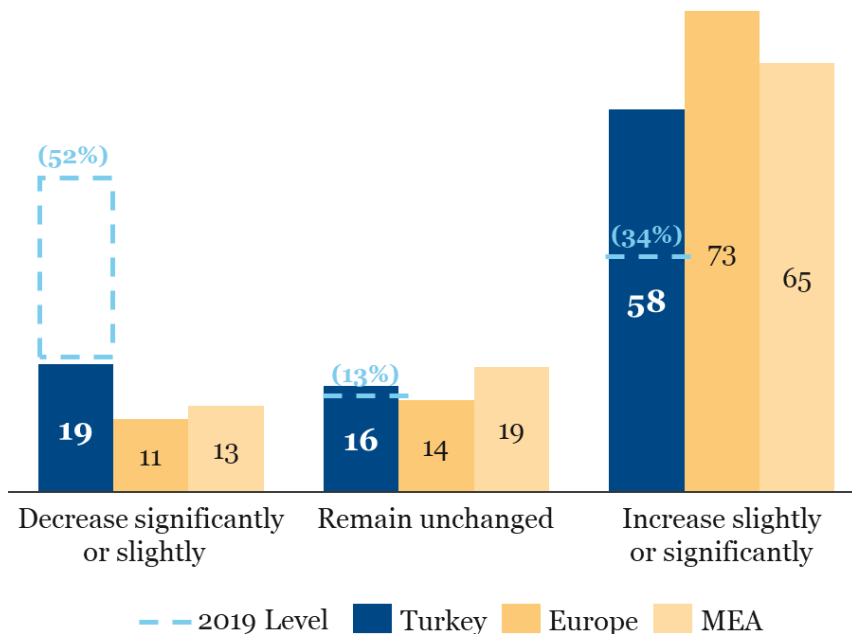
As the economy started to recover after the first shock of the COVID-19 crisis, pessimism about the business conditions started to diminish. Swedish companies in Turkey felt more optimistic since the onset of the coronavirus pandemic more than a year ago – more than half (58%) is expecting an increase in turnover in 2021.

⁷ The World Bank, Turkey Economic Monitor, April 2021: Navigating The Waves

COMPARED TO THE DEVELOPMENT IN THE PAST 12 MONTHS, WHAT ARE YOUR EXPECTATIONS FOR THE COMING 12 MONTHS FOR YOUR INDUSTRY IN TURKEY REGARDING TURNOVER?

TURNOVER WILL...

%



Graph 6. Turnover expectation

NOTE: "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Turkey 2021.

Status quo remains for investment plans in Turkey due to uncertain local economic and political conditions

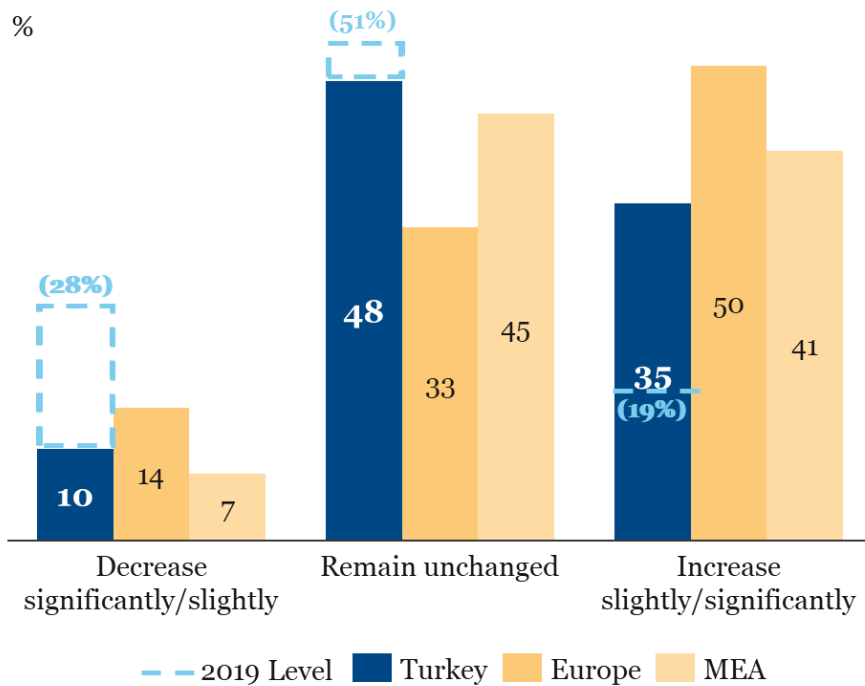
Whereas activity and trade in goods has improved globally in the second half of 2020, investment remains low both across advanced economies and EMDEs (Emerging Markets and Developing Economies).⁸ For Turkey, uncertainties and ongoing challenges in the economy including currency fluctuation, high interest rates affected companies' investment decisions, and together with the COVID-19, forcing companies to review their investment plans. Despite the increase in investment appetite over the past year, the majority of Swedish companies in Turkey are still reluctant to undertake new investments. Although 75% of the companies closed 2020 on a profitable note, only 36% of the respondents confirmed plans to invest more. The survey results support the argument that public investment will be important for raising potential growth going forward in Turkey, as it will take time for private investment to pick up.⁹

⁸ The World Bank, Turkey Economic Monitor, April 2021: Navigating The Waves

⁹ The World Bank, Turkey Economic Monitor, April 2021: Navigating The Waves

WHAT ARE YOUR COMPANY'S INVESTMENT PLANS FOR THE COMING 12 MONTHS IN TURKEY, COMPARED TO THE PAST 12 MONTHS?

INVESTMENTS WILL ...



Graph 7. Investment expectations

NOTE: "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Turkey 2021.

“ The financial crisis and the pandemic crisis are overlapping, and the correlation between them is making things worse. The post pandemic era could bring better opportunities in Turkey and also in the areas that Turkey is serving.

Managing Director of a Large Swedish Company in the Manufacturing Industry

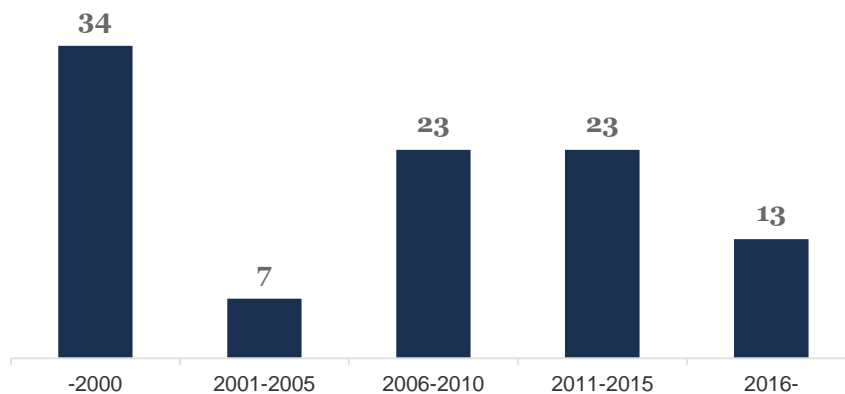
THE MARKET

Turkey, positioning itself as a manufacturing and distribution hub, can be a well-suited market for Swedish companies

Leveraging its logistical advantage and strong infrastructure, offering lower labour costs and flexible production capabilities, Turkey can be a well-suited market for Swedish companies. In recent years, the competitive market environment is strengthened further by increased investment in advanced manufacturing technologies, as well as through significant growth in the servitisation of the industry. In parallel, Turkey moved up to rank 33 among global economies in the World Bank's Ease of Doing Business Index 2020, making significant progress by leaping 10 places from its 43rd position in 2019. In addition to Turkey's welcoming business climate, a strong and active Team Sweden presence – consisting of the Embassy of Sweden in Ankara, the Consulate General of Sweden in Istanbul, Business Sweden in Istanbul and the Swedish Chamber of Commerce in Istanbul – is continuously working to promote and support Swedish companies in Turkey.

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN TURKEY?

Per cent



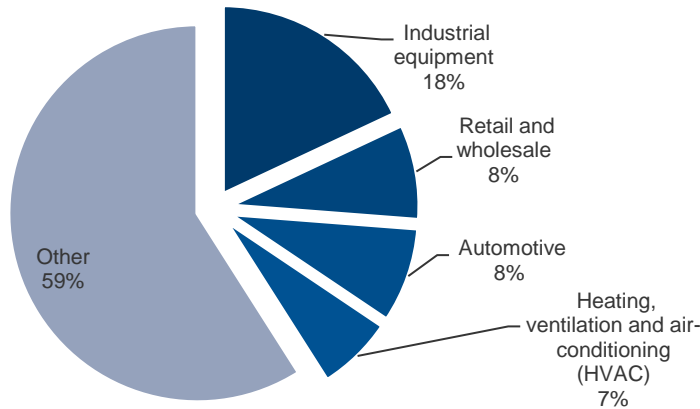
Graph 5. Company establishment years

NOTE: "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Turkey 2021.

Swedish companies currently active in Turkey are well established companies, having good partner network and settled operations. As such, 53% of the companies entered Turkey between 2001-2015 and 34% of the respondent companies have had presence in Turkey for more than 20 years. In addition to the mature companies in the market, 13% of the respondent companies entered the market after 2016; demonstrating the solid growth of Swedish business presence in Turkey.

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN TURKEY?



Graph 6. Swedish companies' main industries

NOTE: "Don't know/Not applicable" responses are included but not shown in figure.

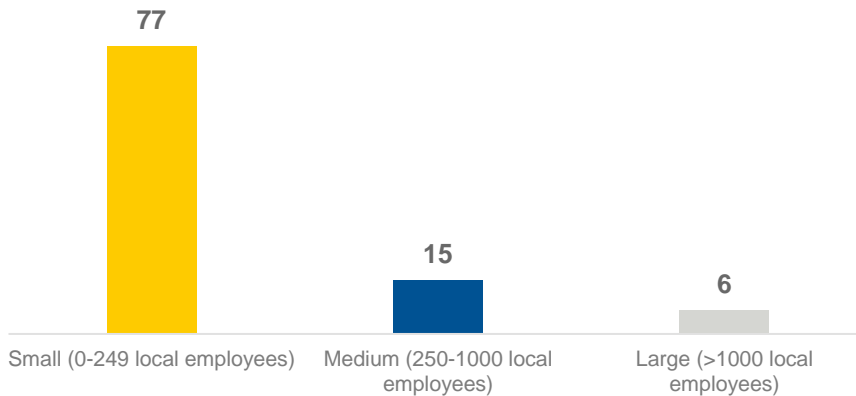
SOURCE: Business Climate Survey for Swedish Companies in Turkey 2021.

In the Business Climate Survey 2021, 20 different sectors were defined as possible response options for the main industry question. Results show that there is at least one company active in 16 of the 20 defined sectors which demonstrates a wide range of industry presence in Turkey. Among the respondent companies, industrial equipment, with a 18% ratio, is the leading sector that Swedish companies are active in. The retail and wholesale, automotive and heating, ventilation, and air conditioning (HVAC) sectors follow closely.

Swedish companies mostly have less than 250 local employees in Turkey (77% of the respondents); 37% have 0-9 employees, 23% have 10-49 employees and 17% have 50-249 employees, while 21% stated that they have more than 250 local employees in Turkey. To give a more robust understanding on employment, according to a recent study – "Swedish Value in Turkey" – conducted by Team Sweden in Turkey in 2019, employment contribution of Swedish companies in Turkey was 61.900 with direct, indirect and induced employments taken into account.

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN TURKEY IN 2021

Per cent



Graph 7. Local number of employees

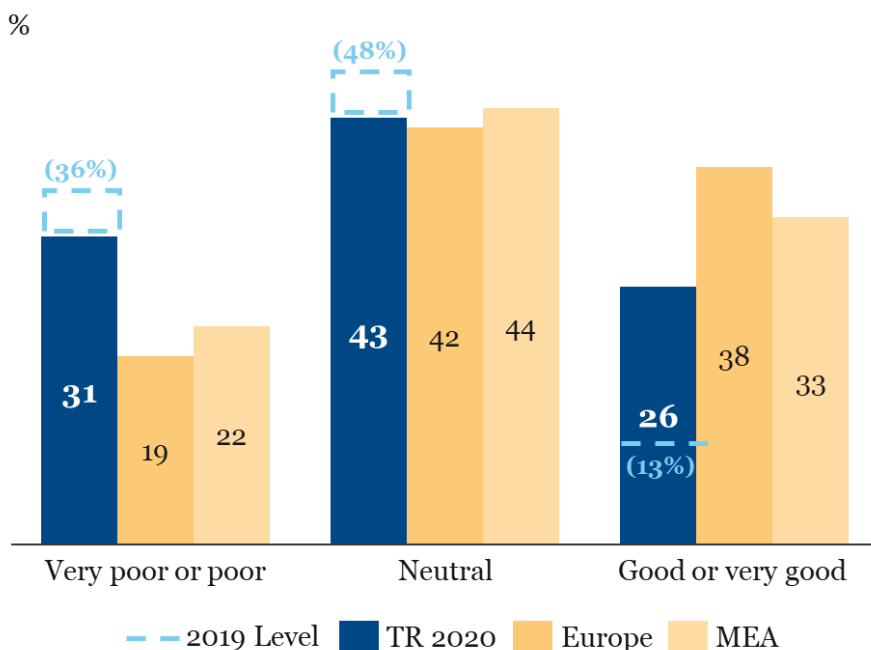
NOTE: "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Turkey 2021.

Swedish companies have a neutral perspective of the business climate in Turkey

Although significant improvement has been observed compared to the last year, 43% of the respondents still perceive the business climate to be neutral; while 31% of respondents stated a negative perspective of the Turkish market. The respondents particularly specified the decreasing value of Turkish Lira and currency volatility; regional and political uncertainties; tight regulations on imported goods and the effects of COVID-19 as challenging factors. On the other hand, a large population, a large GDP, increased resources for R&D and openness and desire to innovate create great opportunities in the market according to the respondents.

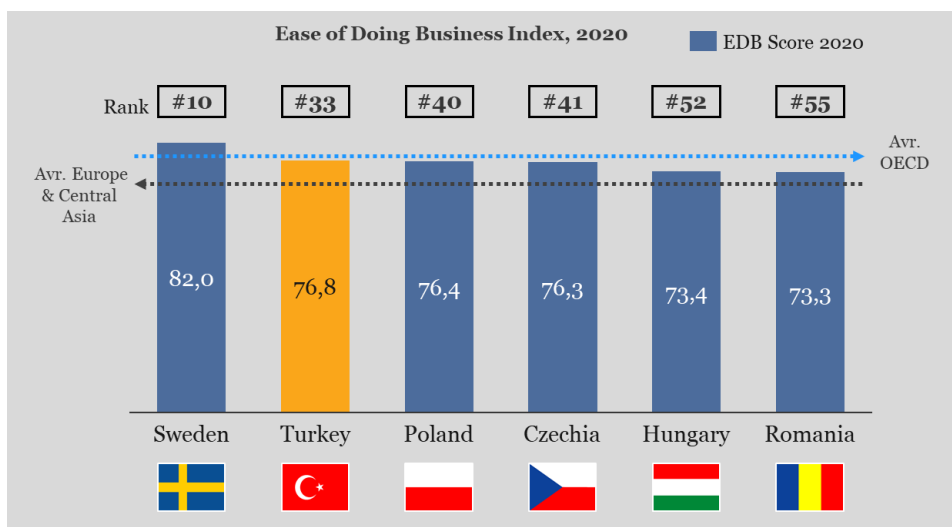
HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN TURKEY?



Graph 8. Business climate in Turkey

NOTE: "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Turkey 2021.



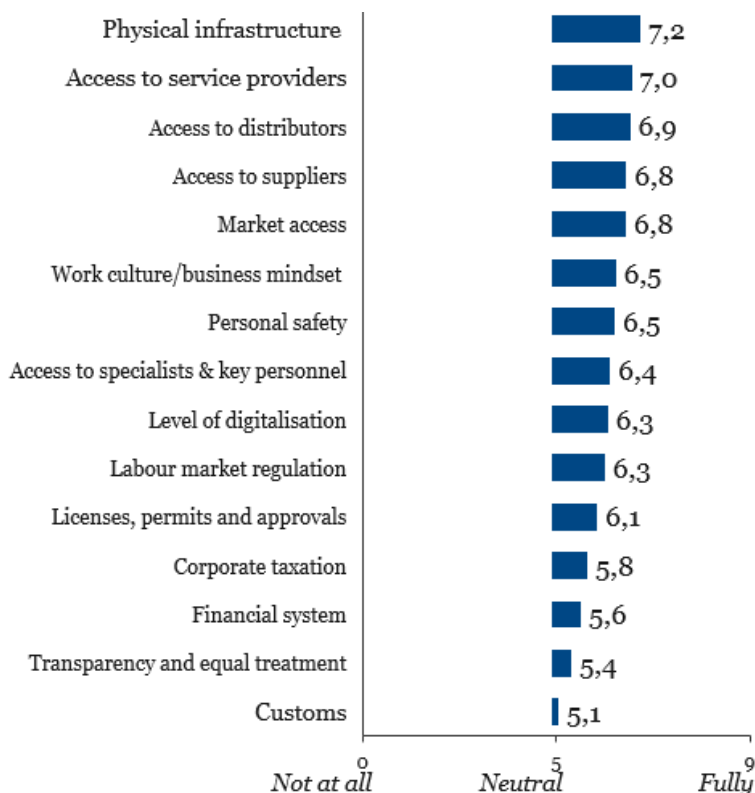
According to the World Bank's Ease of Doing Business Index, Turkey moved up to 33rd place among global economies with 76.8/100 points, making significant progress by leaping 10 places from its 43rd position with 74.3/100 in 2019.

Graph 9. Ease of doing business index

Business conditions in Turkey are satisfying for Swedish companies

Swedish companies are asked to grade pre-defined conditions in the market according to their satisfaction, and respondents indicated that all of the pre-defined conditions are met in Turkey. Considering recent large infrastructure investments mainly in sectors such as transportation, social infrastructure, and electricity generation, it is not surprising that one of the most satisfying conditions the respondents rated is physical infrastructure (7.2/9.0). Besides infrastructure, access to providers, suppliers, and distributors, as well as to the market are among the top-rated conditions having scores above 6.8/9.0.

HOW WELL DO THE FOLLOWING CONDITIONS MEET THE NEEDS OF YOUR COMPANY IN TURKEY?



Graph 10. Conditions in Turkish Market

NOTE: Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Turkey 2021.

Custom clearance procedures continue to be the biggest obstacle

Customs clearance processes have the least satisfying conditions in Turkey for Swedish companies, scoring 5.1/9.0. Additional custom tax applications, higher frequency of changes in application methods, long documentation procedures and tight standards requirements are reported as major obstacles leading to inefficiencies in Turkish customs. Turkey is among 25 countries in the world with the highest number of peaks in its tariff profile, while a substantial fraction (9.3%) of non-agricultural products face 'most-favored nation' (MFN) tariffs more than 25 percent.¹⁰



Turkish Standardization Institute requirements cause delays on delivery times and increase costs. Mandatory requirements cause sales cancellation of some product groups from the Turkish market while these products are sold in EU countries freely.

General Manager of a large Swedish company in the manufacturing industry

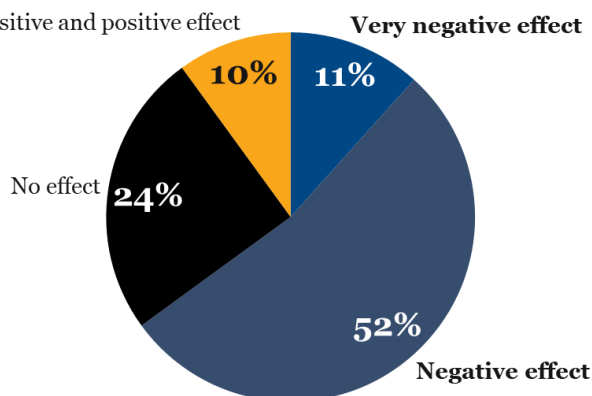
¹⁰ The World Bank, Turkey Economic Monitor, April 2021: Navigating The Waves

Going forward, new large-scale EU-wide policy initiatives could impact Turkey's competitiveness in the near future. The EU Green Deal could impose border adjustment taxes affecting Turkey's exports, as well as a wide range of other environmental policies that could impact the cost of production and the eligibility of Turkish goods to enter the EU market. Moreover, the proposed Digital Single Market Strategy is significantly changing the regulatory environment for the digital economy in the EU, bringing significant policy uncertainty for non-EU firms operating in the EU market – including Turkish firms.¹¹

More than half of respondents are negatively affected by COVID-19 crisis

One of the crucial aspects of the Business Climate Survey 2021 is that it provides a snapshot of the effects of the COVID-19 on Swedish companies' and their operations in Turkey. Survey results indicate that more than half of the respondents (63%) were negatively affected by the pandemic and its related restrictions, primarily from travel limitations, measures limiting logistics operations as well export bans. For these companies, the effects of the pandemic is further intensified by the period of economic and political instability that Turkey is currently facing.

HOW DID THE COVID-19 PANDEMIC AND RELATED RESTRICTIONS AFFECT YOUR BUSINESS IN TURKEY?



Graph 14. COVID-19 Situation

NOTE: Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Turkey 2021.

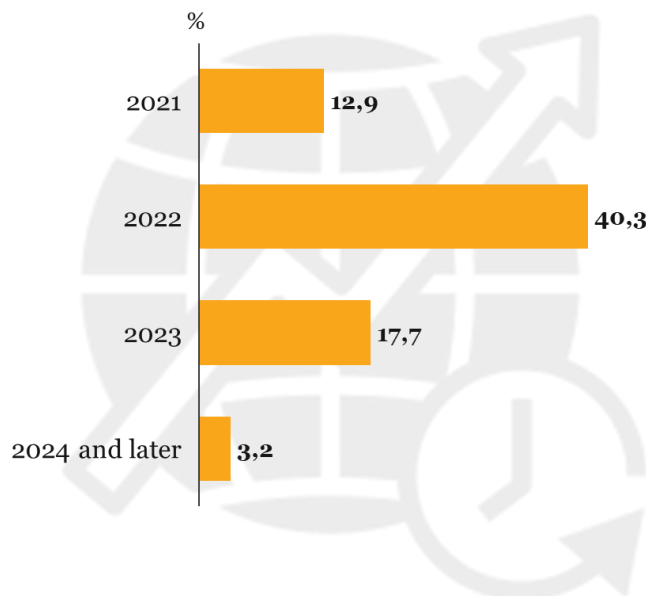
On the other hand, survey results pointed out the fact that there are also industries which are thriving, despite the challenges. For instance, the export-oriented manufacturing companies and suppliers to the defense and aviation sectors are reported to have been working at full capacity to meet increased demand. Moreover, the pandemic accelerated the pace and the degree of digital transformation, leading increased investments in technologies as well as people and processes to increase business value. As such, companies that are providing digital transformation services have experienced greater growth potential.

¹¹ The World Bank, Turkey Economic Monitor, April 2021: Navigating The Waves

Recovery after COVID-19

While there are various scenarios for economic growth after COVID-19, our survey results indicate that the majority of companies are expecting recovery starting 2022. In the third quarter of 2020, Turkey began experiencing recovery in the manufacturing industry, mainly major export sectors, such as basic metals, apparels and road vehicle recorded strong rebounds in their PMI outputs.¹² Similarly, all service sub-sectors started rebounding as restrictions were eased in the second half of 2020, while confidence in retail trade and other services sectors picked up quickly.¹³

IF YOUR BUSINESS IS NEGATIVELY AFFECTED BY COVID-19 AND RELATED RESTRICTIONS, WHEN DO YOU EXPECT YOUR BUSINESS IN TURKEY WILL RECOVER TO PRE-COVID LEVELS?



Graph 15. Recovery after COVID-19.

NOTE: Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Turkey 2021.

¹² The World Bank, Turkey Economic Monitor, April 2021: Navigating The Waves

¹³ The World Bank, Turkey Economic Monitor, April 2021: Navigating The Waves

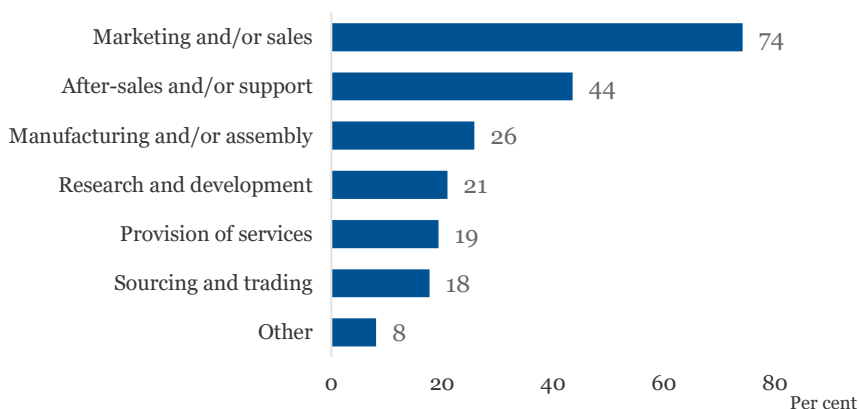
HOW SWEDISH COMPANIES SUCCEED IN TURKEY

Cost efficiency and brand awareness are the top two factors affecting competitiveness in the Turkish market

The global disruptions and challenges the world has faced in recent years has significantly transformed both B2B and B2C markets, changing how buyers search for information, evaluate providers and make purchases. In particular, players with strong financing, well-established supply chains and improved digital technologies together with qualified and competitive solutions have reinforced their market positions. In parallel to this global trend, Swedish companies continue to maintain their competitive edge and strong positions in Turkey with efficient, high quality and competitive solutions, as well as by leveraging the “Swedish” identity and brand – promoting Swedish solutions favourably against other competitors.

Regarding key operational areas, Swedish companies are mostly focused on “Marketing and Sales” (74%). 44% of the respondents stated they have after-sales and support operations, whereas 26% of the respondents have manufacturing/assembly operations in Turkey. This indicates that Swedish companies enjoy supplying the market while also using local workforce resources to be more competitive.

TYPES OF OPERATIONS: WHAT SWEDISH COMPANIES DO IN TURKEY



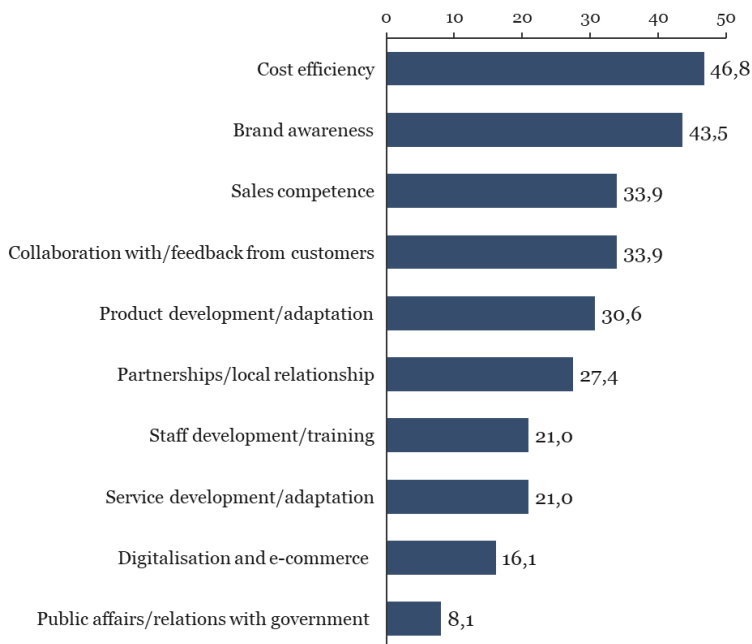
Graph 16. Operations

NOTE: Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Turkey 2021.

To further explore Swedish companies' success in the Turkish market, survey respondents were asked to rate the importance of several factors affecting their competitiveness. Cost efficiency continues to be the main factor for competitiveness. The results demonstrate that, in parallel with global trends and changes in customer journeys, sales competence, brand awareness and collaboration with customers are also considered key factors for success in Turkey.

TO DATE, WHICH OF THE FOLLOWING AREAS HAVE BEEN IMPORTANT IN MAINTAINING COMPETITIVENESS IN TURKEY? (%)



Graph 11. Maintaining competitiveness

NOTE: Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Turkey 2021.

In parallel with the changes in customer behaviour, one of the biggest transformations Turkey is currently undergoing is the acceleration of e-commerce. Despite the devaluation of the Turkish Lira and other challenges, e-commerce volumes increased by 66% in 2020 compared to 2019, reaching to 226,2 billion TL. The number of orders by e-commerce has also increased by 68% compared to 2019, from 1.4 billion to 2.3 billion.¹⁴ As preferences towards e-commerce continue to rise, further growth in the Turkish e-commerce market is expected in the coming years. Given this, we foresee that Swedish companies will increase market penetration in Turkey owing to their expertise in providing digital solutions.

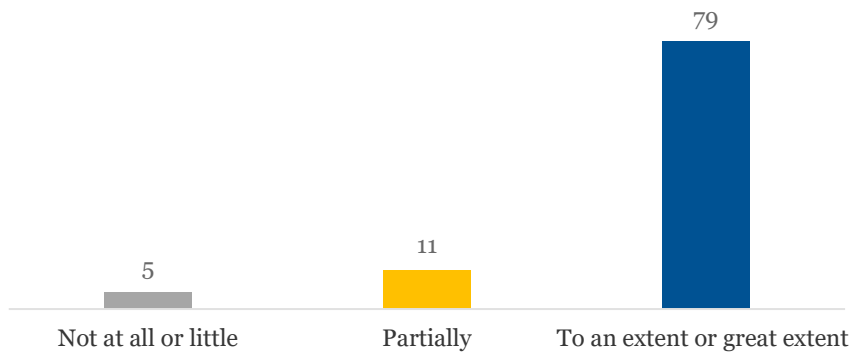
¹⁴ E-commerce Info Platform of Turkey, Statistics 2020

“Swedish” solutions are known for high quality and durability in the Turkish market

Sweden and Turkey have political and trade relations dating back to the 17th and 18th century. A long history of friendship between the countries has made the “Swedish brand” a success in Turkey. Swedish solutions are known for their high quality and durability. In addition to the historical background between the countries, Team Sweden in Turkey continuously promotes the “Swedish brand” image and Swedish solutions. The survey results also demonstrate that the “Swedish brand” image contributes extensively to Swedish companies’ business in Turkey. 90% of the respondents stated that the “Swedish brand” image supports their business (11% partially – 79% to an extent or great extent).

TO WHAT EXTENT WOULD YOU ESTIMATE THAT THE “SWEDISH BRAND” CONTRIBUTES TO YOUR BUSINESS IN TURKEY?

Per cent



Graph 12. Swedish brand contribution

NOTE: “Don’t know/Not applicable” responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Turkey 2020

ACTING SUSTAINABLY

Turkey still has a long way to go when it comes to taking concrete actions towards sustainability

Sustainability is becoming more important for the Turkish market, across all companies and all industries. Awareness about sustainability is increasing also among the public, especially among the younger generation as more and more consumers attach greater value to environmentally sustainable and ethical practices. At the same time, private companies are increasingly investing in sustainability actions and taking steps to implement corporate social responsibility.

Turkey's sustainability objectives are captured in the key strategy and policy documents of the Government including "National Climate Change Action Plan" in 2011, "National Renewable Energy Action Plan" in 2014, "Increasing Transparency and Fight Against Corruption" in 2016, "National Energy Efficiency Action Plan" in 2017, "11th Development Plan" in 2019 and "2020 Investment Program". Recently, in partnership with the Investment Office of the Presidency of Turkey, UNDP Turkey initiated the SDG Investor Map Turkey to help steer capital towards sustainable and inclusive investments. In strong alignment between development needs and policy objectives, 27 investment opportunity areas are identified across 9 priority sectors. The prioritised sectors for Turkey include: Technology and Communications, Transportation, Renewables and Alternative Energy, Education, Healthcare, Food & Beverage, Consumer Goods, Infrastructure and Financials.

Although Turkish public institutions do set goals towards increased sustainability, Turkey is still lagging behind European countries when monitoring sustainability goals and taking concrete actions. Our survey results pointed out the fact that companies still do not feel a big competitive advantage when providing sustainable products and services on the Turkish market.

Environmental concerns should go beyond marketing activities

Environmental protection is a very popular subject in Turkey. The Turkish government and many private companies regularly announce their concerns and action plans to be more environmentally sustainable.

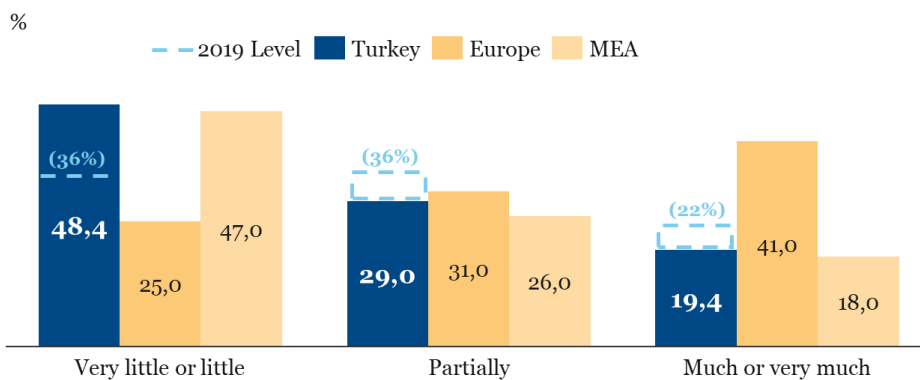
Turkey is already elevating climate and environmental policies, and recently linking this agenda to the Economic Reform Package (ERP) launched on March 12, 2021 that could accelerate progress.¹⁵ Elements of Turkey's stimulus package are considered green, including the introduction of a "Green Tariff" for power generated from renewable sources, support for solar power, and extension of the Renewable Energy Support Scheme and commitments to support further green reforms. Turkey is also committed to increase the share of renewable energy in electricity production, with the most significant contribution to the installed power being planned to be made through solar and wind technologies according to the National Renewable Energy Action Plan and 2019-2023

¹⁵ The World Bank, Turkey Economic Monitor, April 2021: Navigating The Waves

Strategic Plan of the Ministry of Energy and Natural Resources.

On the other hand, Turkey is the only member of G20 that has not ratified the Paris Climate Agreement. And although private companies have some initiatives, most of the investments needed to implement the change are not made due to cost and financing concerns. Similarly, Swedish companies responding to the survey indicated a low ratio of implemented actions towards sustainable purchases. About 48% of the respondents stated that environmental aspects affect purchasing decisions little or very little, while 29% indicated partial effects, and 19% stated environmental concerns affect purchasing decisions “much or very much” in Turkey. When compared to last year, it is clear that COVID-19 has further downgraded the importance of environmental concerns in purchasing decisions.

IN YOUR VIEW, TO WHAT EXTENT DO CUSTOMERS IN YOUR INDUSTRY IN TURKEY CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISION?



Graph 19. Sustainability effects on purchasing decision

NOTE: Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Turkey 2021.

However, with increasing awareness and with increasing pressure from international customers, this behaviour is expected to change. A strong focus on cross-sectoral policies that stimulate environmental sustainability, as well as orienting COVID recovery support towards incentivising green growth can help Turkey achieve sustainable development. Particularly with the EU Green Deal coming into force, Turkish manufacturing companies have started to adapt their activities to sustainable and green businesses while complying with Extended Producer Liability¹⁶ practices.

Corruption remains a challenge in Turkey

As part of understanding sustainable actions, the survey respondents are also asked to evaluate the degree of which corruption affects their businesses in Turkey. 39% of the survey respondents stated that corruption levels do not affect their business even partially in Turkey. However, 23% of the respondents are “much or very much” affected by corruption, indicating that it is a growing concern and that there definitely is room for improvement in Turkey. The Corruption Perspective Index (CPI) demonstrates a similar challenge where Turkey ranked 53rd in 2013 with 50/100 points, whereas it has now



End users are becoming more and more sensitive to consume sustainable products but producers are still reluctant as the Turkish market is very price oriented and usually sustainable products or services are more expensive. The solution is to increase awareness of the retailers besides end users so that producers can be more environment and sustainability oriented.

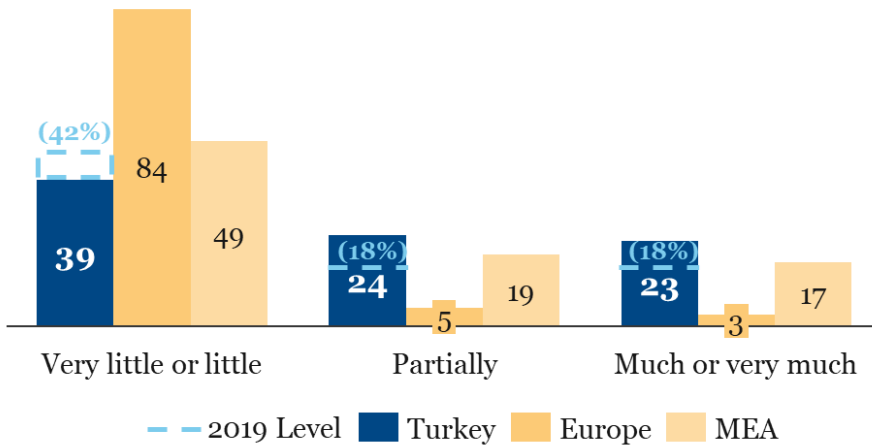
Country Manager of a Large Swedish Company in the Wholesale of Industry Supplies

¹⁶ OECD defines Extended Producer Liability as “an environmental policy approach in which a producer’s responsibility for a product is extended to the post-consumer stage of a product’s life cycle. Assigning such responsibility could in principle provide incentives to prevent wastes at the source, promote product design for the environment and support the achievement of public recycling and materials management goals.”

dropped about 10 points and stands at 86th among 180 countries.

TO WHAT EXTENT DO YOU PERCEIVE THAT CORRUPTION IN TURKEY AFFECTS YOUR BUSINESS?

%



Graph 20. Corruption level

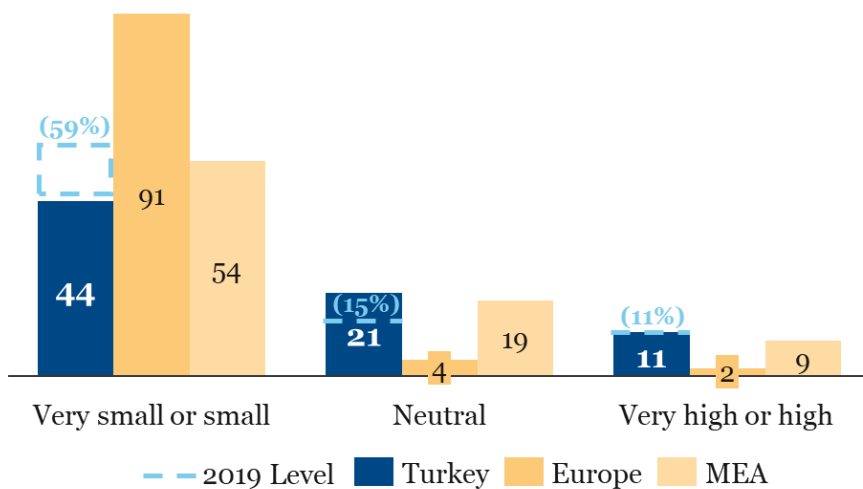
NOTE: Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Turkey 2021.

The risk of encountering violation to human rights and labour right abuses is considered low

HOW DO YOU PERCEIVE THE RISK OF ENCOUNTERING HUMAN RIGHTS VIOLATIONS AND/OR LABOUR RIGHTS ABUSES WHEN CONDUCTING BUSINESS IN TURKEY?

%



Graph 13. Human rights & Labour rights levels

NOTE: Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Turkey 2021.

Turkey has structured regulations that protect labour rights and fight against violations. These regulations are mostly applied in practice for registered employments. The percentage of unregistered employment has dropped from 43% in 2010 to 28,9% in 2021 according to Social Security Institution statistics. Unregistered employment mostly stems from the agricultural sector where about 83% of employment is unregistered (unregistered employment in construction sector is 35%, while it is 19% and 16% in services and manufacturing sectors respectively).

Almost half of the respondents (44%) of the survey stated that the risk of encountering violation to human rights and labour rights abuses in Turkey is very small to small. This ratio however is lower than the previous years' results (%59), indicating that there is an increasing concern in encountering violation to human rights and labour right abuses in Turkey.

