



ABSTRACT WORKING PAPER 5.17

INSTITUTIONAL ENVIRONMENT, ECONOMIC PERFORMANCE AND INNOVATION IN TURKEY

June 2013

This paper investigates the relationship between economic performance and innovation in Turkey, while also taking into account the crucial mediating effect of the institutional environment. We carry out an in-depth analysis of the recent shifts in STI policy making in Turkey. The emphasis is on the innovation support policy instruments, and their effectiveness, as well as on the formulation of national STI targets, sector priorities and targets in the field of human resources. A number of concerns are expressed for the effectiveness of policy instruments and for the attainability of national STI targets. In the second part using firm-level data from an innovation survey pertaining to 2008-2010, an econometric exercise is conducted in order to test for the effectiveness of innovation support in Turkey. Innovation support is treated alternatively as an exogenous and endogenous variable. Findings indicate a positive impact innovation support in general. Innovation support granted by local authorities is not effective while EU-funded projects lead to innovation although they constitute an extremely low share of total innovation supports.