Chapter 9
Quality of Business and Investment Environment: An International Perspective for Turkic States

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ABSTRACT

This chapter aims to explain the effects of Business Environment policies on global investment decisions by analyzing the effects and results of environmental reforms of 5 Turkic countries between 2004-2014 period. World Bank’s yearly Doing Business reports are interpreted and potential effects of Business Environment reforms are calculated using Reform Calculator tool provided. Chapter is critical for understanding the influence of business environment policy decisions on globalization and capital movements.

INTRODUCTION

Under current global economic conditions, private sector investments are one of the most important factors in achieving macroeconomic success. Private sector investments affect an economy not only through direct channels such as taxation, but also through indirect channels like employment rate. These investments may originate from external sources as well as domestic investors, however domestic investments alone are insufficient for utilizing its full potential especially for developing countries.

Global capital is limited, and nations worldwide are in competition to attract high quality investments. In theory, developing countries are expected to have higher rate of returns than developed countries in order to compensate for their increased risk levels. Even though risk and return are main financial variables in investment decisions, in practical form of business the ease of doing business in a country inherits numerous additional elements. According to Rogerson (2010), factors that improve or penal-
ize ease of doing business in a country can be summarized under four main categories: “Stability and Security”, “Legislations and Taxation”, “Finance and Infrastructure”, and “Workforce Market”. These factors evaluate Macroeconomic and Political Stability, Culture and Customs, Physical Infrastructure, Accessibility to Capital and Humans Resources Potential. Through these factors an investment which is impractical, actually increases the costs of investment thus reducing the yield of project.

Since the ease of doing business in a country is one of the most important factors in investment decisions, the need for an independent authority to determine this factor arose overtime. As an independent organization, World Bank Group launched the Doing Business project in 2002 in order to evaluate various criteria and their effects on practical business concepts. Today the project is evaluating 189 economies worldwide. The report analyzes the business environment under 11 main titles consisting of:

- Starting a business,
- Dealing with licenses,
- Getting electricity,
- Registering property,
- Getting credit,
- Protecting minority investors,
- Paying taxes,
- Trading across borders,
- Enforcing contracts, and
- Resolving insolvency

The report ranks countries individually under each category based on factors such as the number of procedures required to achieve that step, the time it takes for procedures to be completed, or the amount of payment that must be made in order to complete that step. After individual rankings, a formulation ranks general score of nations to generate overall rankings. Countries may progress or regress in this ranking by making reforms in their procedures, making it easier or harder for potential investors to start a business compared to remainder of nations.

In order for countries to ascend in this ranking, they need to perform a series of reforms in observed fields. Actualizing reforms that require enacting laws or improving infrastructure may take a long time, while other reforms may demand relatively less time. For example, a reform concerning building “Registering Property” may take less time, while improving “Getting Electricity” may take much longer time due to infrastructure investments.

In this study, we discuss concepts regarding the business environments of Turkic Nations, namely Turkey, Azerbaijan, Kyrgyz Republic, Uzbekistan, and Kazakhstan. Each country report is analyzed along with the Doing Business simulator provided by the data supplier, and potential improvements to the business environment of that specific country are determined based on the previous reforms they have carried out over the years. We have determined several possible improvements and reforms using Doing Business 2015 Report.

**Business Environment, Business Climate, and Doing Business**

Defined broadly, the business climate or business environment (as discussed in Doing Business report) is the sum of all economic, social, legal, and environmental factors that an enterprise faces. In their sepa-
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