

### Turkey's fact sheet in a nutshell:

- ✓ *Turkey's SME sector mirrors that of the EU average rather closely. Nonetheless, the sector is even more important in terms of its contribution to employment*
- ✓ *Turkey is situated below the EU average across most SBA areas for which data is available. Nevertheless, Turkey outperforms its EU peers in two out of ten SBA principles, namely Entrepreneurship and Responsive administration*
- ✓ *Over time Turkey's performance in most areas has not been very dynamic and in some cases there has even been a deterioration vis-à-vis the EU Member States. One notable exception is the SBA area of "Skills and innovation".*
- ✓ *Recently, Turkey has targeted eight out of the ten SBA areas by means of dedicated policy measures*

### About the SBA Fact Sheets<sup>1</sup>:

The Small Business Act (SBA) is the EU's flagship policy initiative in support of small and medium sized enterprises. The annually updated fact sheets contribute to a better understanding of recent trends in the SME environment and policy on a national level.

## 1. SMEs in Turkey – basic figures

	Number of Enterprises			Employment			Value added		
	Turkey		EU	Turkey		EU	Turkey		EU
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro and small	2,392,928	99.3%	98.7%	6,018,131	63.5%	50.0%	49	35.9%	40.4%
Medium-sized	13,290	0.6%	1.1%	1,368,608	14.4%	16.9%	26	19.1%	18.1%
<b>SMEs</b>	<b>2,406,218</b>	<b>99.9%</b>	<b>99.8%</b>	<b>7,386,510</b>	<b>78.0%</b>	<b>67.0%</b>	<b>75</b>	<b>55.1%</b>	<b>58.5%</b>
Large	2,796	0.1%	0.2%	2,086,733	22.0%	33.0%	61	44.9%	41.5%
<b>Total</b>	<b>2,409,014</b>	<b>100.0%</b>	<b>100.0%</b>	<b>9,473,243</b>	<b>100.0%</b>	<b>100.0%</b>	<b>136</b>	<b>100.0%</b>	<b>100.0%</b>

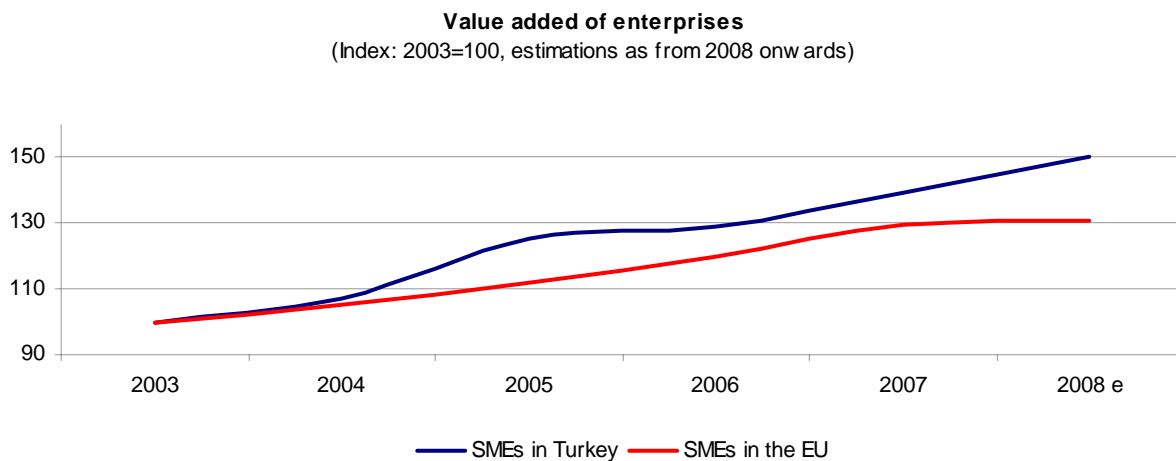
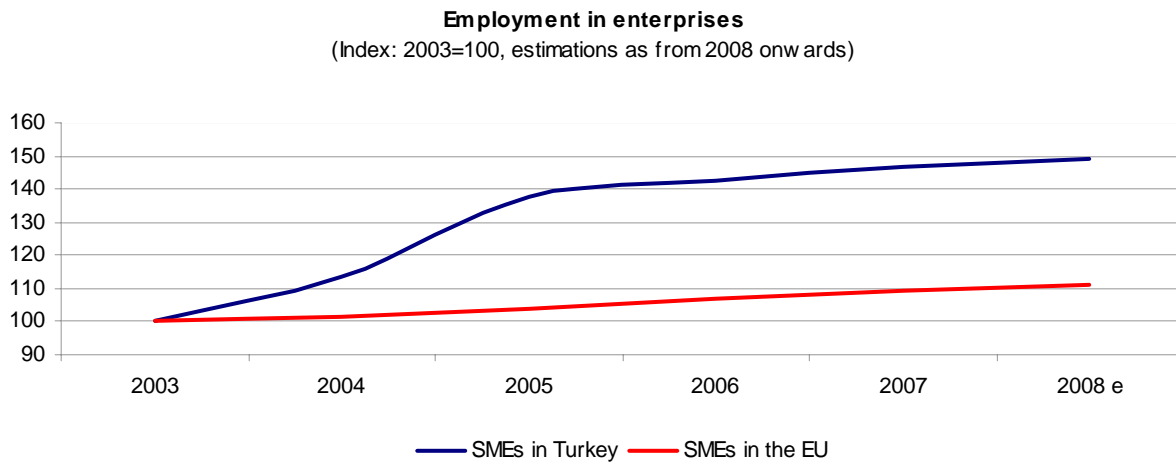
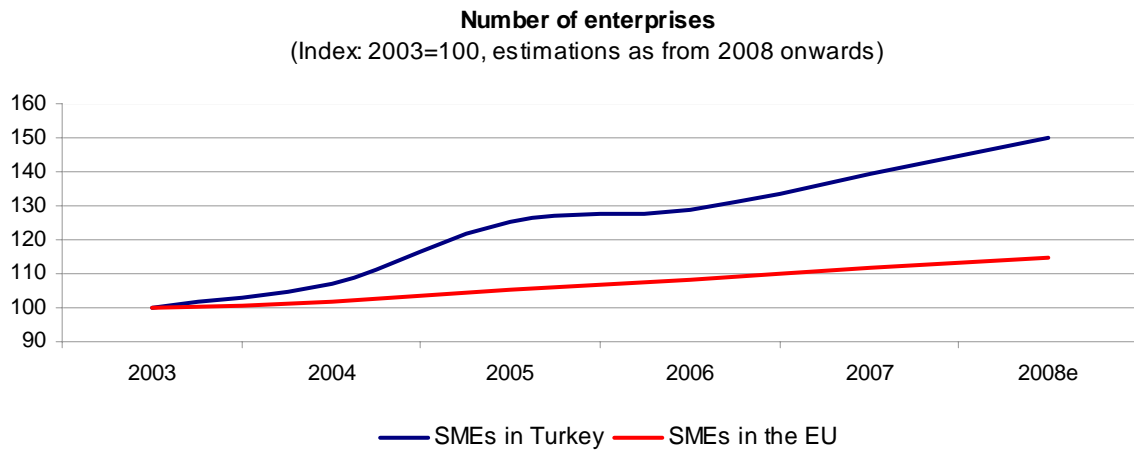
*Figures for 2008 from OECD and the Turkish National Statistical Office, compiled by Cambridge Econometrics. The data cover the 'business economy' which includes industry, construction, trade, and services (NACE Rev. 1.1 Sections C to I, K). The data does not cover the enterprises in agriculture, forestry, fishing or the largely non-market services such as education and health.*

Turkey's economy is relying heavily on its SME sector to provide growth and jobs, just like those of the EU countries. In terms of the size-class breakdown, the Turkish SME sector largely reflects that of the EU average, with micro and small enterprises accounting for more than nine out of every ten enterprises. Looking across at employment, it is clear that SMEs are even more important in terms of providing work as almost four fifths of all Turks working in the non-financial business economy are employed by an SME. The job concentration is also highest in the micro and small enterprise segments. On average, a Turkish SME employs ca three persons, which

is more than one person less than the EU average of 4.2 persons.

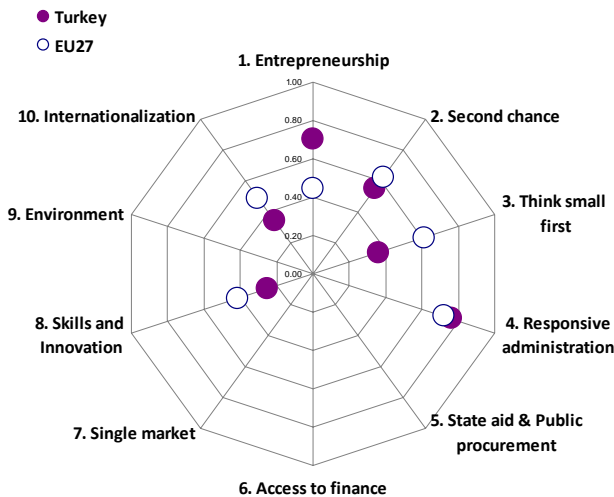
Looking at the development over time, figures are only available up until 2008. Hence, it is not possible to assess how the Turkish SME sector has been affected by the economic and financial crisis. Nevertheless, it is clear that over the 2003-2008 period, there was a considerable development and expansion of the SME sector, both in terms of the number of enterprises, SMEs' contribution to employment as well as value added creation. In fact, in all three dimensions figures increased substantially over time

## SME trends over time in Turkey<sup>2</sup>



## 2. The SBA profile of Turkey

Turkey's performance against the EU average by SBA area<sup>3</sup>



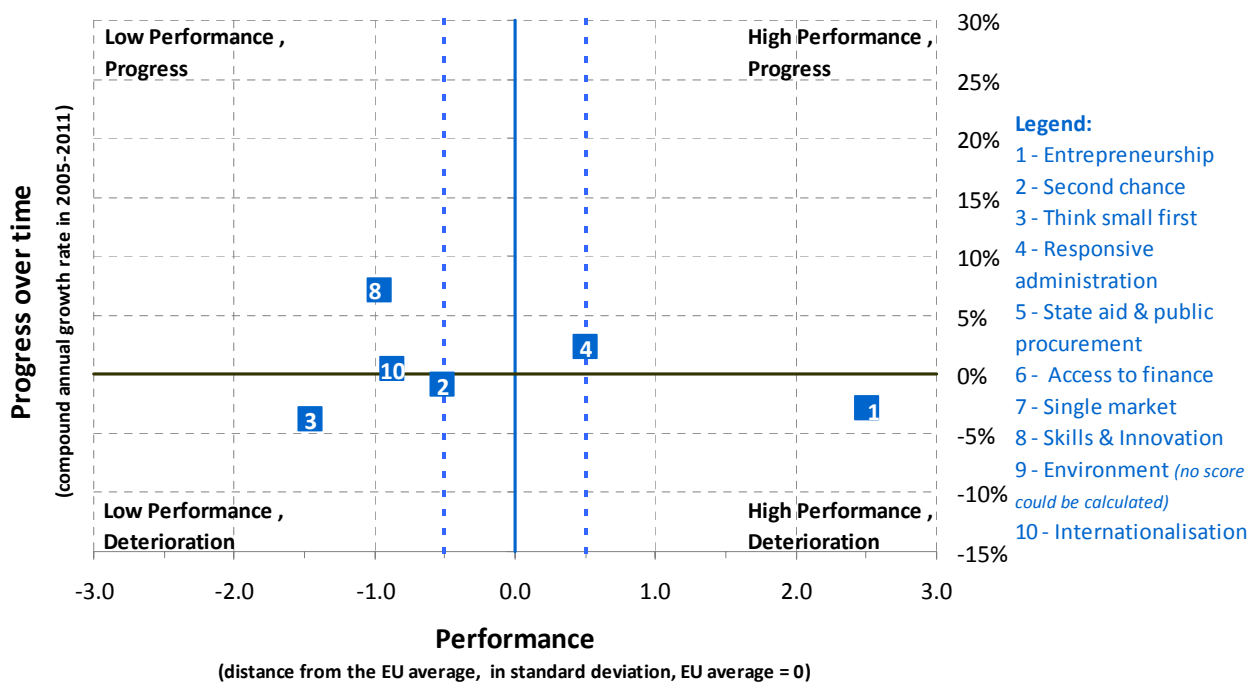
Overall, the available SME-relevant statistics show an SBA profile for Turkey which, with some exceptions, trails the EU average.

Turkey outperforms its EU peers in two out of ten SBA principles, namely Entrepreneurship and Responsive administration. For the remaining four SBA areas for which data is available (the area average for principle 9 (Environment) is missing for all countries due to a lack of data, and the area averages for SBA principles 5 "State aid and public procurement", 6 "Access to finance" and 7 "Single market" are missing for Turkey due to a lack of data), Turkey falls behind the European average.

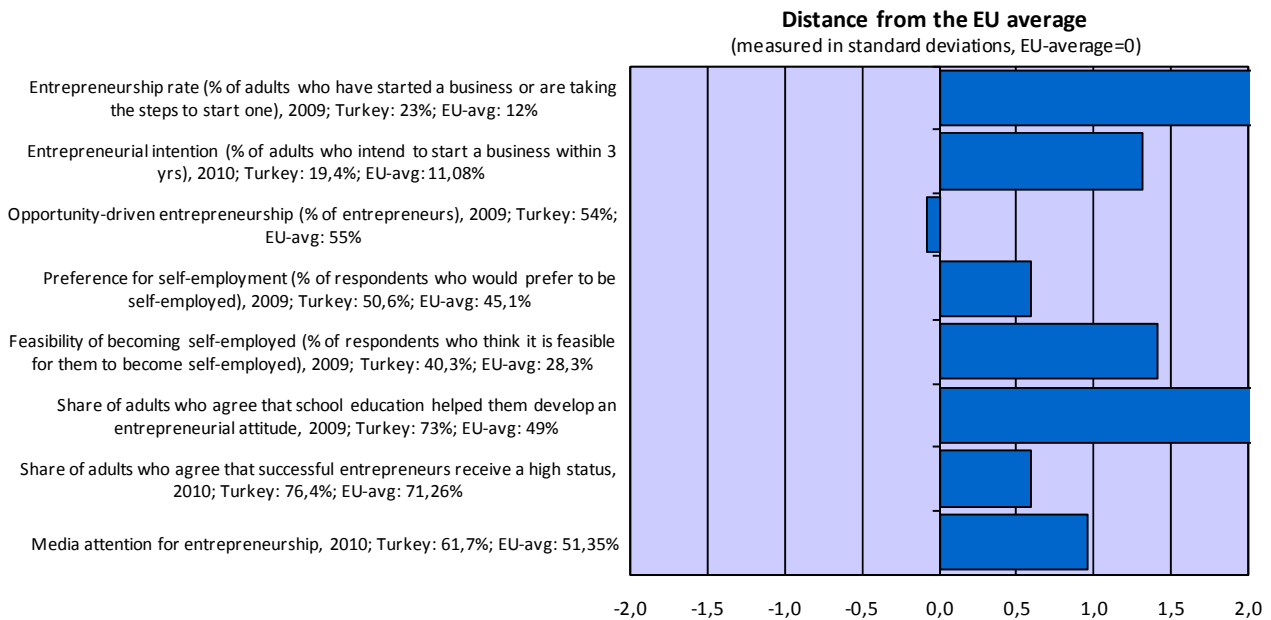
Over time, i.e. in the period 2005-2011, Turkey's performance in most areas has not been very dynamic and in some cases there has even been a deterioration vis-à-vis the EU Member States. One notable exception is the area of "Skills and innovation", which has experienced marked relative progress over the last few years. On the other hand, in one of the SBA areas where Turkey is currently ahead of the EU average, namely "Entrepreneurship", its relative position has been slipping.

These statistics are complemented by a policy record which shows that Turkey has recently been active in eight areas of the Small Business Act (all areas except "Second chance" and "Single market")<sup>4</sup>.

### Turkey's SBA performance: Status quo and development over time, 2005-2011<sup>5</sup>



## I. Entrepreneurship



Note: The indicators have been treated such that data bars pointing to the right/left always indicate a performance which is better/weaker than the EU-average.

The available indicators measuring entrepreneurship show that Turkey is significantly and consistently ahead of the EU average. The actual entrepreneurship rate is almost twice as high in Turkey as in the EU on average, while the share of opportunity-driven entrepreneurs is more or less the same as in the EU, suggesting that the high figures are not merely due to people being pushed into starting a company out of a lack of other options. This conclusion is further substantiated by the fact that Turks are on average more willing to be self-employed (51% in Turkey prefer self-employment, as compared to 45% on average in the EU). As many as two fifths of the Turkish respondents also see it as feasible that they should become self-employed, and almost one fifth actually intend to start an enterprise within the next three years. The attitude towards entrepreneurship also seems more favourable in Turkey, with a strong majority of Turks expressing the opinion that the school education helped them to develop an entrepreneurial attitude (73% in Turkey, compared to EU average 28%).

On the policy front, the Small and Medium Enterprises Development Organization (KOSGEB) developed a standard entrepreneurship training (60 hours, including

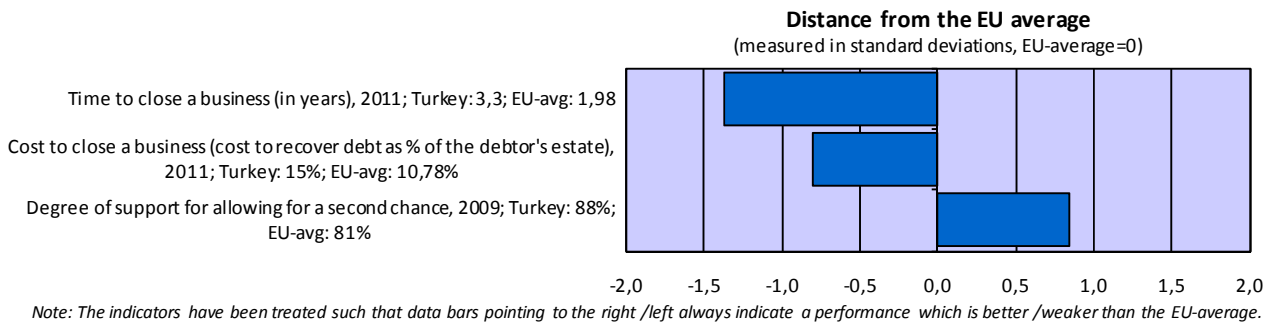
workshops) which was delivered to 20,448 people during 2010 and the first trimester of 2011. The training courses were organized by ISKUR (Turkish Employment Agency), the business community (mainly chambers), municipalities and other related institutions. The graduates became eligible to apply to the entrepreneurship support schemes provided by KOSGEB.

KOSGEB also signed a protocol with the Council of Higher Education on raising awareness and dissemination of entrepreneurship culture in universities nationwide aiming at university-industry cooperation.

Moreover, through a collaboration between the State Employment Agency (ISKUR) and KOSGEB which was initiated in September 2010, unemployed can benefit from entrepreneurship training through the scheme presented above. The unemployed participants received a daily payment of minimum wage in order to foster participation and cover daily expenses during the training period for those who do not have any other income.

An entrepreneurship support programme is also available through KOSGEB for women, young and disabled entrepreneurs with an extra support ratio of 10 percent.

## II. Second chance

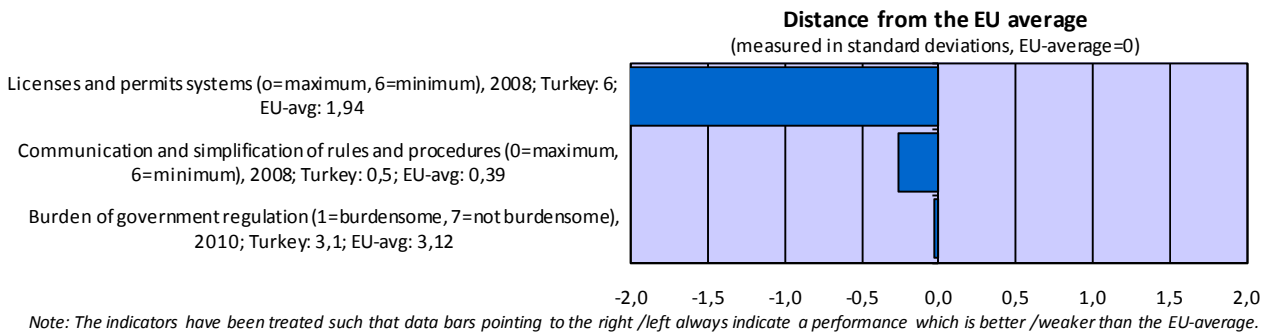


Turkey falls behind the EU average in the SBA area of "Second chance" and appears not to offer the most favourable conditions for an entrepreneur who wants to start all over again. This is due mainly to the relatively long period that it takes to wind down a business, but also the relative cost exceeds that of an average EU country. On the other hand, the attitude towards 'restarters' is more

positive in Turkey as compared to the EU average, with 88% in favour of allowing for a second chance.

Looking across at policy, no significant measures were reported in this area in Turkey in 2010 and the first trimester of 2011.

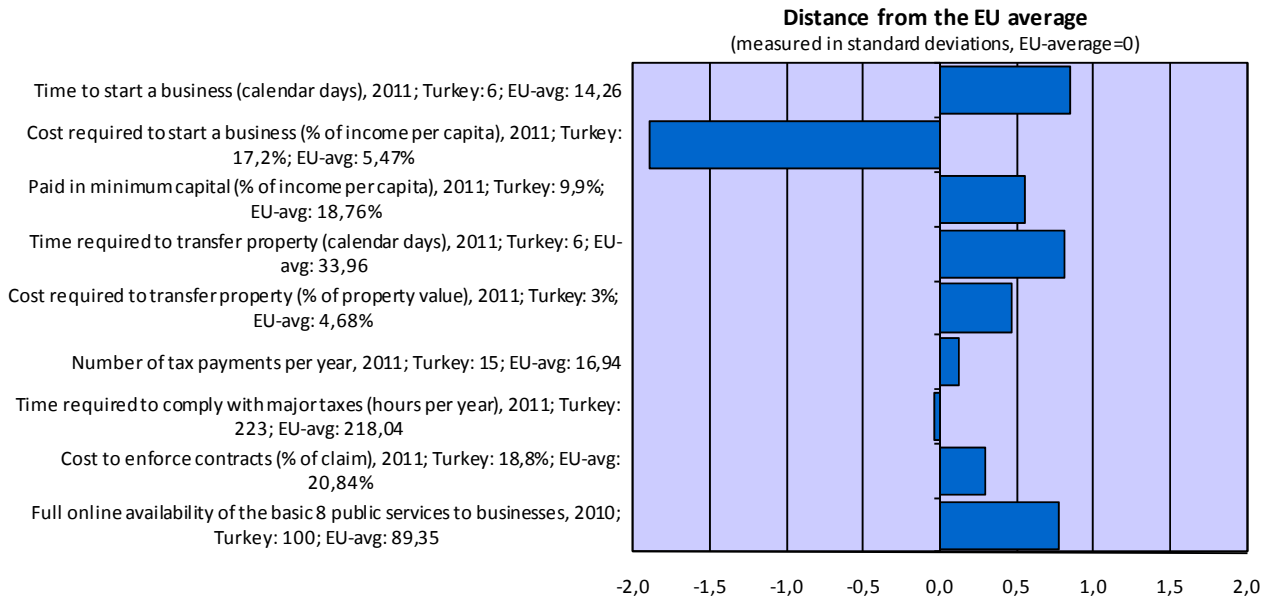
## III. Think Small First



In this area, Turkey's performance falls behind that of EU countries. This result is, however, mainly due to one indicator, as two out of the three available indicators are situated around the EU average. Nevertheless, figures suggest that the licences and permits systems in Turkey are significantly more complex than those of an average EU country. On the other hand, Turkish enterprises do not seem to be overly burdened by government regulation in general.

On the policy side, Turkey has revised its SME Strategy and Action Plan for the 2011-2013 period under the coordination of KOSGEB and with the support of SME relevant bodies, in consistency with SBA principles. KOSGEB also extensively simplified the process enterprises to register in the agency's database in 2010 (a requirement in order to benefit from the various SME support schemes) and this can now be done online.

#### IV. Responsive Administration

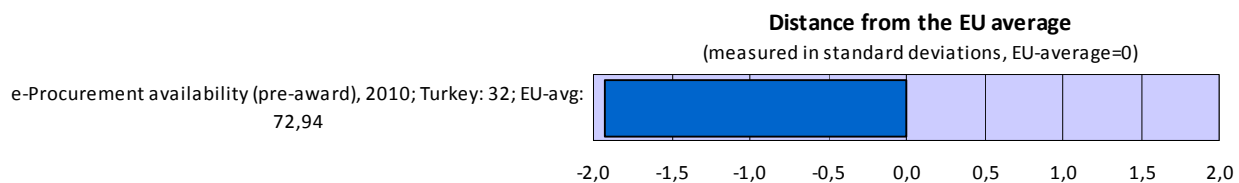


Note: The indicators have been treated such that data bars pointing to the right/left always indicate a performance which is better/weaker than the EU-average.

Turkey slightly outperforms the EU average in the SBA area "Responsive administration". The positive result would have been even stronger had it not been for the indicator measuring the cost required to start a business, which demonstrates that this process is significantly more expensive in Turkey (requiring 17% of the per capita income, compared to 5% on average in the EU). Nevertheless, a majority of the remaining indicators are situated above the EU average. It seems that both the indicators important for day-to-day business operations, such as the extent of the online availability of public services, as well as those that focus on certain milestone events in the life-cycle of a business (such as the transfer of property) fall out favourably compared to the EU countries.

Policy wise, as mentioned above KOSGEB recently simplified the process for registering on the SME database. Once registered, SMEs are now only required to update their data annually. KOSGEB also renewed its website, simplifying the access to information on support schemes for SMEs, and opened up a toll-free telephone number and SMS system through GSM lines. The Turkish Ministry of Industry and Trade is moreover currently working on a central registry system for all companies (MERSIS project) and it is expected to be completed (and come into force) in 2011. With the new system, all companies will have an electronic identity, and all official company information will be united under a single database. Although this measure is not specific to SMEs, SMEs will highly benefit from the new system.

#### V. State aid and Public procurement



Note: The indicators have been treated such that data bars pointing to the right/left always indicate a performance which is better/weaker than the EU-average.

In the area of State aid and public procurement, there is only a single indicator available, namely the pre-award e-procurement availability, which is significantly lower in Turkey than in the EU on average. Nevertheless, due to

the lack of data it is not possible to draw any general conclusions on this basis.

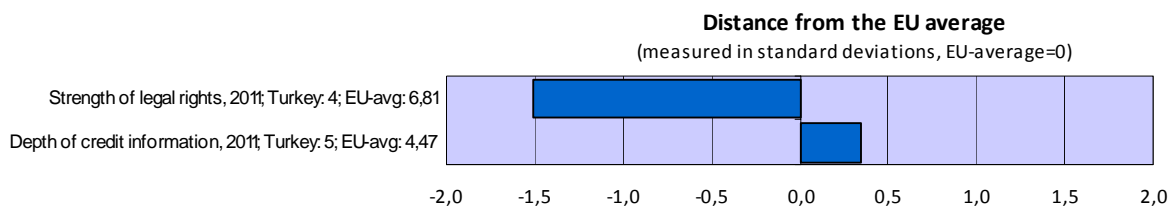
On the policy front, the State Planning Organisation completed the establishment of Regional Development

Agencies (RDAs) in all Nomenclature of Territorial Units for Statistics (NUTS) II regions in 2010. The newly established RDAs started support schemes for SMEs, which are usually based on business development projects, but there are thematic support schemes as well. The various types and themes of support schemes are

designed according to the priority needs and strategies of the region.

The Under secretariat of Treasury established a new unit to monitor and follow up on the use of the state aid schemes by SMEs.

## VI. Access to finance



*Note: The indicators have been treated such that data bars pointing to the right /left always indicate a performance which is better /weaker than the EU-average.*

There are only two indicators available for Turkey for this SBA area, none of which measures the actual access to finance and private capital. . It is therefore not possible to draw any general conclusions on this basis. Nevertheless, it would seem that compared to the EU average, Turkey is falling behind in terms of the relative strength of legal rights.

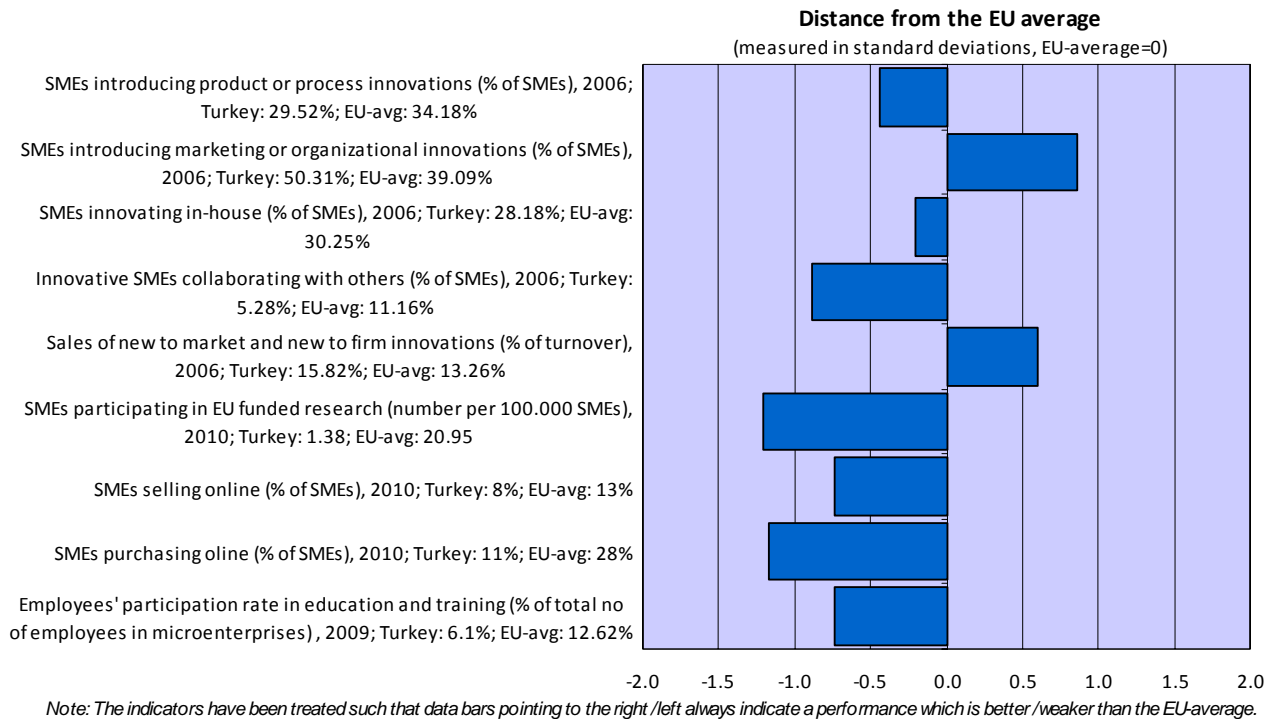
On the policy front, in 2010 a new financial aid programme called “Emergency Support Credit for SMEs suffering from flood, natural disasters and fire” was started. The upper limit of the aid is approximately EUR 45 thousand and the credit interest will be covered fully by KOSGEB. The reimbursement will start after 6 months and will be completed in 24 months.

## VII. Single market

There are no indicators available for Turkey for this SBA area and it is therefore unfortunately not possible to draw any conclusions at all about Turkey’s performance.

On the policy side, no significant measures were reported in Turkey in 2010 and the first trimester of 2011.

## VIII. Skills and innovation



Turkey is situated below the EU average in this broad SBA area, covering both skills and innovations aspects. Nevertheless, the performance linked to the core innovation indicators seems relatively more positive than that linked to the indicators measuring the skills aspect, as well as the degree of IT development. Hence, Turkey is in fact ahead of the EU average in terms of the share of SMEs introducing marketing and/or organisational innovations (50% as compared to EU average 39%). Turkish SMEs are also better than their EU peers at turning new to market or new to firm innovations into sales. However, innovative Turkish SMEs are less inclined to cooperate with others to achieve innovative outcomes (only 5% of SMEs are engaged in such cooperation in Turkey, compared to 11% in the EU on average). Turkish SMEs' IT savvy, as measured by the extent of online trade, is not as developed as that of their EU peers. For example, only slightly more than one in ten Turkish SMEs engage in online purchasing, whereas the corresponding

figure of an average EU SME is more than one in four. Finally, the only available indicator measuring training and skills development indicates that Turkish micro firm employees are approximately half as likely as the EU peers to participate in training.

On the policy front, KOSGEB started a new support scheme for the R&D, innovation and industrial practices for SMEs. The scheme provides support on a variety of costs associated with R&D works with an objective of increasing innovative and technology-based business development, and supporting the commercialization and industrial application of innovative ideas. The scheme came fully into force in 2010 when its use by SMEs was highly increased due to the simplification of the application process.

## IX. Environment

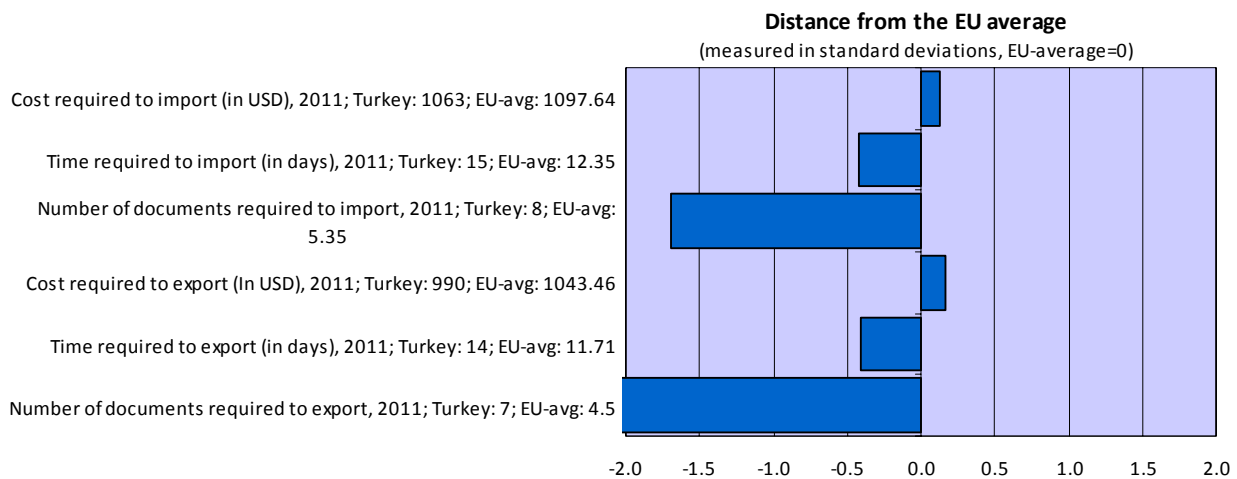
In the area of environment, there are no indicators available and it is therefore unfortunately not possible to draw any conclusions about Turkey's performance. Policy wise, KOSGEB provides support for SMEs under "Energy Efficiency" to help SMEs prepare specific studies

and projects as well as training on energy management. KOSGEB contribution goes up to EUR 13.000 (approx.) in support for SMEs' projects related to energy efficiency (50% in developed regions and 60% in less-developed regions). Effective as of June 2010.

KOSGEB worked on the topic of the environment in 2010 by taking part in various environment projects (some of which are national and others that are funded by the EC or other international organisations) to develop institutional capacity and help SMEs on environment-related topics. Improving Energy Efficiency in Industry in Turkey, Awareness Raising on Reach and CLP Regulations for

Turkish Chemical Industry and Building up Regional Industrial Helpdesks, and Eco-Industrial Park Environmental Support System are examples of these projects. These projects should help SMEs reduce their cost of production and improve their resource use for an improved competitiveness.

## X. Internationalisation



*Note: The indicators have been treated such that data bars pointing to the right /left always indicate a performance which is better /weaker than the EU-average.*

The available indicators measuring “Internationalisation” reveal a sub-average picture. Turkey performs at or below par for all indicators, and particularly problematic is the relatively high number of documents required to export or import. For example, it takes 8 documents to import goods to Turkey, while the respective figure is somewhat more than 5 days in the EU on average.

Looking across at policy, the Turkish Export Promotion Centre (IGEME) of the Under-secretariat of Foreign Trade

(UFT), started a new support scheme in 2010 for SMEs willing to start or develop international trade. The support scheme covers a training, consultancy and financial aid (partial reimbursement of costs related with starting and developing international trade).

## Good practice

To illustrate the efforts of the government to promote SMEs, the statistical information of the fact sheet is enriched by an example of a good practice in SME policy.

Entrepreneurship development occupied an important place in Turkey's agenda in 2010. KOSGEB provided support for new business start-ups for many years, however, the amount of financial support was low and the number of applications was not very high. In 2010, KOSGEB decided to set up a new model in which the amount of financial support was more than doubled and local stakeholders were involved in the process to increase the number of training programmes. Within the new model, KOSGEB established some standards for the training as well as for the trainers. Local stakeholders (ISKUR-Turkish Employment Organization, municipalities, chambers, NGOs, universities etc.) can now implement training for their target groups and constituents according to these standards after obtaining prior approval from KOSGEB who examines the application to see whether the content of the proposed training programme and qualifications of the trainers are consistent with the related standards of KOSGEB. The graduates of the "KOSGEB approved" entrepreneurship training become eligible for applying to the Entrepreneurship Support Programme of KOSGEB which covers grant for the start-up capital and a credit support for the additional machinery and equipment. Women and disabled entrepreneurs are encouraged by being entitled to an additional ratio of 10 percent in both grant and credit support. In this way, the number of participants has increased to 11,559 in the year 2010 and 8,889 in the first trimester of 2011, which is a very ambitious figure when compared to 7.000 participants in the past ten years. As a result of these training programmes, 154 entrepreneurs (77 female and 77 male) established their own businesses in 2010.

## About the SBA fact sheets

The Small Business Act (SBA) fact sheets are produced by DG ENTR as part of the SME Performance Review (SPR) which is its main programme for economic analysis of SME issues. The SBA fact sheets combine the latest available statistical and policy information for the 27 EU Member States and another 10 non Member States which also contribute to the EU's Competitiveness and Innovation Framework Programme (CIP). The fact sheets - produced annually- help to structure the available information so as to facilitate assessments of the SME policy assessments in the framework of the SBA implementation monitoring. The fact sheets refrain from policy evaluations, but are to document the status quo and progress in the different SBA areas. The SBA Fact Sheets are not standalone instruments. They do not constitute a comprehensive assessment of Member States' policies and should be regarded as a supplement to, and not a substitute for, available national publications. A good example for this is the policy information contained in the fact sheets: the fact sheets cite only those policy measures that were deemed by local SME policy experts of being of particular relevance. They do not -and cannot- reflect all measures undertaken by the government in the particular period of time. As a complement to the fact sheets additional policy information can be found on a database also located on the SPR-website. Please refer to the methodological note when reading this SBA Fact Sheet.

## For more information

SME Performance Review:

[http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm)

Small Business Act:

[http://ec.europa.eu/enterprise/policies/sme/small-business-act/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/small-business-act/index_en.htm)

The European Small Business Portal:

[http://ec.europa.eu/small-business/index\\_en.htm](http://ec.europa.eu/small-business/index_en.htm)

[Entr-SPR@ec.europa.eu](mailto:Entr-SPR@ec.europa.eu)

Tel: 0032 (0)2 29 92 639

<sup>1</sup> The SBA fact sheets 2010-2011 benefitted substantially from input by the European Commission's Joint Research Centre (JRC) in Ispra, Italy. Most notably, important improvements in the methodological approach, statistical work on the dataset as well as the visual presentation of the data are owed to the JRC. The full data set comprising sources is available at: [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm).

<sup>2</sup> The three graphs below describe the trend over time for the mentioned variables. They consist of index values for the various years since 2003, with the base year 2003 set at a value of "100". As from the year 2008, the graphs show estimates of the development over time, based on 2003-2007 figures from OECD and the Turkish National Statistical Office. The estimations have been produced by Cambridge Econometrics. The data cover the 'business economy' which includes industry, construction, trade, and services (NACE Rev. 1.1 Sections C to I, K). The data does not cover the enterprises in agriculture, forestry, fishing or the largely non-market services such as education and health. A detailed methodology can be consulted at: [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm).

<sup>3</sup> The SBA radar chart plots for the different SBA areas the relative position of an individual country vis-à-vis the respective EU-wide area average. The individual values represent averages across all available indicators for this area. The scaling range is from "0" (minimum or "worst in the -EU-27- class") to "1" (maximum or "best in class"). The EU-average is located between those extremes and plotted as a grey band in the chart. The area average for principle 9 ("environment") is missing for all countries due to a lack of data.

<sup>4</sup> The policy measures presented in this SBS fact sheet is only a selection of the entire range of measures undertaken by the Government in the year 2010 and the first three months of 2011. The selection was done by the SME policy country expert contracted by Ecorys (DG ENTR's contractor for the 2010-2011 fact sheets). The experts were asked only to select those measures that, in their view, were the most important, i.e. were expected to have the biggest impact in the specific SBA area. The complete range of measures that the experts compiled in the framework of producing this years' fact sheets will be published in the form of a policy database on the DG ENTR website alongside the fact sheets.

<sup>5</sup> The quadrant chart combines two sets of information: firstly it shows the status quo performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for EU-27. The vertical corridor marked by the dotted lines defines the EU-average. Secondly, it reveals the progress over time, i.e. the average annual growth rates for the period 2005-2011. The growth rates are those of the individual indicators which the different SBA area averages are made up of. Hence, the location of a particular SBA area average in any of the 4 quadrants, provides not only status quo information about where the country is located in this SBA area relative to the rest of the EU at a given point in time, but also to what extent there was an improvement in the period 2005-2011.