

Syrian Entrepreneurship and Refugee Start-ups in Turkey: Leveraging the Turkish Experience

Final Report - 2018

Drafted by TEPAV in cooperation with EBRD

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2018

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Executive Summary

- 1. This report was commissioned by the European Bank for Reconstruction and Development (EBRD) to The Economic Policy Research Foundation of Turkey (TEPAV).** The aim of the report is to analyze and evaluate the size and performance of refugee partnered enterprises in Turkey, together with the local population's perception of these firms in the environment in which they operate, and to assess the impact of the refugee influx on non-refugee driven SMEs (small and medium size enterprises) in host communities. Additionally, the report seeks to identify how these enterprises perceive each other. The survey is conducted in 8 provinces on the Syrian border selected as the focal points of the study (Gaziantep, Mersin, Hatay, Şanlıurfa, Kilis, Adana, Kahramanmaraş, and Mardin) where the refugee population is most dense.
- 2. Turkey Refugee Enterprise Survey was designed by EBRD and TEPAV to provide the primary data to the study.** The main method of analysis utilized in this study include survey data analysis obtained from a tailor-made survey conducted with a total of 416 companies (207 Turkish and 209 refugee-driven companies). The sample of companies was selected based on stratified random sampling, and the list of refugee-driven and local MSMEs (Micro, Small and Medium size enterprises) were drawn from the Turkish Union of Chambers and Commodity Exchanges of Turkey (TOBB) database. The topics covered in the survey ranged from infrastructure, trade, finance, regulations, taxes and business licensing to corruption, crime and informality, labor market integration, and perceptions on the obstacles on doing business. Additional methods utilized in the report include cross-sectional data analysis and desk research of previous studies carried out regarding SuTPs, and legal and regulatory framework relating to SuTPs' status in Turkey. All analysis-induced findings can be viewed in the Report, as well as in the Annex section.
- 3. Results of the analysis show a gradual increase in entrepreneurial activity by Syrians in Turkey starting from 2011 and, suggest that Syrian entrepreneurs provide a living for at least 7 percent of the 3.5 million Syrians in Turkey.** Approximately 10,000 companies have been established by Syrians since 2011 in all of Turkey, where an average of approximately 7 people are employed. With an average Syrian household size of 6 people, findings, although not with certainty, indicate that approximately 250,000 Syrians are benefiting from the advantages of employment by these companies. In detail, there are approximately 106 thousand companies actively operating in 8 pilot provinces, with 2,122 comprising of Syrian businesses, corresponding to 2 percent of all the companies in these cities.
- 4. Survey data analysis further reveal that more than half of the refugee-driven companies are micro-sized (employing less than 5 people) and operate predominantly in the services sector.** Interestingly, almost two-thirds (64 percent) stated that they are not in need of additional employment to carry-out their business activities with more than half (59 percent) of the Syrian respondents stating that they have a successful business in Turkey. However, when in need of employees, a majority of the Syrian respondents (87 percent) stated that they find potential employees 'through an acquaintance or reference' therefore implying the limited use of public or

private employment agencies. The unwillingness to increase the number of employees or seek growth is also evident in lack of subsidy utilization rates as almost all employers in refugee-driven companies (97 percent) stated that they did not receive subsidies, with almost one-third stating that they did not have the necessary information on relevant subsidies. It is important to note here that insufficient data by other sources limit any further pursuits to undertake an analysis of the impact of legal and regulatory developments have on Syrian entrepreneurs in Turkey.

5. **Findings point to an entrepreneurial spirit in Syrians in Turkey that is hard to ignore.** Accordingly, 75 percent of all Syrians surveyed state that they had a company before coming to Turkey, with almost 11 percent of Syrian respondents stating they had already established a company in another country, mostly in Egypt, Saudi Arabia and UAE, before coming to Turkey. Interestingly, upon their relocation in Turkey, these companies benefitted the most from 'information about foreign market trends' and 'information about legal and bureaucratic processes' offered by provincial Chambers. Moreover, same Syrians who relocated their businesses asserted that they received counselling on marketing and logistics upon their arrival. On the other hand, of all Syrian survey respondents, 24 percent are first-time entrepreneurs with actual refugee start-ups, most of them employing less than 10 people (84 percent), while the rest (16 percent) employing between 10-to-49 people.
6. **Syrian companies in Turkey are comparatively more export oriented (55 percent) than their Turkish counterparts (31 percent).** Cross-sectional analysis shows a positive correlation between the increase in the number of Syrian enterprises in Turkey and the hike in trade with Syria to pre-war levels. Findings on Syrians' reasons, whether first-timers or not, for preferring to establish their companies in Turkey reinforces this stance. In other words, survey findings show that geographical proximity to Syria is the driving force for SuTPs for choosing to establish their business in Turkey, trailed by the existence of current commercial relationships and, proximity to the market, respectively. On the other hand, more than half of the Turkish companies stated that they do not think an increase in the number of Syrian asylum-seekers helped increase Turkish foreign trade while more than two-thirds of Syrian respondents stated that increased SuTP population increased opportunities for foreign trade.
7. **Access to banking systems and access to finance are two of the foremost obstacles limiting Syrian entrepreneurs' inclusion into the Turkish economy.** As a result of regulatory obstacles and differential policies of banks towards Syrians as well as religious concerns, more than one-third (38.5 percent) of Syrian companies use 'hawala system' to carry-out money transfers, implying the possibility of untapped potential in other Syrian companies to become exporters if certain obstacles were overcome. To put it into context, 28 percent of Syrian employers state that they face problems with opening a commercial bank account, while the same issue pose a problem to merely 10 percent of Turkish employers. Similarly, many Syrian respondents assert that they have problems with domestic money transfers, followed by problems in opening individual bank accounts and with obtaining a letter of credit for transactions, respectively.
8. **Laws and regulations governing Syrian workers negatively impact refugee-driven companies.** The survey findings draw attention to the limitations such as the 10 percent quota

on Syrian employment and work-permit application process which limits the integration of the Syrian work force into the labor market. Interestingly, general labor laws have a negative impact on both Syrian and Turkish employers, as almost one-third of Syrian (27 percent) and Turkish employers (28 percent) state that the current state of these laws hinders their business activities.

9. **Findings suggest possible social cohesion problems between SuTPs and the local population.** A recent study ranked Syrians in the sixth place among Turkey's top 10 problems according to Turks.¹ On the other hand, 23 percent of the Syrian respondents stated that they are 'Turkish citizens now'. This number is only expected to gradually increase in the near future since 'naturalization' processes for SuTPs have also intensified at the state and local level. The increasingly more opiated perception of the host community towards Syrians, together with the expected increase in the number of naturalized Syrians, policies promoting social cohesion will become even more important to ensuring a harmonious future. However, in line with our findings, the studies on the perception of Syrian entrepreneurs by Turkish employers are limited and requires further research.
10. **Findings suggest that Syrian entrepreneurs will stay in Turkey even after the conflict in Syria ends.** The Entrepreneurs are weaving themselves in the Turkish economy in a positive way that repatriation is not a popular option. This is the case for the majority (71.7 percent) of Syrian entrepreneurs who stated that they won't return to Syria even after the dust of war settles down. Scratching off repatriation necessitates several reasons, most important of which is economic wellbeing. Indeed, more than half (59.4) of the entrepreneurs indicated that they have successful businesses in Turkey.
11. **Interestingly, when compared with Turkish companies, educational attainment of employees, and managers in Syrian companies surveyed are predominantly university graduates.** The results of the analysis show that the overall educational attainment plays in favor of workers in the Syrian companies. Diving into details pertaining to higher education, 57.4 percent of employees and managers in Syrian companies stated that they hold a university degree, compared to 46.3 for their Turkish counterparts. However, when number of Syrian refugees in Turkey are taken into account, more than 3.5 million, this result may be attributed to sample bias.
12. **In line with our findings, we recommend;**
 - a. Increased involvement by local bodies must be encouraged as our findings assert that Syrians prefer to establish their businesses in certain provinces more than in others, therefore pointing to the role of province-specific properties and qualities including the role of local leadership in raising awareness regarding the issue.
 - b. Increased guidance by local chambers and municipalities should be encouraged since local agencies are at the forefront of all actors guiding the integration process of Syrians.

¹ https://goc.bilgi.edu.tr/media/uploads/2018/02/06/dimensions-of-polarizationppt_Tz7XeBg.pdf

- c. Increased involvement of International Financial Institutions (IFIs) to further encourage entrepreneurship, as these institutions could play a key role in connecting capital and people with entrepreneurial ideas.
- d. Intensified involvement of business incubators and accelerators to create entrepreneur friendly environments for increased activity. TEPAV could leverage its GARAJ incubator experiment through the chamber network as a prime example for business incubators.
- e. Increased financial support for incubators and accelerators so as to transform these into trade facilitation centers offering guidance and assistance in obtaining permits for importing – exporting refugee enterprises.
- f. Carrying-out awareness-raising activities on services offered by banks and other relevant institutions, since report findings suggest that lack of knowledge by SuTPs play an important role in limiting their integration
- g. Increased guidance on the creation of e-commerce platforms for Syrian enterprises
- h. Conducting in-depth analysis to monitor and evaluate social cohesion, i.e. ghettoization
- i. Conducting quantitative analysis on the contribution of Syrians to the Turkish economy in order to facilitate the dissemination of accurate information and to identify untapped opportunities of economic inclusiveness
- j. Designing possible international trade concessions to goods produced by Syrians in Turkey, i.e. Made by Syrians Abroad Program

13. The report also underlines the fact that the analysis conducted has its own limitations.

Empirical data on the entrepreneurial activities carried-out by SuTPs in Turkey is inadequate. Correspondingly, previous studies have utilized a very limited sample size and, mostly fall short of providing anything more than anecdotal evidence. In relation, the varying stances by academic contributions on the labor market integration of SuTPs together with the absence of a consensus among academics on the impact of Syrians on Turkish labor market has also posed constraints.

14. Furthermore, as almost all of the 8 provinces share a border with Syria, our findings may incorporate a possible border-bias. This bias is especially relevant for findings derived from export-import data of refugee-driven enterprises in these 8 provinces. Yet, due to the population density in these provinces as well as limitations to Syrians’ freedom of movement between cities to seek job opportunities, this potential sample bias was disregarded since this study is the one and only attempt in collecting data on Syrian partnered companies in Turkey.

15. Other prominent limitations include unwillingness of Syrian and Turkish employers to take part in surveys, and cultural differences in Turkish and Syrian respondents. All in all, it is important to note that this study is the most comprehensive and exhaustive labor market study of its kind based on factual evidence.

I. Introduction

- 1. Migration has been one of the most prominent issues for the last few decades.** Migratory routes, whether south-south (developing-to-developing) or south-north (developing-to-developed), have been witnessing its busiest era since the Second World War. The total number of international migrants reached approximately 258 million people in 2017, up from 220 million in 2010.² International Organization for Migration (IOM) states that the south-south route has been utilized more than the south-north, with approximately 37 percent of all international migrants following the former, and 35 percent following the latter.³ Looking from a state-centric point of view, over 60 per cent of all international migrants are in Asia (80 million) and Europe (78 million), and two-thirds (2/3) of all migrants are residing in a total of only 20 countries, comprising of low-to-middle income countries, with Turkey hosting the largest refugee population in the world.
- 2. United Nations High Commissioner on Refugees (UNHCR) stated that in June 2018, 25.1 million of all forcibly displaced people (FDP) were refugees (37 percent of all international migrants) and Turkey is the country hosting the largest refugee population with almost 4 million refugees including 3.5 million Syrians registered under Temporary Protection.**⁴ While regular migration is inherently expected, needed, and comparatively easier to control, irregular migration usually transpires from national or regional crisis, and results in the forced migration of masses. Accordingly, the Syrian Crisis of 2011, one of the most recent national upheavals, became the source of the largest movement of refugees, with approximately 6.3 million people having to leave their country to seek shelter. Syria is trailed by Afghanistan with 2.6 million, and South Sudan with 2.3 million as countries of origin with regards to largest masses of FDPs. Correspondingly, since irregular migratory routes commence at the borders of conflict-neighboring countries, countries of destination with the largest refugee population, beside Turkey, are countries like Jordan and Lebanon.
- 3. Confronted by a large refugee influx, Turkey set a good example for other refugee-hosting countries by opening its borders to the Syrian refugees. However, this has placed an additional pressure on the public service provision and planning capacity of the Turkish government considering its existing public service infrastructure capacity, including access to health, education and housing.** When the influx first commenced in the April of 2011, Turkey chose to follow an open-door policy accepting all and everyone running away from the tyranny of war. Applauded by international actors, states, and NGOs, Turkey, was soon stranded with hardships deriving from the movement of peoples. Due to capacity constraints, with a mere 6 percent living in camps (started-off as 10 percent but as the registration numbers increased, ratio declined)⁵, and the rest living in urban areas. Refugee integration could not be managed properly and turned into “integration by action” as opposed to “integration by design”. Due to the lack of

2 United Nations Migration Report 2017

3 International Organization for Migration (IOM), 2017

4 UNHCR, Figures at a Glance, June 27 2018

5 https://ec.europa.eu/echo/files/aid/countries/factsheets/turkey_syrian_crisis_en.pdf

cooperation and inadequacies among institutions in sharing information to cope with such an influx, as well as apparent deficiencies in institutional capacity, hindered any real chance of creating an all-encompassing migration and integration policy. However, since 2011 there has been a recorded increase in the inclusion of NGOs, as well as best-practice sharing among destination countries, in the policy-making process. However, the integration by action nature of the process has not been changed at all.

4. **Becoming the world largest refugee hosting country is expensive.** Ankara's response to Syria's war with an open-door policy left the country with welcoming 3.5 million Syrians. This combined with a laissez-faire policy approach best described as "integration by interaction" recently started to generate loud criticisms from Turkish citizens mostly due to the overall cost of hosting that many refugees. Blindsided by the mass influx, Turkey was caught short, lacking a holistic migration policy. While policy areas concerning refugees such as labor market integration or enrolment in schools are still in the process of being formulated, other pressing questions regarding the length of stay of refugees, and Turkey's role as a country of transit for refugees trying to flee to Europe took precedence. Mostly left alone to deal with the influx, combined with a souring economy, Turkey has declared to have spent more than 30 billion USD, between 2011 and 2017, to which the public perception in Turkey is not positive anymore.⁶
5. **There were two major changes in 2016. The first was to end Ankara's open-door policy by imposing visa requirement on Syrians' entering Turkey and the second was the signing of the European Union – Turkey Refugee Deal which transformed Turkey from a transit country to a destination country regarding migrants.**⁷ The former was a response to rising national security concerns regarding the instability of the region. The latter, on the other hand, was a reaction to the fleets of the rubber dinghies between the two sides of the Aegean leading to the death of so many refugees. Despite being controversial, EU-Turkey deal portrays an effective framework for migration cooperation. On the one hand, it offers, albeit on a small scale, safer and legal pathways for migratory movements. On the other hand, it provides the EU with an opportunity to show solidarity with Turkey in meeting the responsibility of accommodating the needs of a large vulnerable population. Accordingly, the EU proposed 3+3 billion Euro to be 'provided' to Turkey under the Facility for Refugees in Turkey (FRiT) fund over a 4-year term for the purposes of building institutional capacity where needed and offering a social safety net for those in need. To underline once more, this Deal was key in transforming the role of Turkey from a transit country to a destination country (See Box 1).

6 <http://www.hurriyetdailynews.com/turkey-to-continue-responding-to-humanitarian-crises-121982>

7 European Parliament, Turkey: Labour Market Integration and Social Inclusion of Refugees, 2016

Box 1 European Union – Turkey Refugee Deal

Statement on the EU-Turkey Refugee Deal

The breakout of the ongoing war in Syria in 2011 led to the internal and external forced displacement of almost 60 percent of Syria's pre-war population of 21 million people. The spillover of Syrians' forced displacement did not stop at the borders of neighboring countries but also reached Europe. At its peak in 2015, approximately one million immigrants from different nations – mostly Syrians – crossed the Aegean Sea. Consequently, Brussels called for cooperation with Ankara. In October 2015, the cooperation foundations materialized with the [EU-Turkey Joint Action Plan](#), which then was activated in [November 2015](#). The negotiations continued and chiefly targeted, among other critical topics, migration and migration flows. As a result, the two sides came to an agreement in [March 2016](#) on a framework that transformed Turkey from a transit country of migration to a destination country (see Articles 1, 3 and 4).

The Articles of the EU and Turkey Refugee Deal:

- 1) All new irregular migrants crossing from Turkey to the Greek islands as of 20 March 2016 will be returned to Turkey;
- 2) For every Syrian being returned to Turkey from the Greek islands, another Syrian will be resettled to the EU;
- 3) Turkey will take any necessary measures to prevent new sea or land routes for irregular migration opening from Turkey to the EU;
- 4) Once irregular crossings between Turkey and the EU ends or is substantially reduced, a Voluntary Humanitarian Admission Scheme will be activated;
- 5) The fulfilment of the visa liberalization roadmap will be accelerated with a view to lifting the visa requirements for Turkish citizens at the latest by the end of June 2016. Turkey will take all the necessary steps to fulfil the remaining requirements;
- 6) The EU will, in close cooperation with Turkey, further speed up the disbursement of the initially allocated €3 billion under the Facility for Refugees in Turkey. Once these resources are used in full, the EU will mobilize additional funding for the Facility up to an additional €3 billion by the end of 2018;
- 7) The EU and Turkey welcomed the ongoing work on the upgrading of the Customs Union.
- 8) The accession process will be re-energized, with Chapter 33 to be opened during the Dutch Presidency of the Council of the European Union and preparatory work on the opening of other chapters to continue at an accelerated pace;
- 9) The EU and Turkey will work to improve humanitarian conditions inside Syria.

6. **Transforming the country from a transition to a destination country requires transforming “integration by interaction” with “integration by design” policies to allow sustainable solutions in labor market integration, job creation, health and housing services and in other relevant areas.** The design of the new policy framework has in fact started with the acceptance of the ‘Law on Foreigners and International Protection ([LFIP](#))’ in 2013 that came into force on October 2014. Under this law, Syrians gained ‘Temporary Protection Status’ through

which they can legally access health services and enroll in schools.⁸ To further clarify and intensify labor market integration, “Regulation on Work Permits of Foreigners under Temporary Protection” was issued on January 2016.⁹ This change in regulation constituted the first concrete step to refugees’ integration into formal labor market, providing SuTPs (Syrians under Temporary Protection) with a regulatory framework to obtain work permits. Correspondingly, findings from our Project have shown that Syrians in Turkey do not only integrate themselves into Turkish labor market as employees, but also as employers and business owners with their refugee startups. Therefore, pointing to a willingness to actively engage in the business ecosystem. Interestingly, our findings have also shown, whether it is because of policy shortcomings or unfamiliarity with the business ecosystem, that a good proportion of Syrians and Turks have become partners in their entrepreneurial endeavor, taking advantage of each other’s expertise - Turkish partner’s regulatory and bureaucratic know-how and Syrian partner’s network- to become productive participants in the formal labor market.

7. **Syrian entrepreneurs are in Turkey to stay. Moreover, they do not want to be considered ‘temporary’ in Turkey but want to become active members of Turkish economy and society.** In fact, 72 percent of the Syrian entrepreneurs surveyed indicated that they do not want to return to Syria even when the war is over. Of those who stated so, highlighted two reasons behind their decision. The first is, having already a successful business operation in Turkey, and the second reason is the healthy business environment of Turkey. It is important to pinpoint that the above statement comes from seasoned entrepreneurs: 75 percent of the surveyed Syrian entrepreneurs used to run a business before coming to Turkey. Notably then 25 percent of the companies established by Syrian refugees in Turkey are indeed refugee startups. In addition to that, 57 percent of Syrian entrepreneurs surveyed have a university degree.
8. **Moreover, Syrian entrepreneurial initiative since 2011 enabled approximately 7 percent of the Syrian population in Turkey to be able to look after itself.** On average refugee companies employ 7.3 workers, 60 percent of whom are Syrians themselves and as there are 9,978 companies established by Syrians, the latter provide livelihood for more than 250,000 Syrians in Turkey. Therefore it is estimated that 44,000 are employed by Syrian companies. When the average household size of 6 people is taken into consideration it can be stated that a total of 264,000 Syrians are supported and provided for by wages earned through formal employment.
9. **Despite their positive impact on the economy, there is, however, serious obstacles Syrian entrepreneurs face while running their enterprises.** The top three obstacles for Syrian companies are access to finance (41.5 percent), tax rates (22.9 percent), and business laws (27 percent). Overcoming the first and the third obstacles indicates the need for an improved approach that identifies in detail the reasons behind naming these obstacles, among others, and includes stakeholders to draw proper solutions that open the door for Syrian entrepreneurs to play a bigger role in the economy of Turkey.

8 European Parliament, Turkey: Labour Market Integration and Social Inclusion of Refugees, 2016

9 Regulation on Work Permit of Refugees Under Temporary Protection, January 2016

10. One thing is certain; we still do not know much about Syrians in Turkey. This study funded by EBRD is the most comprehensive and exhaustive labor market study of its kind based on factual evidence. Previous studies and their findings on related issues have fallen short of providing anything more than anecdotal evidence or are based upon a very limited sample size. Correspondingly, this study by EBRD and TEPAV would prove useful in providing guidance to an evidence based analysis of the performance of the Jordan Compact (See Box 2) in a similar fashion. With no change in international trade rules, i.e. trade concessions, Turkish example of Syrian refugee startups does work in integrating Syrians to Turkish labor market. Empirical findings of the study have allowed for the mapping of sectoral preferences and obstacles to labor market entry that Syrian entrepreneurs experience on a daily basis. Furthermore, it uncovers the subsidiary role of entrepreneurial spirit in Syrians in instances where integration policies fall short, whether it may be regarding difficulties in issuing work permits or the language barrier. Findings have shown that in most cases Syrians are eager out of necessity to take matters into their own hands and ‘integrate by interaction’ rather than waiting to ‘integrate by design’. This study through its findings provides the groundwork for an evidence-based approach that highlights the role of entrepreneurship. It utilizes these findings to evaluate current labor market policies and provides a strong basis for developing a comprehensive framework for successful implementation. Furthermore, the findings also indicate that developing, and encouraging SuTPs’ entrepreneurial initiatives will contribute to the integration of Syrian refugees on both the supply and the demand sides of the labor market.

Box 2 Jordan Compact

Jordan Compact

One of the outcomes of the Supporting Syria and the Region Conference in February, 2016 in London was the [Jordan Compact](#). This Compact supports Jordan Response Plan (JRP) 2016–2018 and Jordan 2025 – National Vision and Strategy. The Compact evolves over three pillars. One of which is ‘Promoting economic stability, sustainable and knowledge based growth, quality education and job creation’. Under this pillar, and to generate job opportunities for both vulnerable Syrians and hosting communities, the European Union would open its market for Jordanian exports with relaxed Rules of Origin Agreement for ten years. The Agreement applies to specific goods produced in 18 designated economic and industrial zones. In return, the government of Jordan will ease the procedures for 200,000 Syrians to formally work in the zones. Once Jordan achieves the latter work permit ceiling for Syrians, the EU would consider extending the simplified rules of origin to cover all Jordanian producers and products.

Obstacles

The Agreement indicates that the Syrian workforce must, for the first two years, represent 15 percent of a company’s total workforce in order to benefit from the Agreement. After the first two years, the percentage of the Syrian workers needs to reach, but not exceed, 25 percent of the total workforce of the company. Employers, however, have been facing difficulties in attracting Syrians to work in the zones. Syrians cite logistical obstacles (i.e. weak transportation infrastructure) to reach the remote locations of the zones. Plus, the low wages and long working hours do not appeal to them. Additionally, Syrians seem to prefer working in trade and service sectors.

Jordan’s Ministry of Industry and Trade granted permissions to companies that managed to [export](#) products to the EU. Yet export standards set by the European Union, the absence of one stop-shop services in the government and the high costs of shipping hinder further integration.

11. Findings also suggest that certain local conditions prove pivotal in the decision of Syrian entrepreneurs to establish a business in particular provinces. Some Syrian entrepreneurs and partners travel from one city to another to establish their company. Field visits provided anecdotal evidence regarding the importance of having family members in a given city as a reason for moving. Furthermore anecdotal evidence indicates that, in addition to family ties, there is also the local leadership effect that needs to be considered. Proximity to Syria, and the network on the other side of the border take precedence while making a decision to move. The latter finding might also be due to our sample bias in the study. The findings further underline that, depending on the sectors, the importance of an existing Syrian population undertaking similar work in respective sectors is another reason for moving between cities.
12. The Report will start by providing a general outlook of the 8 provinces and the overall findings of the survey; it will then continue by delivering comparative province-specific findings and conclude with policy recommendations derived from empirical data. Accordingly, the report is divided into three sections. The second section begins with a general

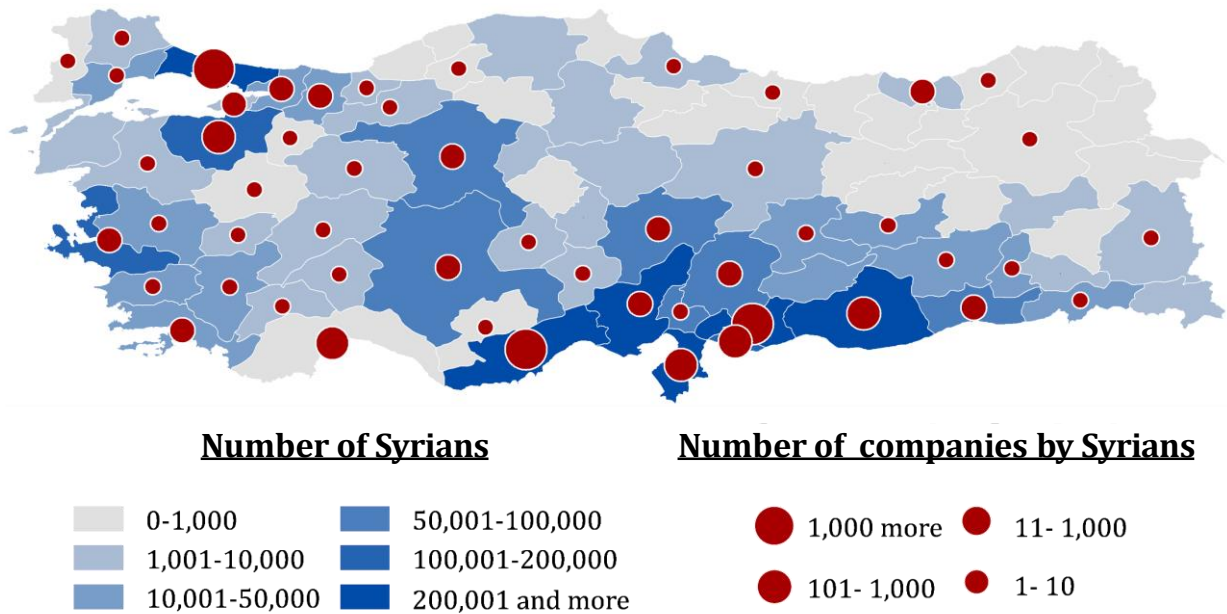
overview of Syrians in Turkey. Sampling methodology is presented. Findings of the survey and, attention-grabbing findings that underline the entrepreneurial activity by Syrians, as well as their familiarity with the operational processes, whether bureaucratic or legal, in the Turkish labor market are elaborated. Finally, the report will conclude by indicating how these findings could be used for the integration of SuTPs and, provide recommendations for future policy formulation. Moreover, findings for the eight provinces of Turkey that the survey was conducted in, are outlined in the Annex. Detailed findings are also noted as to why certain provinces cultivate this risk-taking culture in Syrians, and why these provinces portray higher levels of labor market activity by Syrians than other provinces.

II. An Overview

Syrians in Turkey: Outlook

13. Currently there are 3,546,905 Syrians living in Turkey; in predominately urban settings while only a small fraction is living in refugee camps.¹⁰ According to the Directorate General of Migration Management (DGMM), only 6 percent of Syrians live in 26 government-run camps located in 10 provinces adjacent to Turkey-Syria border. The camps offer shelter, access to services of education and health, monthly cash assistance as a safety net funded by international donors. The camps are also home to some informal entrepreneurship activities. These activities include services such as traditional Syrian food vendors, barbershops, appliances' repairing etc. Syrians, however, have also the freedom to switch to urban settings if they deem necessary to secure better living conditions. Hence the 94 percent of Syrians in Turkey are currently dispersed around Turkey in urban areas; thus refugee influx is also a problem of cities in Turkey (see Figure 1). Regarding the urban distribution of Syrians, we notice two major clusters. The first one is in Istanbul where 16 percent of Syrians are living. Taking into consideration Istanbul's vibrant economy, we could infer that self-resilience might have driven many Syrians to settle in the mega city. The second cluster is in the southeast region of Turkey. Almost one-third of Syrians live in nine provinces next to the Syrian border. This is a classic pattern in other force displacement examples. Geographic proximity is a key factor in finding safety for people fleeing violence. This is the case for Syrians in neighboring countries, Palestinians in Jordan, and Afghans in Iran and Pakistan.

Figure 1 Distribution of the Syrian Population in Turkey



Source: DGMM

* Syrian companies here mean companies that are owned by Syrians and/or companies that have a Syrian partner

10 http://www.goc.gov.tr/icerik6/gecici-koruma_363_378_4713_icerik

14. Policies aimed at integrating Syrians under Temporary Protection (SuTPs) in Turkey, especially in relation to labor market, developed at a late point and lacks exhaustive monitoring and evaluation mechanisms. Turkey's policy of SuTPs' integration to the labor market has become a priority as late as 2016. The core of the work permit regulation for Foreigners under Temporary Protection evolves around the following key points.

- a. The foreigner must be registered under Temporary Protection for at least six months;
- b. A foreigner registered under Temporary Protection has the right to obtain a work permit only in the province of registration;
- c. The employer, with a formally registered business, applies on behalf of the foreigner employee under Temporary Protection;
- d. The number of employed foreigners under Temporary Protection at any workplace cannot exceed 10 percent of the total number of locals at that workplace;
- e. Employers who employ foreigners under Temporary Protection are exempt from applying for work permits if they are operating in seasonal agriculture or livestock business;
- f. Those who seek self-employment are responsible from applying for their work permits through an online portal.¹¹

Syrians under Temporary Protection who sought entrepreneurship prior to 2016 law did not face any bureaucratic red tapes in registering or running an entrepreneurial activity. 2016 also witnessed a new law regarding foreigners who wish to work as interns or apprentices in Turkey. Foreign students, who wanted to work while studying, which was previously prohibited, was allowed. The law has also issued a special work permit, 'Turquoise Card', to attract those with higher education degrees, occupational experience or the potential to contribute to science and technology. Institutionally speaking, the Directorate General of International Labor Force was established in 2016, with the authority to meet foreign employment demands.¹² Prior to this landmark, Syrians registered were not questions as to their skills, education and job creation capabilities.

15. Findings on labor market integration of Syrians indicate that the formal integration of Syrians into the labor market has been progressing slowly. Primarily, it must be pointed out that the 2016 change in regulation regarding the issuance of work permits to Syrians was a step towards the right direction.¹³ However, as it stands, there are 2.2 million Syrians who are of working-age but only 1 percent of them have been issued work-permits (see Figure 2). This low number can be attributed to certain impracticalities regarding the application process, i.e. only employers can apply for their Syrian employees' work permits. Additionally, lack of regulatory

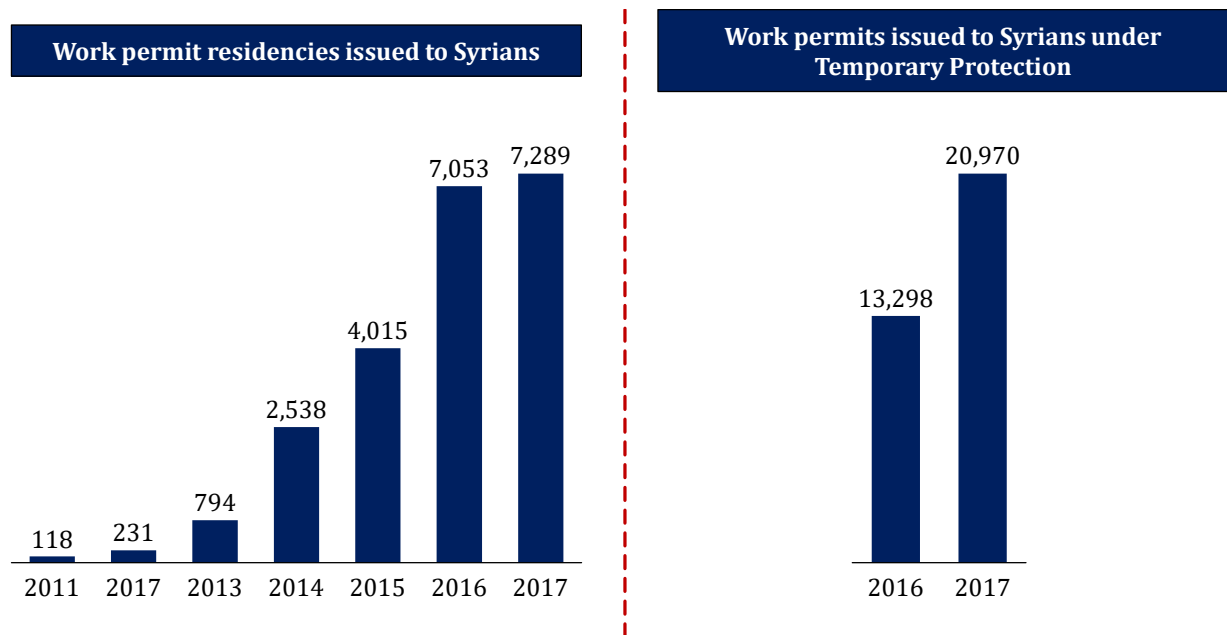
11 <https://www.csgb.gov.tr/media/5893/gkkuygulamarehberi.pdf>

12 <http://www.hurriyetdailynews.com/turkish-parliament-passes-new-labor-law-on-foreigners---102241>

13 <http://www.unhcr.org/news/latest/2016/1/569ca19c6/high-commissioner-welcomes-turkish-work-permits-syrian-refugees.html>

awareness among Turkish employers and delays in processing the work permit application at government level slow down the progress of integration. Nonetheless, it is estimated that the number of Syrians in the informal labor market stands at around 1 million, about approximately half of the working-age population.¹⁴ Yet, the willingness of Syrians to integrate into the labor market and utilize their own business networks is increasingly evident as there are currently around 9,978 Syrian companies in Turkey established between 2010 and 2018* (see Figure 3).¹⁵ It is evident that an increase in employment opportunities for Syrians must be targeted and certain policy options must be exhausted, both, to kick-start integration and to increase formal employment opportunities. The latter has become of importance especially after the signing of the EU-Turkey deal.

Figure 2 Work Permits issued to Syrians, 2011 – 2017



Source: Ministry of Labor and Social Security, DGMM, and media outlets

The latest shared data. However, it is expected that the number of Syrians with work-permits have risen.

- 16. Syrian businesses surveyed demonstrate that they are mostly micro-size, and that they predominantly operate in the services sector.** The general profile of the Syrian companies indicates that 66 percent of them employ less than 5 employees and the average number of employees is 7.3. In comparison, the Turkish companies in the sample were rather of small to medium size with 53 percent of the companies hiring 5 to 50 employees, with 26.6 employees on average. Sector-wise, 71 percent of the Syrian companies operate in services, 14 percent in retail, and 15 percent in manufacturing. Comparatively, 59 percent of the Turkish companies operate in services, 22 percent in retail, and 19 percent in manufacturing.

¹⁴<https://www.worldbank.org/en/news/opinion/2018/06/26/integrating-refugees-into-the-turkish-labor-market>

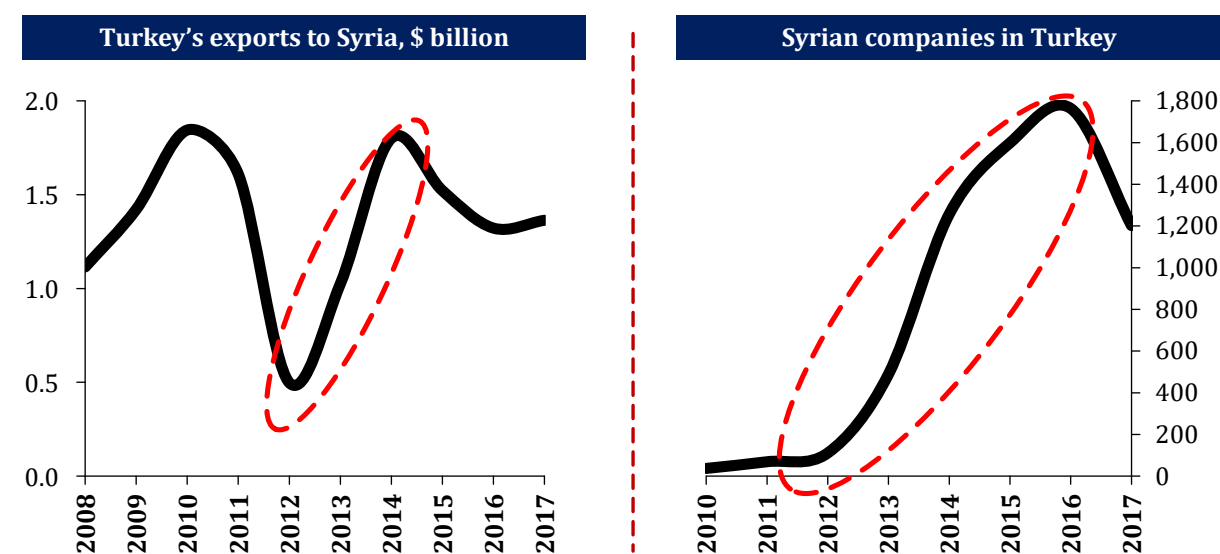
¹⁵ DGMM and TOBB Data

*First six months of 2018

17. There are 9,978 companies that are either owned or partnered by a Syrian in Turkey. With an average employment of 7.3 employees, we estimate current Syrian formal employment in Turkey to be around 44,000. Since average household size for Syrian families stand at 6, our estimate is that 7 percent of the Syrian population in Turkey is being looked after with the earnings of the private sector by formal means. This, in turn, supports the vital role of the entrepreneurial initiatives carried out by Syrians in Turkey and their willingness, out of necessity, to commence the integration process using their own means.

18. Another important point to note is that Syrian companies have probably helped rebalance Turkey's exports to Syria. Generally speaking, wholesale refers to export and import activities. In this regard, there has been a sort of correlation between the increase in the number of the Syrian companies in Turkey especially since 2013, and Turkey's exports to Syria (see Figure 3). Turkey's exports dwindled sharply from \$1.84 billion in 2010 to \$500 million in 2012. By 2014, Turkey's exports to Syria bounced back to near pre-war levels, but then exports went through a moderate decline and the figures at the end of 2017 indicate that Turkey's exports to Syria stood at \$1.3 billion. Alongside the fluctuation in Turkey's exports to Syria there was another trend shaping the performance of provincial exports. In the heyday of Turkey's exports to Syria, Istanbul was the hub with exports volume of \$616 million in 2011. Istanbul's exports steadily decreased in the following years and reached \$133 million in 2017. The same period witnessed the emergence of new export hubs to Syria (See Annex). These are namely three border provinces: Gaziantep, Hatay, and Mersin. Gaziantep's exports to Syria slowly increased from \$96 million in 2011 to \$393 million in 2017. Similarly, Hatay's exports increased \$97 million to \$207 million and Mersin's exports grew from \$15 million in 2011 to \$207 million in 2017.¹⁶

Figure 3 Number of Syrian companies in Turkey and exports to Syria



Source: TOBB Data and TURKSTAT

19. **The need for an in-depth mapping of the situation SuTPs are in, especially, with regards to the level of integration into the labor market is underlined by all relevant stakeholders such as the World Bank (WB), United Nations High Commissioner on Refugees (UNHCR) as well as the Turkish Employment Agency (İŞKUR) in their respective publications.**¹⁷¹⁸ Any attempt to do so, however, is met with certain obstacles driving from the lack of data and transparency and a clouded and inadequate system of cooperation among relevant institutions, governmental or non-governmental. In turn, the witnessed increase in the number of projects aimed at collecting and interpreting data can be attested to public and private sectors' eagerness to invert such an environment. With such a motivation, the Economic Policy Research Foundation of Turkey (TEPAV) and European Bank of Reconstruction and Development (EBRD) cooperated in preparing and conducting a tailor-made EBRD-TEPAV Turkey Refugee Enterprise Survey (TRES) that seeks to identify the performance of Syrian partnered firms in Turkey. Providing findings from 8 provinces in the Southeast region of Turkey, the tailor-made survey seeks to map the obstacles to market entry when it comes to the Syrians. Hence, the results of the TRES survey will help construct informed policies to increase the number of formally employed Syrians by encouraging further entrepreneurial activity of SuTPs and pave the way for increased social cohesion.

EBRD – TEPAV Turkey Refugee Enterprise Survey

Sampling Methodology

20. **The objective is to conduct a firm-level survey aimed at understanding the perception of refugee-driven firms in the environment which they operate and to assess the impact of the refugee influx on non-refugee driven SMEs in refugee hosting communities.**¹⁹ And, **to identify how they perceive each other.** The topics covered in the custom made TRES include infrastructure, trade, finance, regulations, taxes and business licensing, corruption, crime and informality, labor, and perceptions about obstacles to doing business.²⁰

21. **The sample was selected based on the TRES sampling methodology which uses stratified random sampling, and the list of refugee-driven companies, and local SMEs were drawn from the Turkish Union of Chambers and Commodity Exchanges of Turkey (TOBB) database.** The TRES methodology uses sector, city, company size and age/sex of ownership as strata; however, data for company size and age/sex of ownership are not available in the TOBB database therefore these could not be identified and used. As a result, the sample was stratified by sector (manufacturing, other services, retail), and by city (namely Şanlıurfa, Hatay, Gaziantep, Adana, Kilis, Mersin, Mardin, Kahramanmaraş). The TRES sampling methodology uses ISIC Rev.3 as a reference for industry classification; however, the TOBB database has NACE Rev.2 as a reference for industry classification. Due to the problems involved in converting ISIC Rev.3 to NACE Rev.2, NACE Rev.2 industry classification has been used in the current exercise.

17 <http://documents.worldbank.org/curated/en/505471468194980180/pdf/WPS7402.pdf>

18 <https://data2.unhcr.org/en/documents/download/54522>

19 World Bank Enterprise Surveys Note, <http://www.enterprisesurveys.org>

20 Enterprise Surveys Indicator Descriptions

22. The project team selected sample of a total of 400 companies, which are then divided into 200 local and 200 refugee-driven companies. According to the TOBB database, there are 104,423 local SMEs and 2,122 refugee driven companies for relevant sectors of TRES in the population when these 8 selected cities are considered, resulting in a total of 106,545 companies. Based on the required computations for sample size, we selected a total of 400 companies, which are then divided into 200 local and 200 refugee-driven companies. With regards to the sample sizes for the two sub-populations with different overall populations, the levels of precision are the same for local and refugee-driven companies at 95 percent confidence interval. Initially, population size was estimated with 7 percent sampling error for refugee driven companies, and for local SMEs.

23. The sample size was then distributed to cities in proportion to their relative population. Additional surveys were conducted from the predetermined number of surveys, making up to a total of 207 local and 209 refugee-driven company surveys. Therefore, estimation for the population size changed from 7 to 6 percent sampling error for refugee driven companies, while remaining at 7 percent sampling error for local SMEs. Accordingly, Tables 1 and 2 show the distribution of companies in the selected cities for the local and the refugee-driven companies, respectively.

Table 1 Sample size for local companies

| | Other Services | Manufacturing | Retail | Total |
|---------------|----------------|---------------|-----------|------------|
| Adana | 25 | 9 | 8 | 42 |
| Gaziantep | 21 | 13 | 10 | 44 |
| Hatay | 18 | 3 | 7 | 28 |
| Kilis | 2 | 0 | 1 | 3 |
| Kahramanmaraş | 9 | 4 | 9 | 22 |
| Mardin | 6 | 3 | 1 | 10 |
| Mersin | 32 | 6 | 8 | 46 |
| Şanlıurfa | 8 | 2 | 2 | 12 |
| Total | 121 | 40 | 46 | 207 |

Source: TOBB Data, TEPAV calculations

Table 2 Sample size for refugee-driven companies

| | Other Services | Manufacturing | Retail | Total |
|---------------|----------------|---------------|-----------|------------|
| Adana | 0 | 2 | 0 | 2 |
| Gaziantep | 50 | 16 | 11 | 77 |
| Hatay | 40 | 2 | 8 | 50 |
| Kilis | 2 | 0 | 1 | 3 |
| Kahramanmaraş | 0 | 1 | 1 | 2 |
| Mardin | 0 | 0 | 0 | 0 |
| Mersin | 48 | 9 | 8 | 65 |
| Şanlıurfa | 7 | 1 | 2 | 10 |
| Total | 147 | 31 | 31 | 209 |

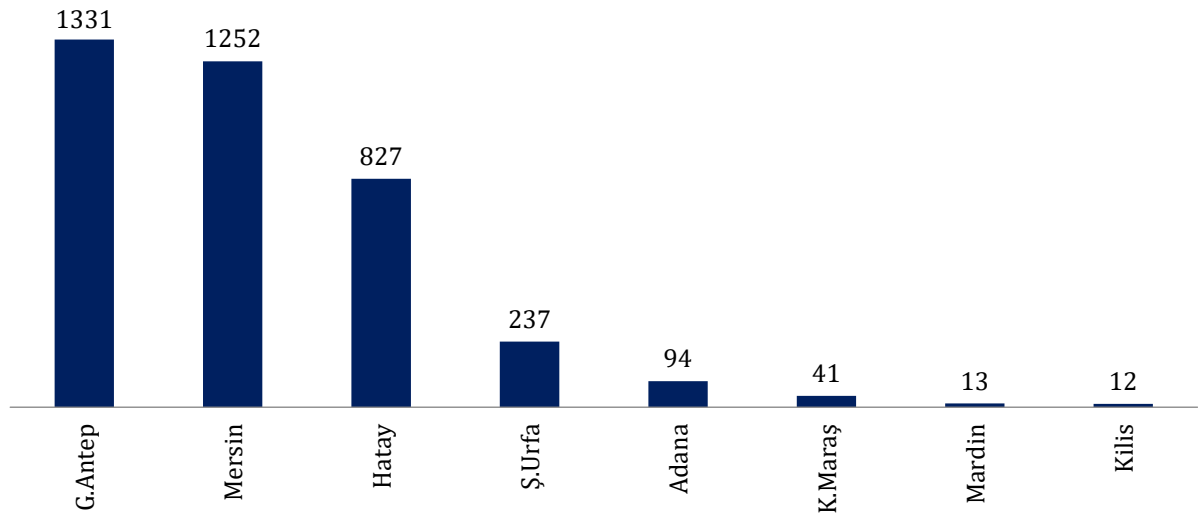
Source: TOBB Data, TEPAV calculations

- 24. To conduct the surveys, 8 academic consultants and 39 university students (TR: 18 & SYR: 21) were employed.** Consultants were briefed by TEPAV in Ankara, followed by meetings in Gaziantep and Adana both to consultants and pollsters to answer questions and point-out certain firm-specific questions in the surveys. Following these, firm appointments were taken by the Ankara team and surveyors conducted the surveys. Accordingly, Ankara team also accompanied pollsters in 31 companies in Hatay and Gaziantep for random controls. And up to 10 firm-surveys were conducted by the Ankara team to pose an example for first-time pollsters. As a result, data cleaning and entry was undertaken by the Ankara team at TEPAV, and the findings are given below.
- 25. It should be noted that conducting a survey with Syrian entrepreneurs proved to be difficult for a number of reasons.** The first reason is the outdated contact information of the businesses. The local chambers do keep records of addresses, e-mails, and telephone numbers of the registered businesses. Nonetheless, when a business owner changes any of the aforementioned, especially the phone number, they do not notify the chambers promptly. Consequently, initiating contact was problematic. Another reason is the lack of trust. There was a high degree of suspicion about the aim of the study and uncertainty about data confidentiality especially while operating in a new environment. An additional reason was the language barrier which led the team to employ and train Syrian university students to be used as pollsters. There is also an implicit reason for the reluctance of Syrian entrepreneurs: the latter were most probably not exposed to similar encounters while in Syria, which was evident with the way the survey questions were answered. The other difficulties can be attributed to cultural differences, such as not being punctual with scheduled appointments, and having earlier weekends on Fridays unlike the customary weekend on Saturdays and Sundays in Turkey.

Findings: Leveraging the Turkish Experience

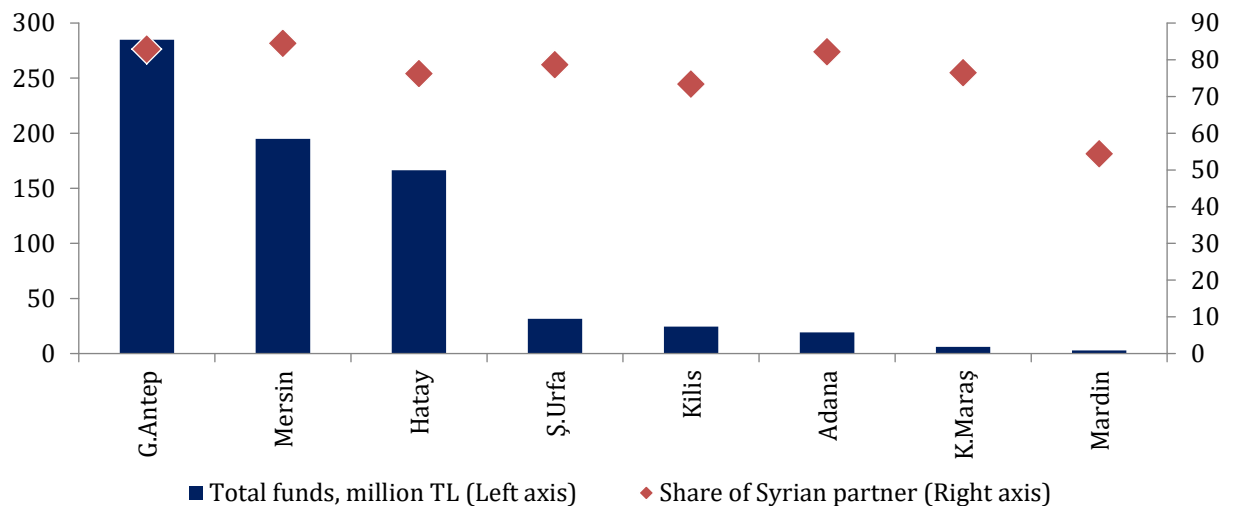
26. The surveys were conducted in 8 cities as 40 percent of total companies with a Syrian partner operate in Gaziantep, Mersin, Hatay, Şanlıurfa, Kilis, Adana, Kahramanmaraş, and Mardin. These cities are also home to 46 percent of total funds invested by Syrians in Turkey (see Figure 5). It must be pointed out here that almost all of the 8 provinces share a border with Syria, therefore point to possible border-bias in findings. Yet, due to the population density of Syrians in Turkey in these eight provinces as well as rules regarding Syrians' inability to move between cities to seek job opportunities, this potential sample bias was disregarded as this has been the sole attempt to collect data on Syrian partnered companies in Turkey.

Figure 4 Number of enterprises with a Syrian partner, selected provinces, 2010-2018 June



Source: TOBB Data, TEPAV calculations

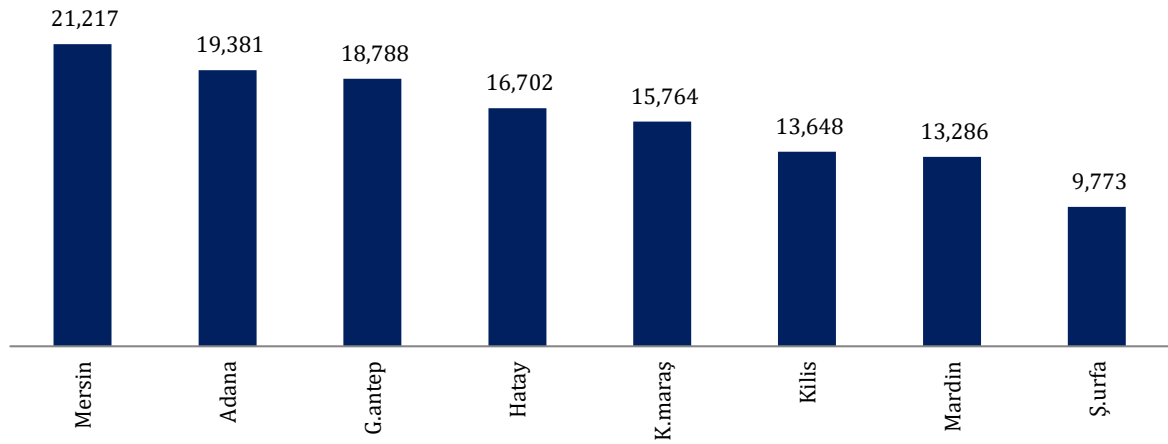
Figure 5 Total funds of companies with a Syrian partner, selected provinces, 2010-2018 June



Source: TOBB Data, TEPAV calculations

27. When the GDP per capita for the 8 provinces in which the surveys were conducted is analyzed, it is seen that these 8 cities have lower mean GDP per capita than Turkey's average.²¹ In comparison findings suggest Mersin has the highest average GDP per capita with TL 21,217. Mersin is followed by Adana (TL 19,381), Gaziantep (TL 18,788) and Hatay (TL 16,702). However, as the provinces of Şanlıurfa, Mardin and Kilis rank the lowest out of these 8 provinces in terms of their mean GDP per capita, the need for increased support to these cities become ever-apparent. Since these cities host large Syrian populations, province-specific policies must be created aimed at increasing these cities' economic output and create jobs.

Figure 6 GDP per capita by provinces, billion TL, 2014

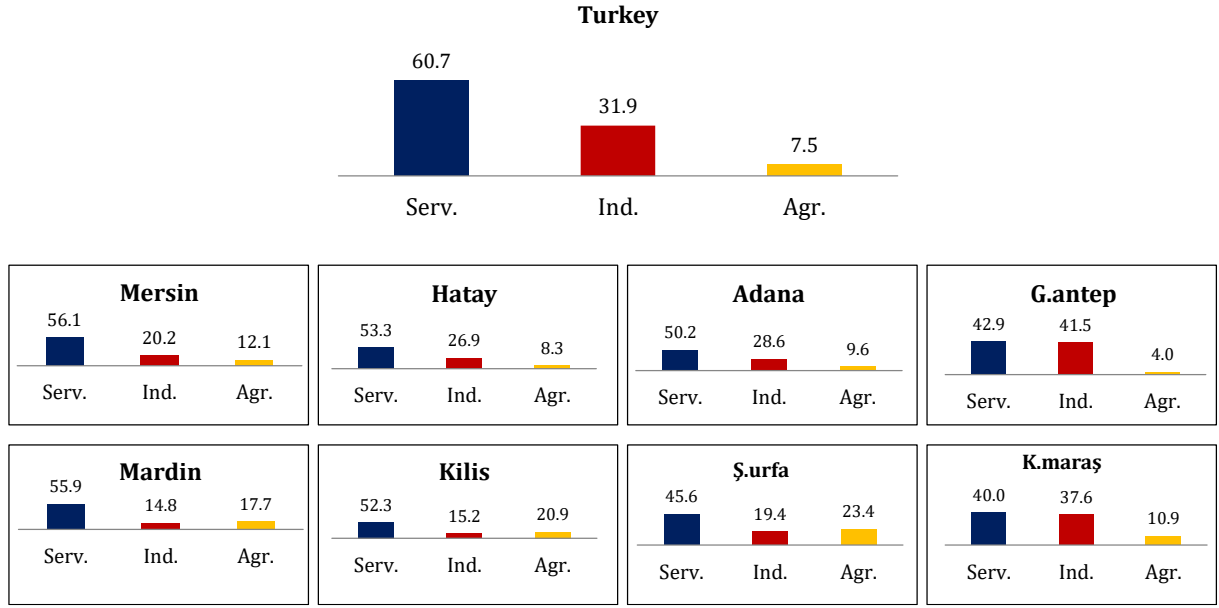


Source: TURKSTAT

28. The sectoral breakdown of GDP of these provinces as of 2014 resembles the Turkish sectoral breakdown, with services taking the lead. However, it shows differences from province to province, with Gaziantep and Kahramanmaraş having a higher industry share than Turkey's average. Whereas, for Mersin (56.1 percent) and Mardin (55.9 percent), the share of services sector in GDP is the highest and the share of industry and services is almost the same for Kahramanmaraş. Şanlıurfa (23.4 percent) stands out as the province with the highest share of agriculture sector in its GDP, followed by Kilis (20.9 percent) and Mardin (17.7 percent).

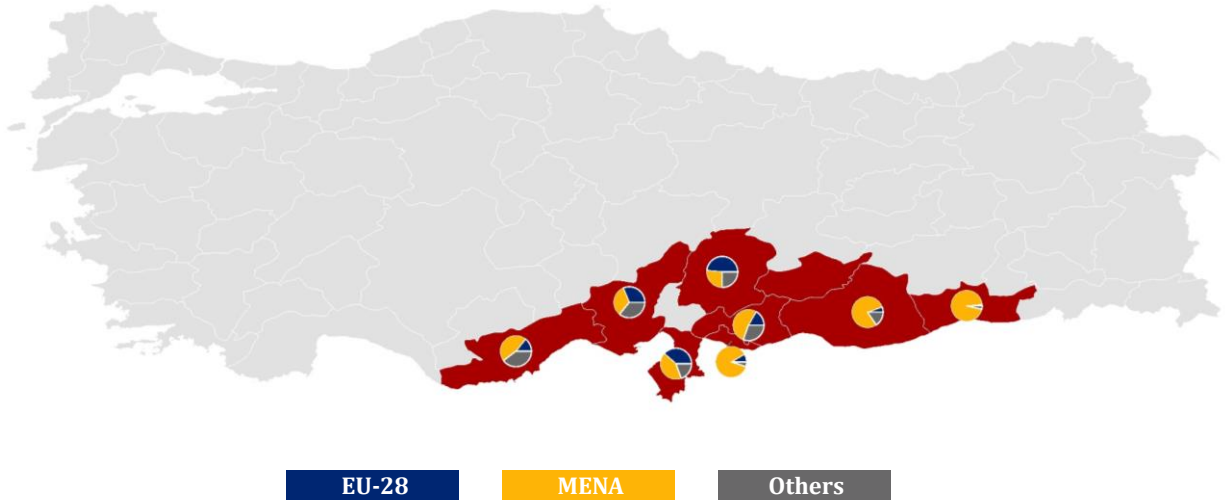
²¹ The average GDP per capita in Turkey was estimated to be 26,489 TL in 2014

Figure 7 GDP by provinces, shares of sectors, %, 2014



29. All these provinces export to EU-28, MENA and other countries as of 2017 with varying shares to each region. Most of the provinces, other than Gaziantep export mostly to the MENA region, while 50 percent of Gaziantep's exports is to the EU. The trade with the MENA region increased as trade with Syria has shown an increase to pre-war levels. This may be attributed to the Syrians' networks on the other side of the border.

Figure 8 Share of exports to regions, %, 2017

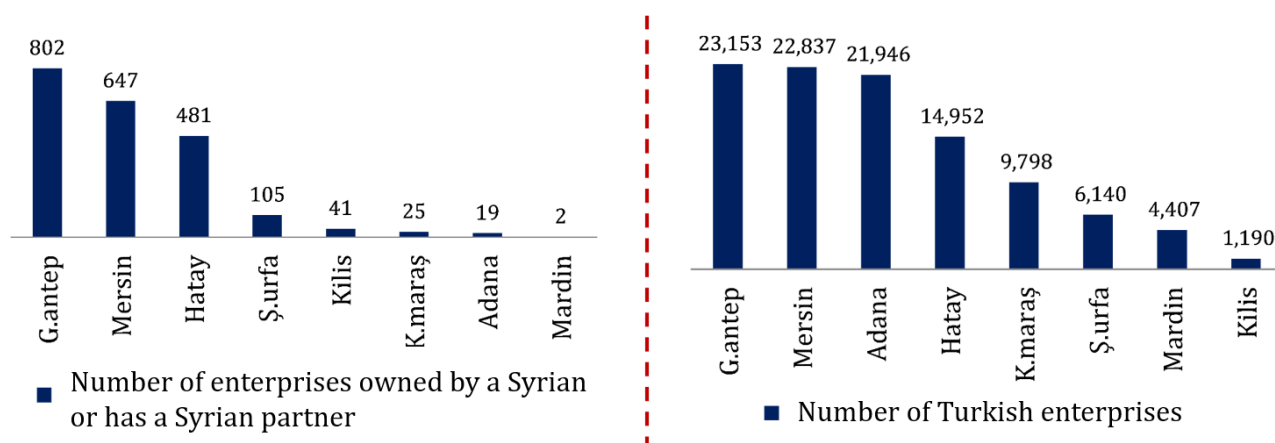


Source: TURKSTAT, TEPAV calculations

30. Approximately 106,545 companies are actively operating in 8 provinces, and 2,122 of them are Syrian businesses, corresponding to 2 percent of all the companies in these 8 cities.

When viewed on a provincial basis, Gaziantep looks to be the most conducive to Syrian enterprises, while it is followed by Mersin (647 companies) and Hatay (481 companies). Interestingly, the share of Syrian companies in the total number of companies in Turkey (3.4 percent) is very close to the share of the Syrian population within the total population of Turkey, which corresponds to around 4.3 percent, implying that Syrians, to a certain extent, are pulling their weight in initiating labor market integration.

Figure 9 Total number of companies operating in these provinces and the number of Syrian companies in these cities



Source: TOBB data, TEPAV calculations

- 31. Equal number of Turkish and Syrian Companies surveyed are also consistent with their respective sectoral breakdown.** 50.2 percent of companies surveyed were Syrian, while 49.8 percent was Turkish. Furthermore, the sectoral breakdown of companies reflects the weighed sectoral choices as evident by the number of total companies established in Turkey by SuTPs. With regards, 64 percent of companies were in services sector, while 19 percent was in retail sector, and 17 percent in manufacturing. In other words, among all companies established by Syrians in Turkey, most chose to do so in services sector, namely by opening a restaurant and tourism agencies.

Figure 10 Number of companies surveyed by nationality

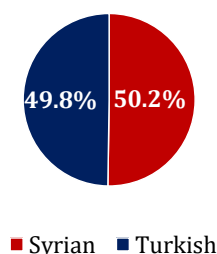
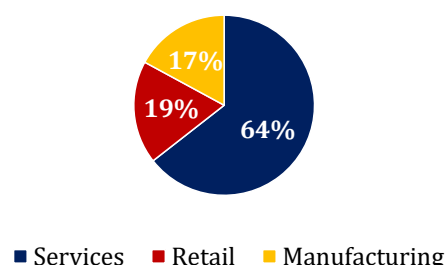


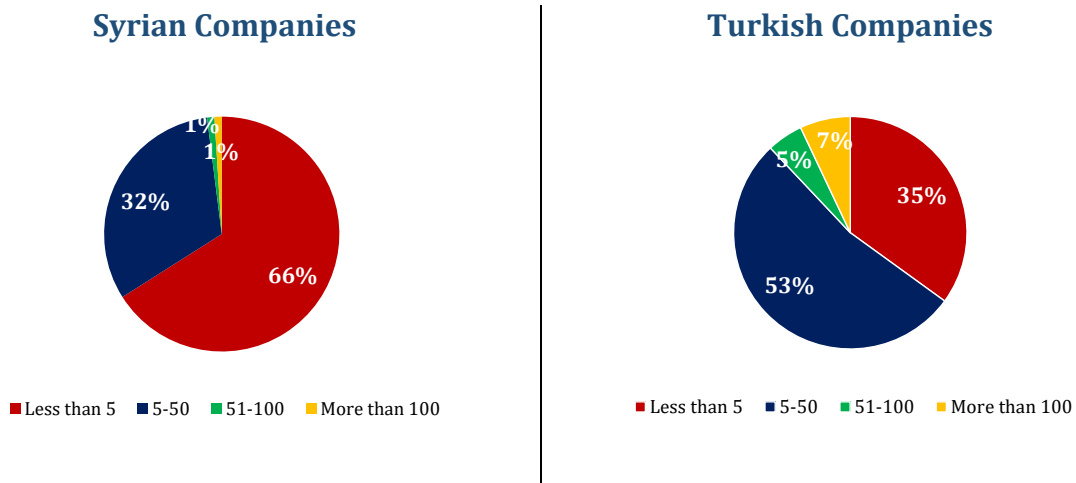
Figure 11 Number of companies surveyed by sectors



Source: EBRD Survey TEPAV calculations

32. Looking at the size of the labor force of companies that were surveyed, it is seen that most Syrian enterprises are micro-size companies while most Turkish companies fall under the Small and Medium-sized Enterprises (SMEs) category. With regards to the Syrian companies, findings show that 66 percent of refugee-driven companies surveyed are employing less than 5 people, while more than half of all Turkish companies employ between 5-to-50 people. Comparatively, around 1 percent of all Syrian companies that were surveyed employ more than 100 people, while this figure is 7 percent for Turkish companies. These findings, in turn, point to a need to adopt measures that encourage growth in micro sized companies through increased market penetration, increased employment, and spreading awareness about available public incentive schemes. The latter may also explain access to finance issues when it comes to the Syrian refugee startups.

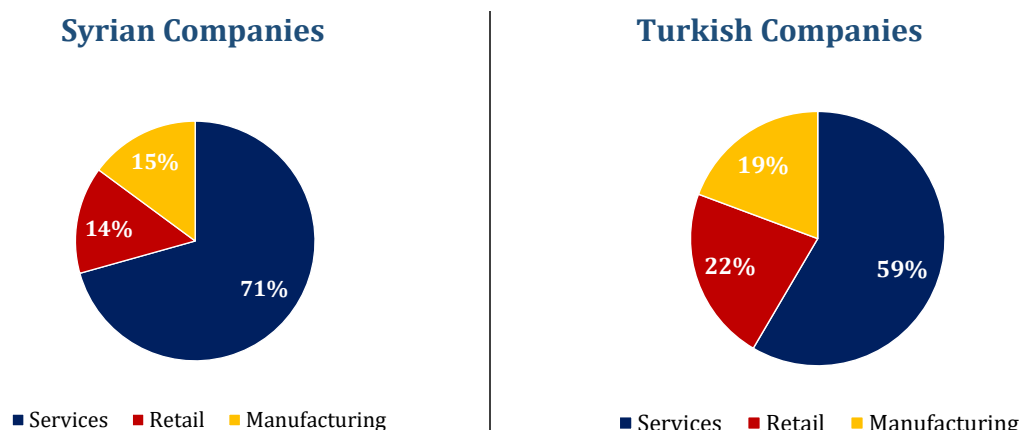
Figure 12 Share of the answers for the question: “How many people were employed in your company, at the end of 2017?”, (Employees and managers are included), %



Source: EBRD Survey TEPAV calculations

33. When the breakdown of sectors is analyzed, Syrian partnered firms are predominantly in the services sector (71 percent), and proportionately more so than their Turkish counterparts (59 percent). Accordingly, 14 percent of the Syrian firms are in the retail sector while that figure is 22 percent for Turkish companies. Furthermore, 15 percent of the Syrian companies are in manufacturing while that figure is 19 percent for Turkish companies. Services sector seems to be the easiest way to integrate into the Turkish business community especially for companies with large Syrian network connections.

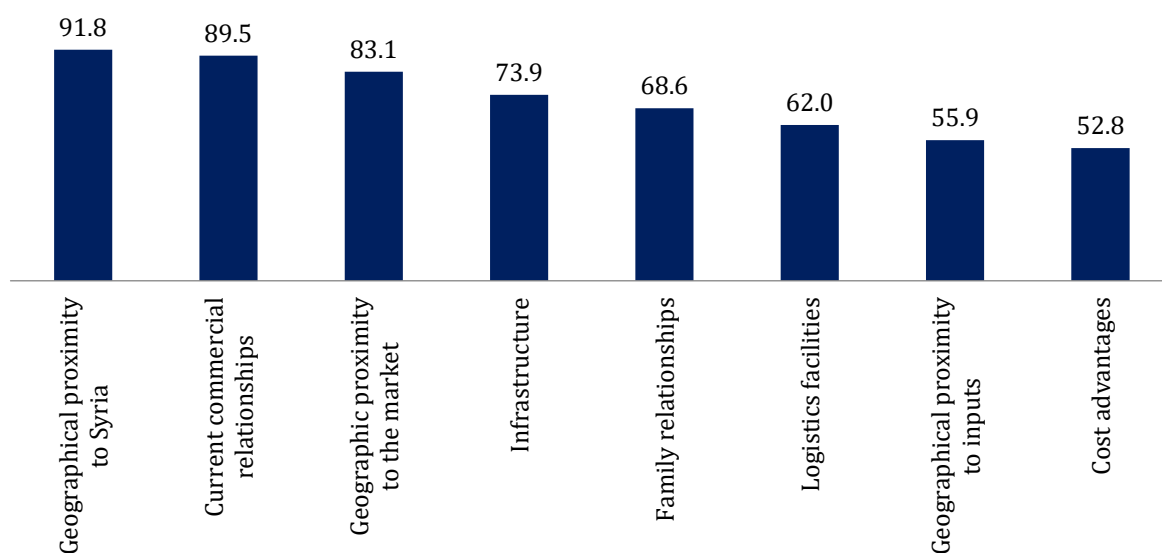
Figure 13 Share of services, retail and manufacturing sectors by nationality, %



Source: EBRD Survey TEPAV calculations

34. When asked why they are establishing their companies in Turkey, geographical proximity to Syria is the primary answer. The majority (91.8 percent) of Syrians who answered the question underlined Turkey's 'geographical proximity to Syria', 89.5 percent selected 'current commercial relationships' and 83.1 percent 'geographic proximity to the market' as their top three (3) choices. This finding is in conformity with Figure 3 that depicted positive correlation between the number of Syrian companies in Turkey and the recovery of Turkish trade with Syria after the Civil War. The other two reasons given by Syrians were 'infrastructure' (73.9 percent), meaning better business environment, and 'family relationships' (62 percent), again underlying the geographical proximity to Syria.

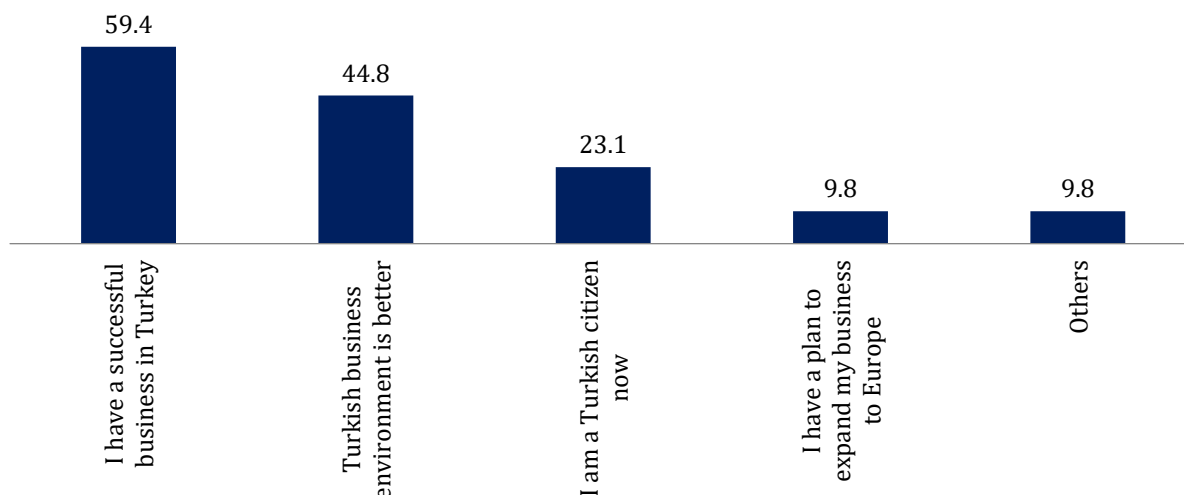
Figure 14 Share of the answers for the question: "Why did you choose Turkey to establish your business?", %



Source: EBRD-TEPAV TRES

35. Survey findings demonstrate that Syrian entrepreneurs do not want to return back to Syria after the war; that is, ‘Syrians are here to stay!’ More than half of Syrians (59.4 percent) state that they have a successful business in Turkey while 71.7 percent of all Syrian business owners’ state that they would not go back to Syria even after the war is over. Furthermore, 44.8 percent of Syrian owners or partners state that the ‘Turkish business environment is better’, while 23.1 percent stated that they are ‘Turkish citizens now’.

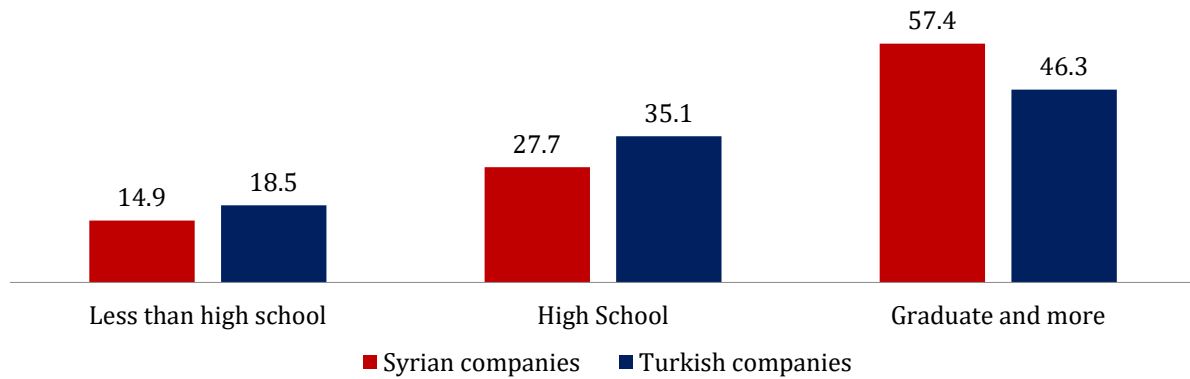
Figure 15 Share of the answers for the question: “Why Syrian entrepreneurs do not want to return back Syria after the war?”, %



Source: EBRD-TEPAV TRES

36. Interestingly, when compared with Turkish companies, educational attainment of employees, and managers in Syrian companies surveyed are predominantly university graduates. While the educational attainment level of 18.5 percent of all employees in Turkish companies are below high school level, the figure is 14.9 percent for Syrian firms. Furthermore, 27.7 percent of employees in Turkish companies have high-school education, in Syrian firms this figure stands at 35.1 percent. However, more important than that, the 57.4 percent of employees and managers of Syrian companies surveyed are university graduates, while the figure is 46.3 for their Turkish counterparts. But when the number of Syrian refugees that are in Turkey are taken into account, more than 3.5 million, this result may be attributed to sample bias.

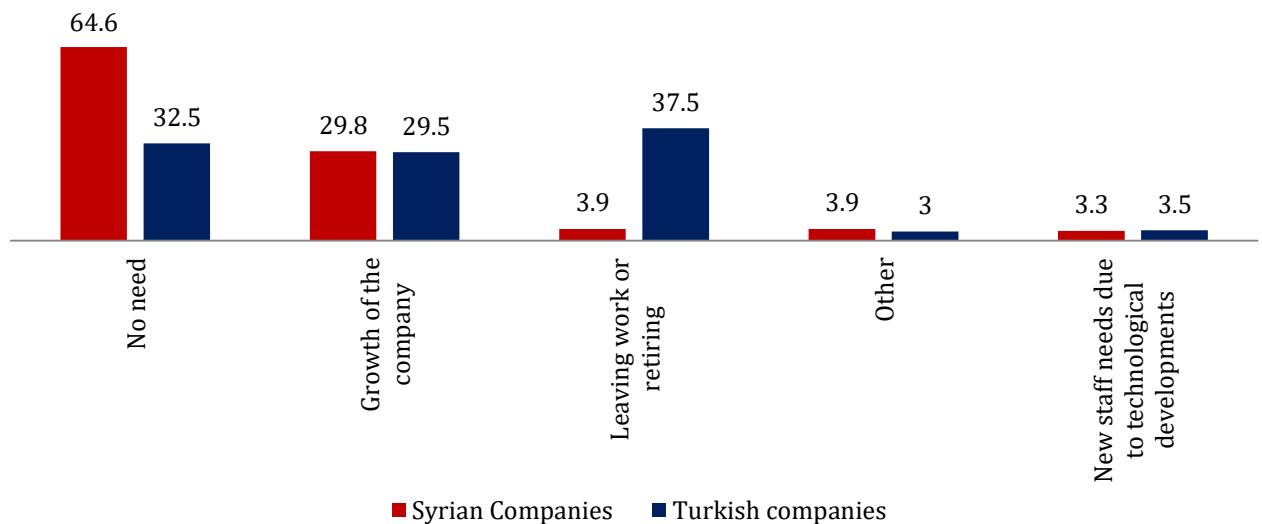
Figure 16 Share of education attainment levels by nationality, %



Source: EBRD-TEPAV TRES

- 37. Findings point out that Syrian companies are not in need of more employment, while Turkish companies need more employees due to their employees leaving work or retiring.** This is evident in 64.6 percent of the surveyed Syrian companies. This implies that Syrian companies are not at the growth stage yet due to the high level of competitiveness in the domestic market and to being involved in the services sector, which usually suffer from high turnover rates. In addition, Syrians have no plans to enlarge their operation; therefore, they are definitely not interested in employing more. Nonetheless, Syrian and Turkish companies, 29.8 and 29.5 percent respectively, asserted that growth is the driver for more employment.

Figure 17 Share of the answers for the question: “What are the reasons for your last 2-year staffing needs”, %

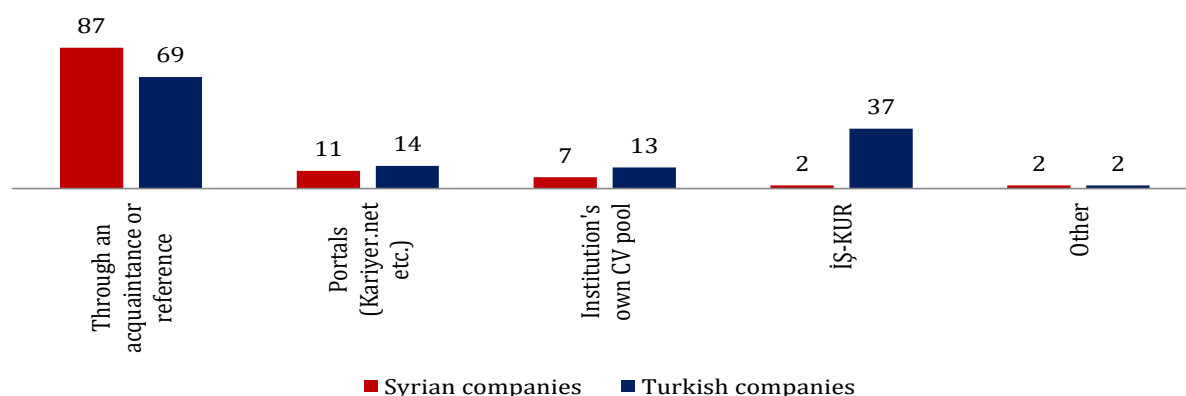


Source: EBRD-TEPAV TRES

- 38. Syrian companies resort to acquaintance and reference for hiring employees, while both use informal channels to find their employees.** Accordingly, 69 percent of Turkish firms and 87 percent for Syrian firms, found employees to hire ‘through an acquaintance or reference’. While

the second most utilized channel for Syrian firms were ‘portals (kariyer.net etc.)’ (11 percent), it was ‘İŞ-KUR’, Turkish Unemployment Agency, for Turkish companies (37 percent). This ratio along with a mere 2 percent of Syrian firms stating that they made use of ‘İŞ-KUR’ in hiring their personnel points to a need for an increase in İŞ-KUR’s penetration into the labor market in Turkey. The latter might be an important indicator of the inability of İŞKUR in serving Syrian job seekers.

Figure 18 Share of the answers for the question: “How did you contact employees you hired within last two years”, %

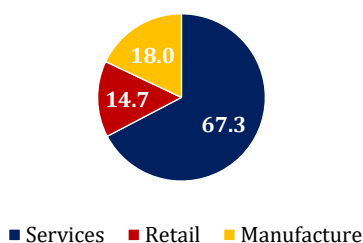


Source: EBRD-TEPAV TRES

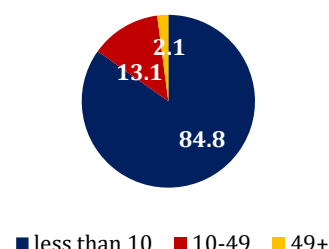
- 39. While it is undeniable that in most cases Syrians who came to Turkey were escaping persecution, the entrepreneurial spirit in Syrians cannot be overlooked.** While 75.4 percent of all Syrians surveyed had a company before coming to Turkey, the remaining 24.6 percent are first-time entrepreneurs. Expectedly, most of these entrepreneurs established their operations in the services sector (67.3 percent) and employ less than ten (10) people (84.8 percent). However, the mean years of establishment (2.4 years) point to a different story where some of the first-time entrepreneurs had established their companies before the Regulation on work-permits was issued in 2016.

Figure 19 Sectoral and employee number breakdown of Syrians who operated a company before coming to Turkey

Sectoral breakdown

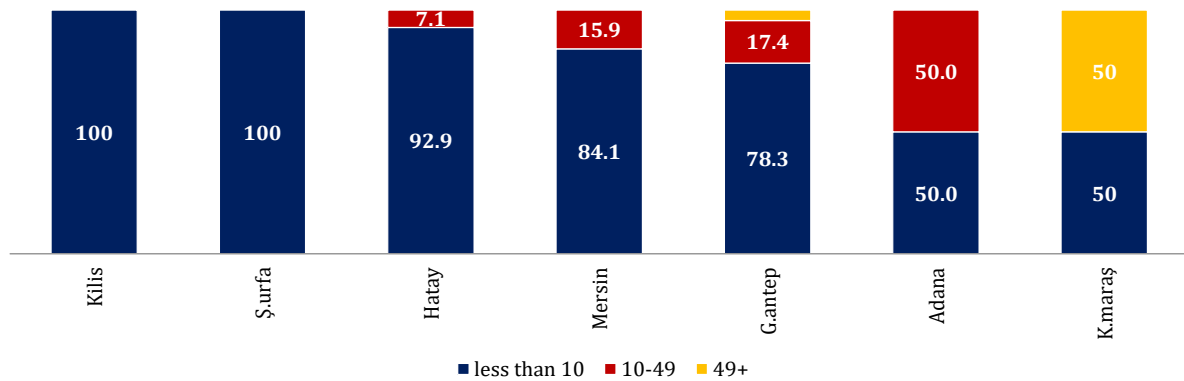


Employee number breakdown



Source: EBRD-TEPAV TRES

Figure 20 Size distribution of Syrian companies that operated a company before coming to Turkey

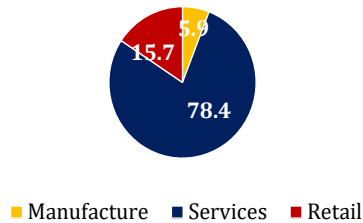


Source: EBRD-TEPAV TRES

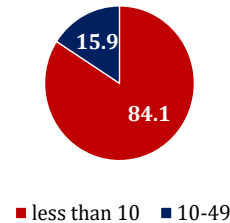
40. **24.6 percent of Syrian entrepreneurs established their first businesses in Turkey. They are actual refugee startups.** Unsurprisingly, most of the first-time entrepreneurs are operating in the services sector (78.4 percent), followed by retail sector (15.7 percent) and manufacture sector (5.9 percent). Since services sector comes to the fore in sectoral breakdown and as most Syrian companies are micro-sized, most first-time entrepreneurs employ less than 10 people (84.1 percent), while a mere 15.9 percent employ between 10-to-49 people.

Figure 21 Sectoral and employee number breakdown of Syrians who are first-time entrepreneurs

Sectoral breakdown

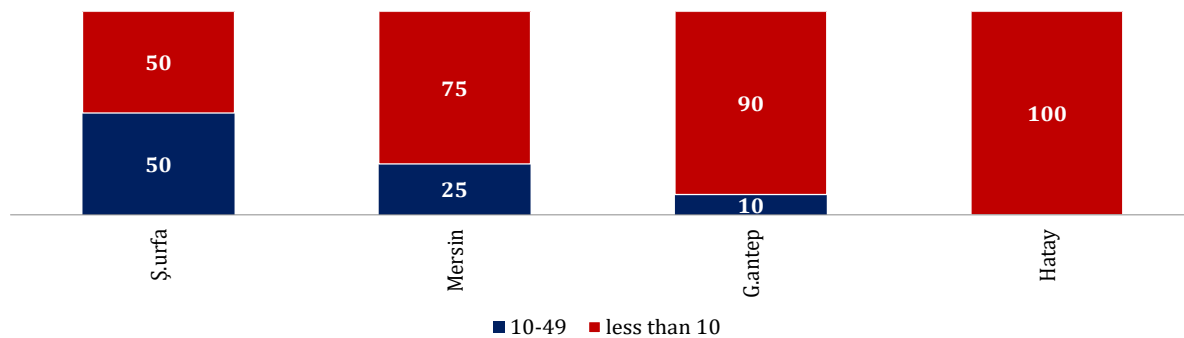


Employee number breakdown



Source: EBRD-TEPAV TRES

Figure 22 Size distribution of Syrian companies that are first-time entrepreneurs by location

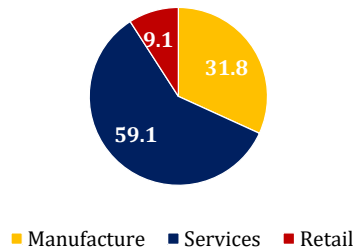


Source: EBRD-TEPAV TRES

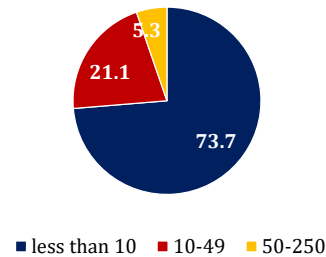
41. Relatively larger firms relocated their operations from other neighboring countries to Turkey. 10.9 percent of Syrians had already established a company in another country, mostly in Egypt, S. Arabia and UAE, before coming to Turkey. While the dispersion of sectors is, once more, predominantly favorable towards the services sector (59.1 percent), it is followed, interestingly by the manufacturing sector (31.8 percent). This higher share of manufacturing sector among business owners who relocated their operation could in turn point to a more conducive industrial sector in Turkey when compared to the countries they relocated their businesses from. Furthermore, when the breakdown of these companies with respect to the number of employees they have employed is analyzed, it is seen that 5.3 percent employ between 50-to-250 people, while 21.1 percent employ between 10-to-49 people. Hence relatively larger firms are relocated from their earlier operations in other neighboring countries.

Figure 23 Sectoral and employee number breakdown of Syrians who tried relocating their businesses before finally settling in Turkey

Sectoral breakdown



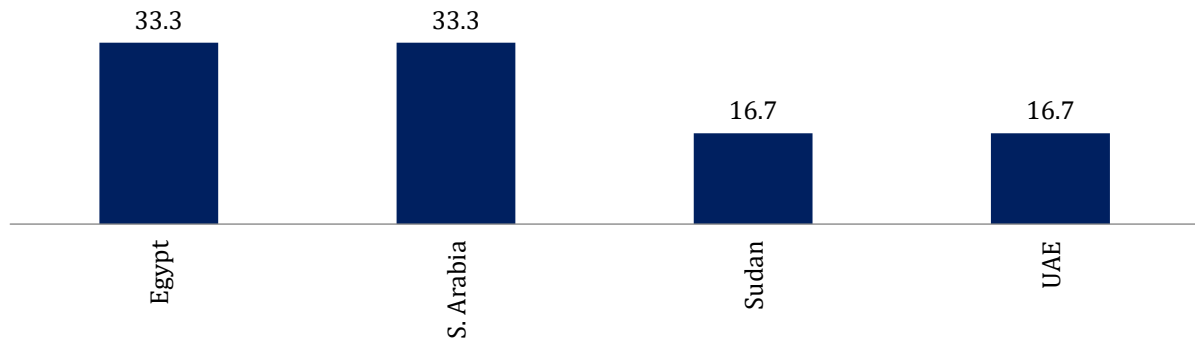
Employee number breakdown



Source: EBRD-TEPAV TRES

42. The countries preferred the most by Syrian business owners or partners before settling in Turkey were Egypt, Saudi Arabia, Sudan and the United Arab Emirates. One of the reasons behind their first choice might be due to their existing networks or familiarity with the regulatory environment in those countries. While the reason behind their relocation must be analyzed further, existing networks with Syria on top of the geographical proximity of Turkey to Syria, together with conducive environment of doing business in Turkey seems to have played an important role in these entrepreneurs' choice to move their businesses to Turkey. As can be seen from the Ease of Doing Business Index 2018 (see Table3), 'dealing with construction permits' and 'protecting minority investors' are the only best performing indicators for Egypt and Saudi Arabia that rate better compared to Turkey's indicators.

Figure 24 Countries preferred the most by Syrians who tried relocating their businesses after leaving Syria and before settling in Turkey



Source: EBRD-TEPAV TRES

Table 3 Ease of Doing Business Rankings, 2018

| | Turkey | UAE | S.Arabia | Egypt | Sudan |
|-----------------------------------|--------|-----|----------|-------|-------|
| Global rank | 60 | 21 | 92 | 128 | 170 |
| Starting a Business | 80 | 51 | 135 | 103 | 159 |
| Dealing with Construction Permits | 96 | 2 | 38 | 66 | 133 |
| Getting Electricity | 55 | 1 | 59 | 89 | 110 |
| Registering Property | 46 | 10 | 24 | 119 | 89 |
| Getting Credit | 77 | 90 | 90 | 90 | 173 |
| Protecting Minority Investors | 20 | 10 | 10 | 81 | 186 |
| Paying Taxes | 88 | 1 | 76 | 167 | 163 |
| Trading across Borders | 71 | 91 | 161 | 170 | 185 |
| Enforcing Contracts | 30 | 12 | 83 | 160 | 146 |
| Resolving Insolvency | 139 | 69 | 168 | 115 | 154 |



The best performing indicator

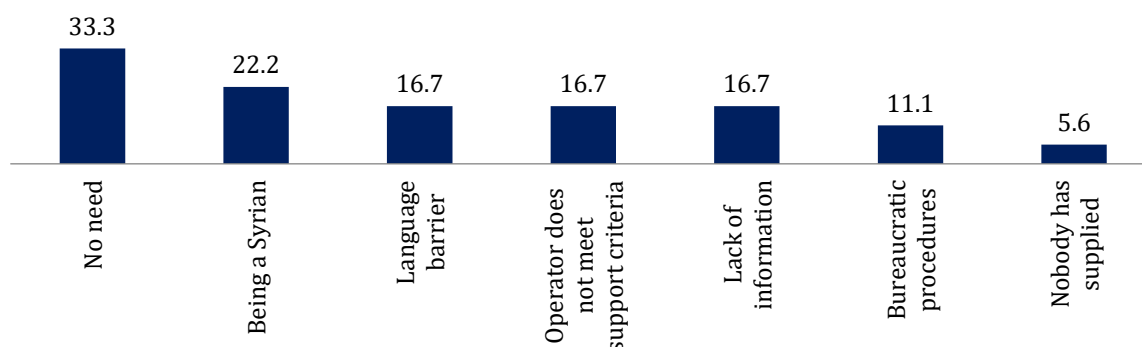


The worst performing indicator

Source: WB Ease of Doing business Index, 2018

- 43. 33 percent of Syrian entrepreneurs that relocated their businesses before finally settling in Turkey stated that they did not apply for subsidies as they did not need any.** Being a foreigner, tackling with the language barrier, and other obstacles are the other main reasons for not applying for any subsidies. In turn, answers such as 'lack of information' and 'being a Syrian' point to a need for mechanisms to disperse the necessary information on these incentive schemes.

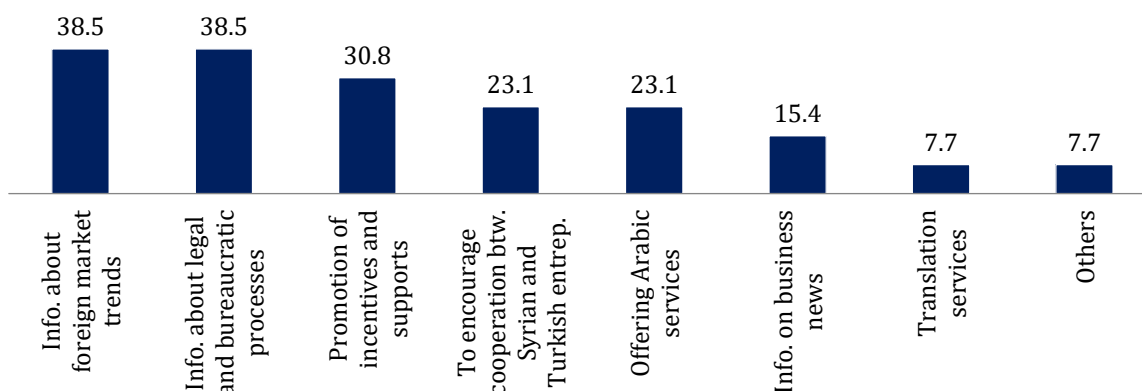
Figure 25 Share of the answers for the question: “What is the main reason why your business does not apply for any subsidies (incentives, support)?”, %



Source: EBRD-TEPAV TRES

- 44. Entrepreneurs who ran businesses in another country before relocating to Turkey benefited the most from the services offered by the chambers on ‘information about foreign market trends’ and ‘information about legal and bureaucratic processes’ with 38.5 percent respectively.** These are trailed by ‘promotion of incentives and supports’ (30.8 percent) and ‘to encourage cooperation between Syrian and Turkish entrepreneurs’ (23.1 percent) and ‘offering Arabic services’ (23.1 percent) respectively. These findings demonstrate a need for capacity building at chamber level in order to increase participation of both Turkish and Syrian firms in guidance services.

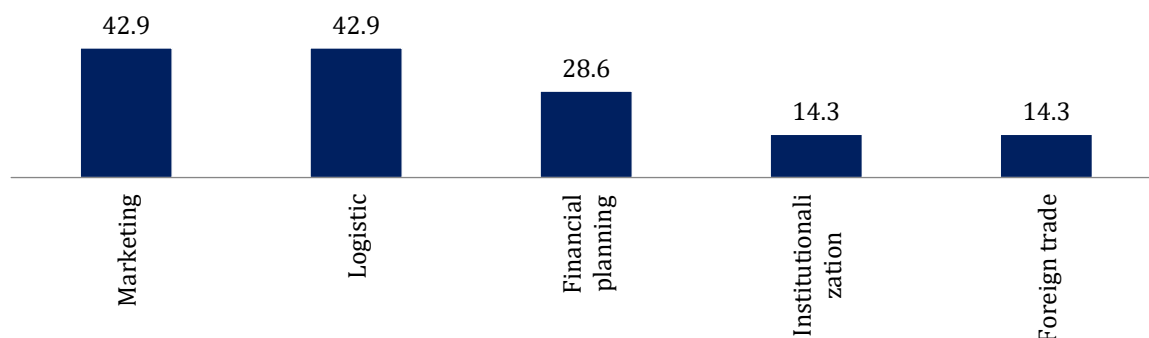
Figure 26 Share of the answers for the question: “Do commercial and industrial chambers guide your company in the business environment?”, %



Source: EBRD-TEPAV TRES

- 45. Similarly, respondents who run businesses in another country before relocating to Turkey stated that they benefited most from marketing (42.9 percent), and logistics (42.9 percent).** Other services benefited from were on issues relating to ‘financial planning’ (28.6 percent), ‘institutionalization’ and ‘foreign trade’ (14.3 percent each), respectively.

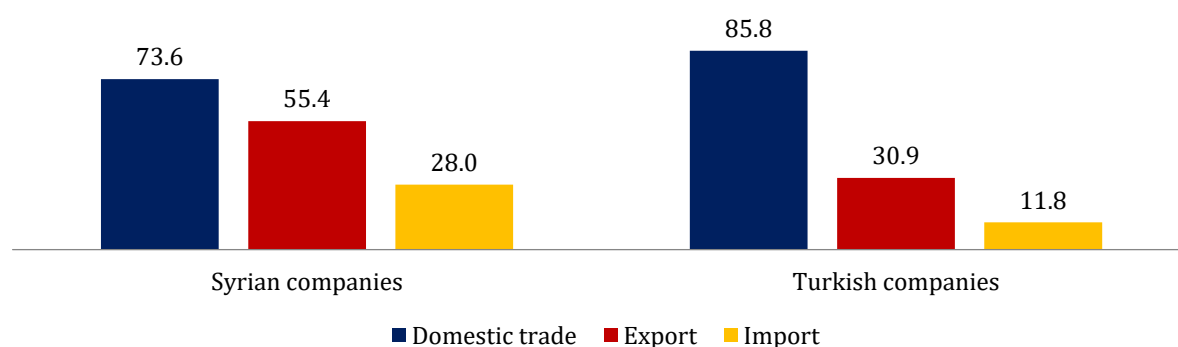
Figure 27 Share of the answers for the question: “Has your company benefited from consultancy services?”, %



Source: EBRD-TEPAV TRES

- 46. Among the surveyed companies, 55.4 percent of the Syrian businesses are exporting while only 30.9 percent of Turkish companies do.** The higher figure with regards to exports on the part of Syrian companies can be explained through the previously mentioned border-bias as well as the Syrian companies’ existing networks on the other side of the border. On the import side, 28 percent of Syrian companies stated that they import while only 11.8 percent of Turkish companies did. With regards to domestic markets, it is seen that only 73.6 percent of Syrian companies sell to the domestic market, therefore implying a higher percentage of export-focused companies, as opposed to 85.8 percent of domestic sales for Turkish companies (see Figure 28). One of the reasons for the export orientation of Syrian companies can be the difficulty of penetrating the domestic market due to severe competition. Export focus of Syrian companies could help form the basis for export-oriented policies that could integrate SuTPs in Turkey, as well as helping in creating new jobs (See Box 2).

Figure 28 Share of the answers for the question “Does your business sell to the domestic market, export or import?”, %

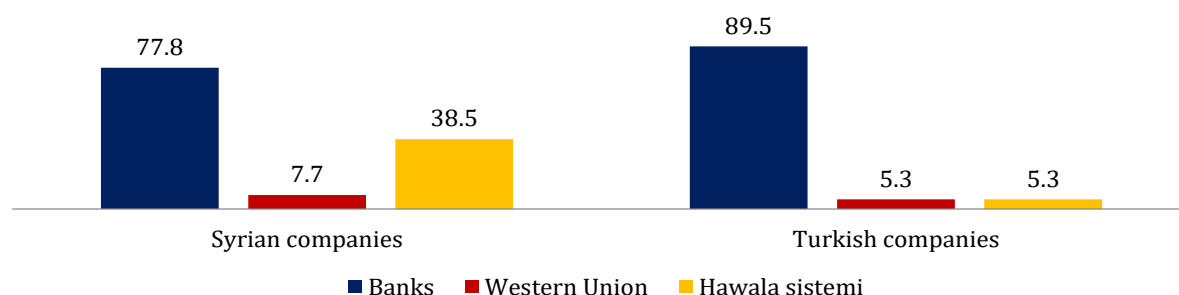


Source: EBRD-TEPAV TRES

- 47. As opposed to their Turkish counterparts Syrian companies’ incidence of using an alternative money transfer system, hawala, is much higher.** More than one-third (38.5

percent) of all Syrians stated that they use the hawala system²², that may be due to religious concerns instead of using the traditional banking system. Another reason for Syrian firms to choose the hawala system may be related to the obstacles in accessing the banking services in Turkey for Syrians. Moreover, 77.8 percent of Syrian companies stated that they use banks as compared to 89.5 percent for Turkish companies, and 7.7 percent of Syrian companies use Western Union (see Figure 29).

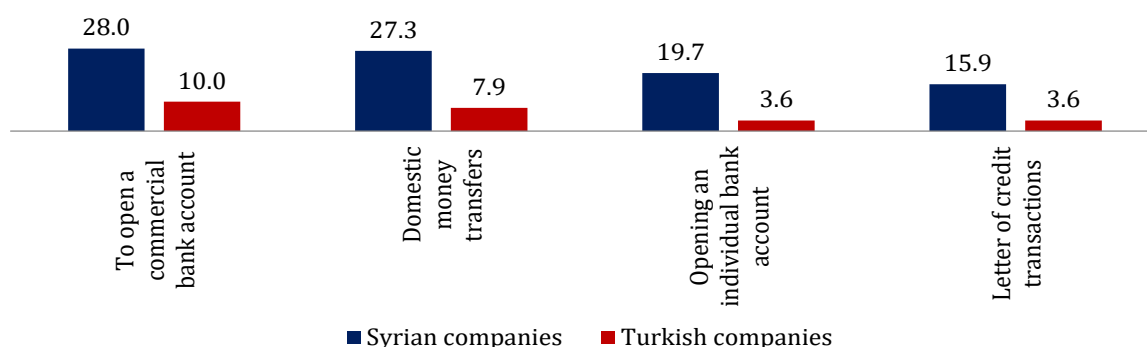
Figure 29 Share of the answers for the question; “From which channel do you pay for your import transactions?”, %



Source: EBRD-TEPAV TRES

- 48. Access to banking systems is still one of the biggest barriers faced by Syrian companies operating in Turkey.** With regards, 28 percent of Syrian employers have stated that they face problems with opening a commercial bank account while a mere 10 percent of the Turkish employers underlined this as a problem. Furthermore, 27.3 percent of the Syrian companies stated they have problems with domestic money transfers, 19.7 percent had problems with opening individual bank accounts and 15.9 percent had difficulties in obtaining letter of credit for their transactions (see Figure 30).

Figure 30 Share of the answers for the question: “Which banking transactions are you having problems with?”, %



Source: EBRD-TEPAV TRES

²² Alternative remittance systems that cover any system used for transferring money from one location to another and generally operating outside the banking channels

49. Despite the hardships faced in accessing banking services, findings show that Syrian companies prefer certain banks over others due to the internal policies of the banks. With regards, while Turkish companies choose to work the most with İş Bankası, Garanti Bankası, Akbank and Yapı Kredi Bankası, respectively, their Syrian counterparts prefer Ziraat Bankası, Kuveyt Türk Katılım Bankası, Türkiye İş Bankası and Albaraka Türk Katılım Bankası (see Table 4). The differences in preferred banks can be attributed to the sensitivities shown by Kuveyt Türk and Albaraka Türk banks to the religious tendencies of Syrians and the ease of opening bank accounts at Ziraat Bankası.

Table 4 Top 10 banks preferred the most by Turkish and Syrian company owners or partners, comparatively, %

**Top 10 banks that Turkish
companies work with, %**

| Rank | Banks | Share |
|------|--------------------|-------|
| 1 | Türkiye İş Bankası | 46.4 |
| 2 | Garanti Bankası | 29.4 |
| 3 | Akbank | 23.5 |
| 4 | Yapı Kredi Bankası | 20.9 |
| 5 | Ziraat Bankası | 16.3 |
| 6 | Qnb Finansbank | 11.8 |
| 7 | Vakıfbank | 11.1 |
| 8 | Halkbank | 9.2 |
| 9 | Denizbank | 8.5 |
| 10 | TEB | 5.9 |

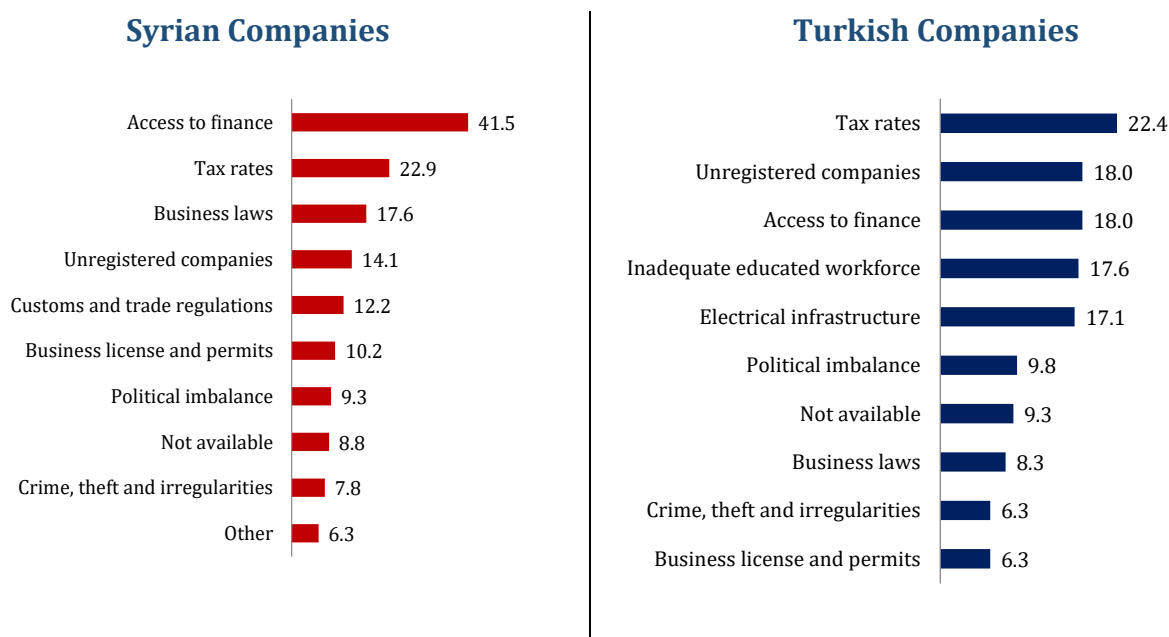
**Top 10 banks that Syrian
companies work with, %**

| Rank | Banks | Share |
|------|--------------------------------|-------|
| 1 | Ziraat Bankası | 43.1 |
| 2 | Kuveyt Türk Katılım Bankası | 40.2 |
| 3 | Türkiye İş Bankası | 20.1 |
| 4 | Albaraka Türk Katılım Bankası | 14.4 |
| 5 | Akbank | 6.9 |
| 6 | Vakıfbank | 5.2 |
| 7 | Türkiye Finans Katılım Bankası | 4.6 |
| 8 | Halkbank | 2.9 |
| 9 | Qnb Finansbank | 2.3 |
| 10 | Garanti Bankası | 1.1 |

Source: EBRD-TEPAV TRES

50. Along with difficulties in accessing banking services, access to finance is the biggest obstacle for Syrian companies. When asked about the biggest obstacle their company faces, almost half of Syrian companies stated 'access to finance' (41.5 percent) as their primary obstacle, trailed by 'tax rates' (22.9 percent) and 'business laws' (17.6 percent) (see Figure 31). Turkish firms on the other hand, stated that their biggest obstacle is 'tax rates' (22.4 percent), 'unregistered companies' and, interestingly, 'access to finance' (18 percent).

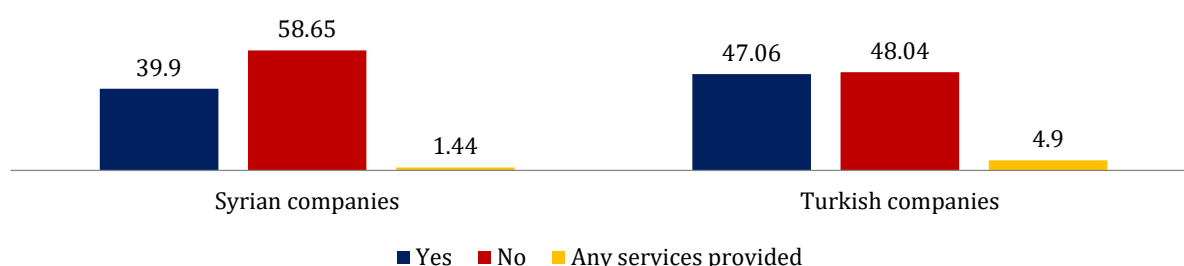
Figure 31 Share of the answers for the question: “What is the biggest obstacle for your company?”, % ,top 10 answers



Source: EBRD-TEPAV TRES

51. Another difficulty faced by Syrian companies is related to receiving guidance from chambers. Findings show that 58.65 percent did not receive any guidance from chambers. Surprisingly however, the percentage for Turkish companies is also quite high at 48.04 percent. These findings demonstrate a need for capacity building at chambers level and for creating additional channels to reach Syrian companies. Doing so could pave the way for a more inclusive labor market where companies, Syrian or Turkish, could benefit from.

Figure 32 Share of the answers for the question: “Do commercial and industrial chambers guide your company in the business environment?”, %



Source: EBRD-TEPAV TRES

52. One of the areas where Syrian companies required assistance from chambers is related to the regulatory and legal framework of Turkey. Carefully dissecting the services utilized by most companies, it is seen that 39.9 percent of Syrian companies received guidance from chambers, 59.5 percent looked to chambers for ‘information about legal and bureaucratic processes’, 36.7 percent for ‘promotion of incentives and support’, 35.4 percent for ‘information

on business news', and to 'encourage cooperation between Syrian and Turkish enterprises' (see Table 5). Similarly, the top three (3) services Turkish companies benefited from are the same, with differences in rankings; these are 'information on business news' (61.7 percent), 'promotion of incentives and supports' (41.5 percent) and 'information about legal and bureaucratic processes' (19.1 percent). Sharing similar needs with different priorities provides the Chambers and other relevant stakeholders with signals to effectively enrich the track of companies' growth with specific services.

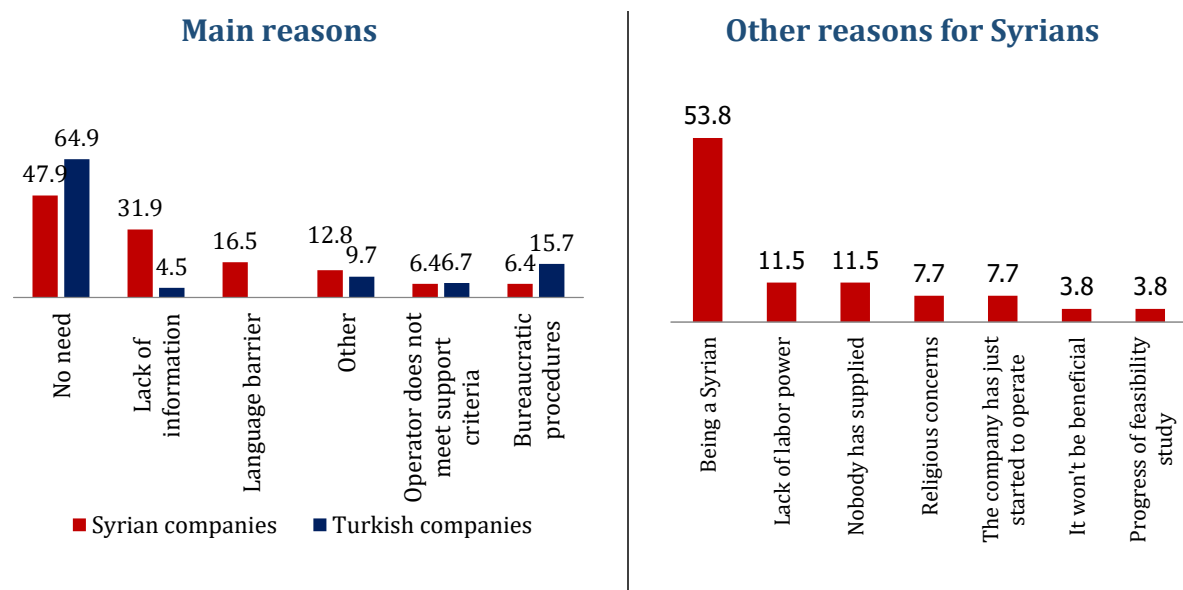
Table 5 Top 5 services that both Syrian and Turkish companies have benefited from, %

| | Syrian companies | | Turkish companies |
|--|------------------|--|-------------------|
| Info. about legal and bureaucratic processes | 59.5 % | Info. on business news | 61.7 % |
| Promotion of incentives and supports | 36.7 % | Promotion of incentives and supports | 41.5 % |
| Info. on business news | 35.4 % | Info. about legal and bureaucratic processes | 19.1 % |
| To encourage cooperation btw. Syrian and Turkish entrep. | 35.4 % | Info. about foreign market trends | 18.1 % |
| Offering Arabic services | 31.6 % | Translation services | 3.2 % |

Source: EBRD-TEPAV TRES

- 53. Majority (97.1 percent) of Syrian companies did not receive any subsidy (incentive, support) from national, regional or local governments and, 31.9 percent have stated that they did not have the necessary information on relevant subsidies and did not know how to apply for them.** While 64.9 percent of Turkish companies stated that they did not need any subsidies, the figure is 47.9 percent for Syrian companies. Interestingly, while the second most stated reason for Turkish companies not applying to subsidies was bureaucratic procedures (15.7 percent), this was the fourth most stated answer by Syrian companies. Accordingly, the third most cited reason was 'language barrier' (16.5 percent), trailed by 'operator does not meet support criteria (6.4 percent) by Syrian companies. To emphasize the main point, policy creation alone is not sufficient for improved integration, and additional channels for the dissemination of information as well as capacity building is required.

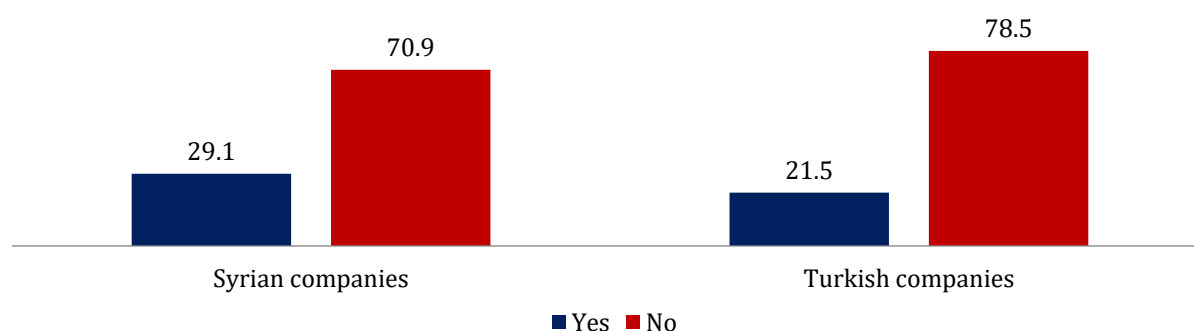
Figure 33 Share of the answers for the question: “What is the main reason why your business does not apply for any subsidies (incentives, support)?”, %



Source: EBRD-TEPAV TRES

- 54. Similarly, more than 70 percent of both Syrian company owners or partners, and their Turkish counterparts have stated that they did not benefit from any consultancy services.** While the percentage for Syrian companies is 70.9, the figure stands at 78.5 percent for Turkish companies. The comparatively high percentage for Turkish companies is understandable due to their local status as they are familiar with their surroundings as well as the bureaucratic and legal processes. However, the findings indicate that the positive impact these services could have in easing the transition for Syrian companies into the Turkish labor market through this medium of integration has not been exploited enough by both Syrian and Turkish companies.

Figure 34 Share of the answers for the question: “Has your company benefited from consultancy services?”, %

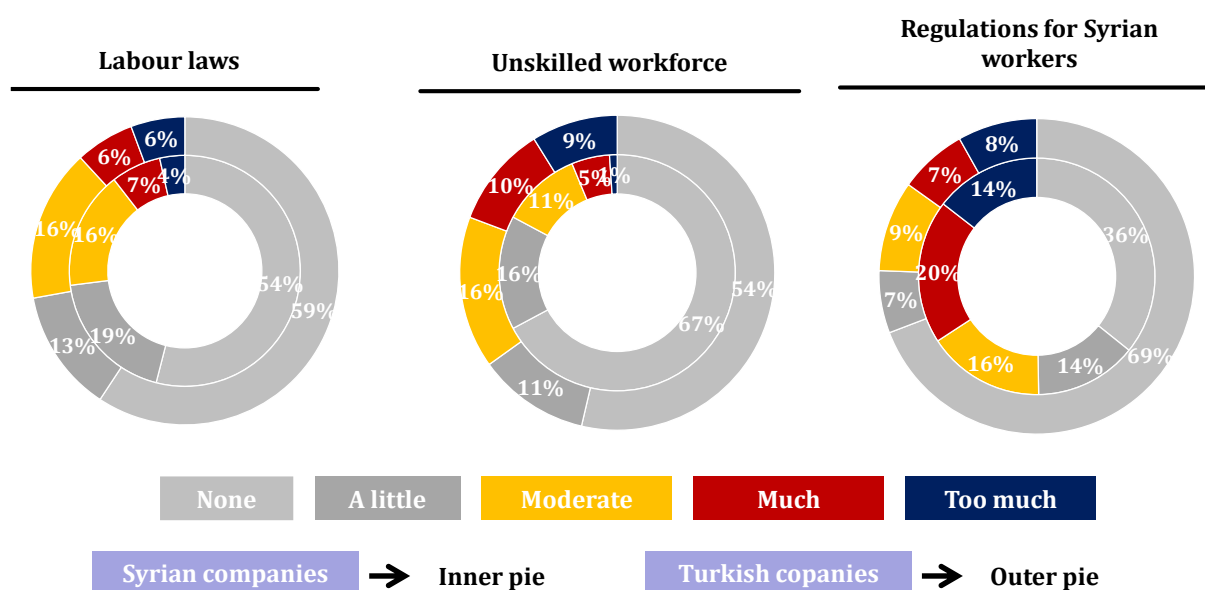


Source: EBRD-TEPAV TRES

- 55. Regulations governing Syrian workers has the most negative impact on refugee driven companies (50 percent), while Turkish firms state their discontent over the difficulties they face due to ‘unskilled workforce’ (35 percent).** Findings suggest that both Syrian and

Turkish companies are affected negatively by 'labor laws' at approximately similar levels with 28 percent of Turkish companies describing the impact as 'moderate and above', and 27 percent of Syrian firms stating the impact at almost the same levels. On the other hand, 17 percent of Syrian firms have stated that 'unskilled workforce' has a moderate and above impact as an obstacle for the company's operations whereas it was 35 percent for Turkish companies. Moreover, 24 percent of Turkish firms stated 'regulations for Syrian workers' constitute an obstacle at a level of moderate and above for company operations, whereas it was 24 percent for Syrian firms also.

Figure 35 Share of the answers for the question: "How much the following obstacles hinder your operations in the following areas?" %



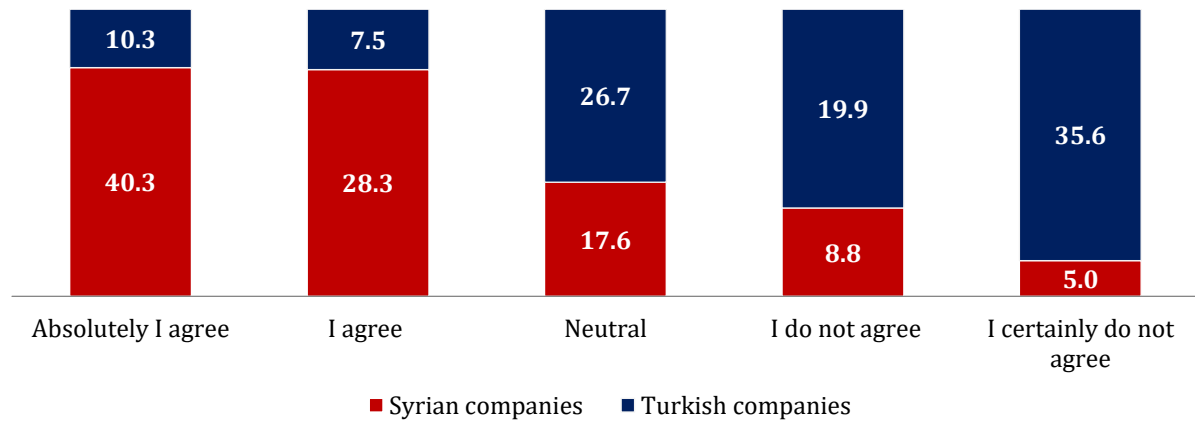
Source: EBRD-TEPAV TRES

56. Asymmetries regarding the impact of Syrian companies in Turkey underline possible social cohesion problems. More than half (55.5 percent) of Turkish companies have stated that they do not think an increase in the number of Syrian asylum-seekers helped increase Turkish foreign trade, while 26.7 percent was neutral on the issue (see Figure 36). On the other hand, 68.6 percent of Syrians have stated that their increased population increased opportunities for foreign trade, while 17.6 percent was neutral on the subject. This finding indicates that further research is needed on Turkish companies' views on the effect of newly established Syrian companies in Turkey with regards to the Syrian refugee influx to Turkey. Most studies that were carried out as of date, do not paint a positive picture either. Certain studies indicate discontent towards Syrians by Turkish citizens in Turkey.²³²⁴

23 Konda Barometresi, Suriyeli Sığınmacılara Bakış, Şubat 2016, sayfa 33

24 Istanbul Bilgi University Center for Migration Research, Attitudes towards Syrians in Turkey, 2017

Figure 36 Share of the answers for the question: “The rise in the # of Syrian asylum seekers increased opportunities for foreign trade”, %



Source: EBRD-TEPAV TRES

57. The sheer influx of Syrians into Turkey since 2011, combined with a souring local economy, and instability in the region, plays an important role in the locals’ perception of newcomers. In a 2017 evaluation note prepared by TEPAV about Turkey’s changing attitude toward foreigners since the influx of Syrians, Istanbul was at the top of a list of 72 European provinces in 2015 with the most negative perception of foreigners in the city compared to the same perception in 2006.²⁵ In the same list, Ankara the capital of Turkey ranked in the third place. Moreover, a recent study covered the dimensions of polarization in Turkey. The findings showed that Syrians took the sixth place among Turkey’s top 10 problems according to Turks.²⁶ The same study also covers attitudes toward Syrians in Turkey. In a country as polarized as Turkey, the question of Syrians turned out to be a unifying subject among the political spectrum with 86.2 percent of respondents thinking that all Syrians should be sent back to their country when the war is over. In relation to the economy, 71.4 percent of respondents said that Syrians were taking away jobs from Turkish people.²⁷

58. A newly developed index to measure the countries that are the most and least hostile countries for accepting migrants show that Eastern European countries are among the least migrant accepting countries. Additionally, people in Eastern European countries also strongly opposed accepting any Syrians. According to the index, Turkey is also among the countries that were hostile to accepting migrants (see Figure 37). It is worthy to mention here that Syrians in Turkey represent 4 percent of the total population. In another neighboring country to Syria, Lebanon is also among the migrant hostile countries, but more migrant accepting when compared to Turkey. Greece, the country that saw the arrival of almost 1 million people in 2015

²⁵<http://www.tepav.org.tr/upload/files/1484744748->

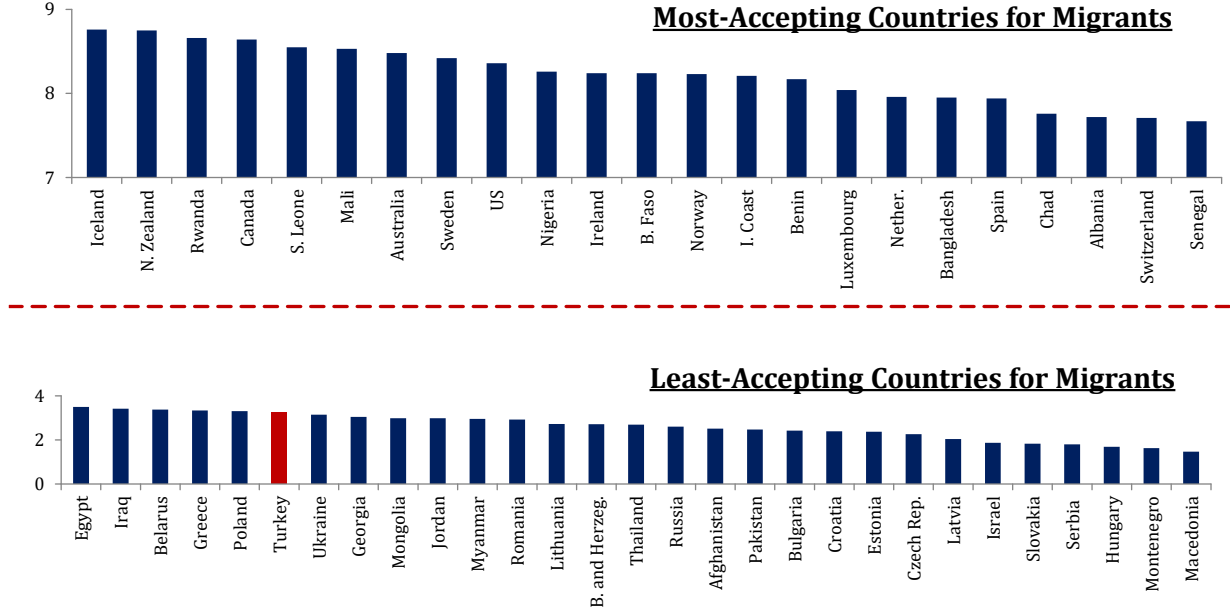
⁷Turkey__s_Changing_Attitude_Towards_Foreigners_Since_the_Influx_of_Syrian_Refugees.pdf

²⁶ https://goc.bilgi.edu.tr/media/uploads/2018/02/06/dimensions-of-polarizationppt_Tz7XeBg.pdf

²⁷https://goc.bilgi.edu.tr/media/uploads/2018/03/15/turkish-perceptions-of-syrian-refugees-20180315_Y0gYZoI.pdf

ranked at the bottom of list. Nonetheless, Greece was a more migrant accepting country compared to Turkey.

Figure 37 Migrant Acceptance Index, 2017



Source: World Happiness Report, Gallup

59. The access and integration of large numbers of newcomers is a sensitive policy even among the developed economies in the world. Turkey, as a middle-income economy with the highest refugee population is not an exception. Yet the economic impact of millions of Syrians in Turkey's labor market varied according to a number of studies over the past few years. A study in 2015 showed that in spite of the increases in formal employment and job creation in regular workplaces, women saw no gains thanks to Syrian competition (X. V. Del Carpio and M. Wagner, 2015). In their 2017 study, D. Cengiz and H. Tekguc found no adverse employment or wage effect for native-born Turkish workers. In fact, Turkish workers' participation in the formal sector rose in response to Syrians' migration. The overall result of another study in 2017 showed that the impact of Syrian refugee inflows on the Turkish labor market has been limited. Immigration has somewhat affected the employment outcomes of natives while the impact on wages is negligible (Ceritoglu et al, 2017). Nonetheless, the study identified certain disadvantaged groups (women, younger workers, and the less-educated) as having been affected the most by Syrian immigration to Turkey.

III. Conclusion and Recommendations

- 60. Entrepreneurial activities as well as the start-up culture have allowed Syrians under Temporary Protection to integrate themselves.** EBRD TRES survey results from the 8 provinces in the Southeast region of Turkey where the majority of the Syrian population lives have shown a willingness by the same population to take the necessary steps to become a part of the formal business ecosystem. Findings emphasize that 24.6 percent of all surveyed Syrian companies are established by first-time entrepreneurs. Moreover, 10.9 percent of companies have chosen Turkey to establish their businesses after trying their luck in other countries such as Egypt, Saudi Arabia and UAE, therefore pointing to a comparatively more inclusive and conducive business ecosystem in Turkey.
- 61. The increase in the number of firms established by Syrians can be attributed to the design of relevant policies at government-level that encourage participation in the formal business ecosystem.** With the issuance of the “Regulation on Work Permit of Refugees under Temporary Protection” on January 2016, a regulatory framework was first created allowing Syrians to become part of the formal workforce. Correspondingly, the average mean year of establishment for Syrian companies surveyed were found to be 2.4 years, pointing to a positive correlation between the regulatory changes, and the rising entrepreneurial activities of Syrians. The impact of newly designed regulations resulted in 85.1 percent of the Syrian companies surveyed to state that the Turkish business environment nurtures growth, while 44.8 percent to emphasize that the business environment is better here than in pre-war Syria.
- 62. Our findings further suggest that Syrian companies in these 8 provinces are more export-oriented compared to their Turkish counterparts.** This orientation can be attributed to Syrians’ existing networks on the other side of the border, in Syria. Correspondingly, there has been recorded a positive correlation between Syrian entrepreneurship and restoration of trade with Syria to pre-2011 levels, before the civil war broke-out.
- 63. Even in the face of positive developments, additional research is required to be able to create and implement additional policies targeting social cohesion and economic integration.** Findings suggest that competition among Turkish and Syrian counterparts pose a threat to social cohesion and increased economic integration. The growing Syrian ghettos in inner cities attest to the latter threat. TEPAV analyzed the concept of a post-war ghetto through the case of *Önder neighborhood* in Ankara which is also known as *Little Aleppo*. The findings illustrate that in spite of highly economic activities, Syrians had little interaction with locals and are excluded from some provisions due to their legal status and face the risk of labor exploitation.²⁸ In addition, these also point to an asymmetric evaluation of Syrians and their position in the economy by their Turkish counterparts, and a deficiency in information-sharing. We believe that further research must be conducted to overcome potential economic disputes that could result in social problems. The development of relevant policies is all the more important in

²⁸ TEPAV (2018) Syrians and Post-war Ghetto in Turkey

cities preferred by Syrians in establishing their businesses. Correspondingly, additional research must be conducted to evaluate the tendencies fueling city-preferences by these entrepreneurs. Our findings outlined in the Annex show that this is particularly true for the city of Mersin, as it appears to be the city most preferred by Syrians who want to establish their businesses.

64. Policy development by relevant authorities must consider the obstacles Syrian entrepreneurs face, such as the language barrier, and aim at eliminating barriers to market entry. Survey findings underline key problems withholding Syrian enterprises from reaching their potential. Accordingly, Syrian companies have stated that the Turkish legal framework is unclear with regards to Syrians' access to the banking systems and services in Turkey. Furthermore, the need for an improved information-sharing mechanism to be put in place became apparent with regard to Syrians, as a majority of these enterprises lack familiarity with the incentive schemes in Turkey and opts not to apply for any loans or credits. On the other hand, survey findings point to a Syrian entrepreneurial population in these 8 provinces which have poor business skills and low financial literacy. However, we believe these findings could be overcome by the most pressing and cross-cutting obstacle of all, eliminating the language barrier. The survey findings further suggest that these obstacles can be overcome with Syrian-specific policies that may come in the shape of support schemes.

65. All in all, survey findings suggest that Syrian entrepreneurs provide for at least 7 percent of the 3.5 million Syrians in Turkey. With approximately 10,000 companies established by Syrians since 2011 together with an average of approximately 7 employees, a good proportion of the Syrian community in Turkey chose the path of self-integration. In addition, with an average household size of 6 people, approximately 225,000 Syrians are benefiting, directly and indirectly, from the advantages of employment by these companies. Note that this is integration by interaction. If only there is a solid policy framework to try integration by design a better outcome could easily be secured.

66. Syrian entrepreneurship in Turkey have come up with outcomes that deserves attention. Survey findings have pointed to the various salient features of Syrian entrepreneurship in Turkey as 26.8 percent of Syrians surveyed stated that they moved between cities in Turkey to establish their companies and 24.6 percent stating that they are first-time entrepreneurs. Interestingly enough, 97.1 percent of all Syrian companies surveyed have emphasized that they did not receive any support or incentive from governmental institutions therefore underlining the existence of capital in entrepreneurial Syrians. While around 45 percent see business environment in Turkey better than the one in Syria.

RECOMMENDATIONS

- **Local leadership matters.** Our findings regarding the movement of Syrians between cities to establish their businesses show that, whether it may be about leadership or the societal fabric, provincial properties and qualities matter (see Annex). Correspondingly, further research must be conducted to map-out qualities prioritized the most by entrepreneurs in their decision to establish a business in a certain city.

• **Chamber and municipal leaders need to show stronger local leadership for the integration of Syrians.** Doing so requires a cohesive dialogue with Syrian community leaders and business figures to bridge the gap of miscommunication and calls for supporting the chambers and municipality since localities are the forefront players of guiding the integration process of Syrians.

• **Increased role by the International Multilateral Development Banks (IMDBs) in facilitating and encouraging entrepreneurial activity by Syrians in Turkey.** Preparing entrepreneurs to the challenges they will face in the marketplace is key to their success. Correspondingly, IMDBs can help Syrians overcome these hardships by extending their expertise in the shape of business incubators and accelerators where bureaucratic processes fall secondary to innovative progress. Furthermore, IMDBs can help in the creation of networks through which business opportunities can be created for Syrian entrepreneurs to exploit.

• **Business incubators/accelerators as interface for IMDBs.** Localities are at the forefront of dealing with the Syrian refugees and the local chambers of commerce and industry aren't an exception when it comes to refugee-driven companies. For starters, the chambers could initiate help desks to bridge the language barrier and raise awareness about the available support schemes to the seasoned entrepreneurs. Most importantly, IMDBs could lock efforts with the local chambers to tailor support programs for first-time entrepreneurs. These programs would take into consideration the business dynamics at the provincial level and the needs of the refugee-driven start-ups. In regard, TEPAV could leverage her GARAJ experiment through the chamber network as a prime example for business incubators

• **Investment/ExImbank funds to strengthen incubation process- another interface.** The financial support of the incubation/accelerators centers has the potential to turn the centers into trade facilitation centers. This is particularly important for export oriented refugee-driven companies. Furthermore, the centers would not only offer advice to the companies, but also action itself in the form of assistance in obtaining licenses and work permits. This could be a much-needed step to leverage the *'Made by Syrians Abroad Program'*.

• **Education and awareness raising campaigns for banks and government agencies.** The refugee-driven companies fall under the domestic rules and regulation similar to the ones bounding the local companies. Nonetheless, institutions with the business environment – especially banks– apply risk-averse practices to the refugee-driven companies. There are practices and measures to build trust between the banks and the Syrian businesses. For starters, Know Your Customer (KYC) guidelines could assist the bank in the customer evaluation process and avoid unnecessary risk. Moreover, the local chambers in cooperation with international NGOs could represent Financial Service Providers (FSPs) with guidelines for the financial inclusion of the refugees similar to the one prepared by the Social Performance Task Force of UNHCR. In regard to awareness raising campaigns, the services and support schemes of İŞKur and Turkish Exporters' Assembly (TİM) should be brought to the attention of refugee-driven companies.

• **E-trade platform for SMEs in general.** There are attempts by Syrians to build E-trade platforms, but these attempts are amateur at best. The Syrian entrepreneurs are pursuing the E-trade platforms as side gigs due to lack of support in general. For example, they can't successfully

launch an E-trade platform without finding a solution to the aforementioned banking issue. Additionally, protecting customer privacy and assuring legal transactions are fundamental to E-platforms. Unfortunately, Syrians entrepreneurs do not know on which door to knock for guidance and consultancy. Providing them with an E-trade platform would prove useful.

• **Ghettoization process needs further analysis and in parallel, urban poverty programs need more support.** The ghetto in Önder neighborhood within Ankara highlights the soft points of social cohesion between the hosting community and Syrians. Lack of documentation excludes Syrians from accessing public provisions, opens the door for labor displacement, and nurtures informal entrepreneurship and informal wage employment in ways that exacerbates social cohesion. In regard, the time to enlarge the capacity of the available urban poverty programs is critical to reach inclusiveness and mitigate risk of social explosion.

• **The real contribution of Syrian firms and workers need to be analyzed at the national level and accompanied with designing an awareness raising campaign regarding the efforts of Syrians to be part of Turkey.** The economic contribution of Syrians, whether as entrepreneurs or employees, is understudied. We need to take a deeper step into analyzing Syrians' contribution to elaborate on the untapped opportunities of economic inclusiveness. What is more, bringing the contribution of Syrians and the inclusive opportunities to the awareness of the public will help debunk the biased perceptions and reduce the mounting social unrest.

• **International trade concessions for goods produced by Syrians.** The example of Jordan compact experiment might be very useful. The Compact, however, is running short on the envisioned goals. Therefore, we could leverage the Jordan Compact experiment with a '*Made by Syrians Abroad Program*' in the Turkish context to make Syrian firms grow faster. The latter would add a more conducive business growth strategy for Syrian firms and change the dynamics on the ground, from service sector to industry, from subsistence level activity to rapid growth. Leveraging the Jordan Compact requires three features. First, industrial zones that are added to the program need to be privately and actively managed. Developer and manager need to be private companies and the latter need to help the companies to solve their problems with the domestic bureaucracy. Second, management companies of the industrial zones need to be responsible in finding procurement contracts for the companies operating in the zones. Third, having noted the success of Jordan Compact type experiments rest heavily on the governance structure of zones.

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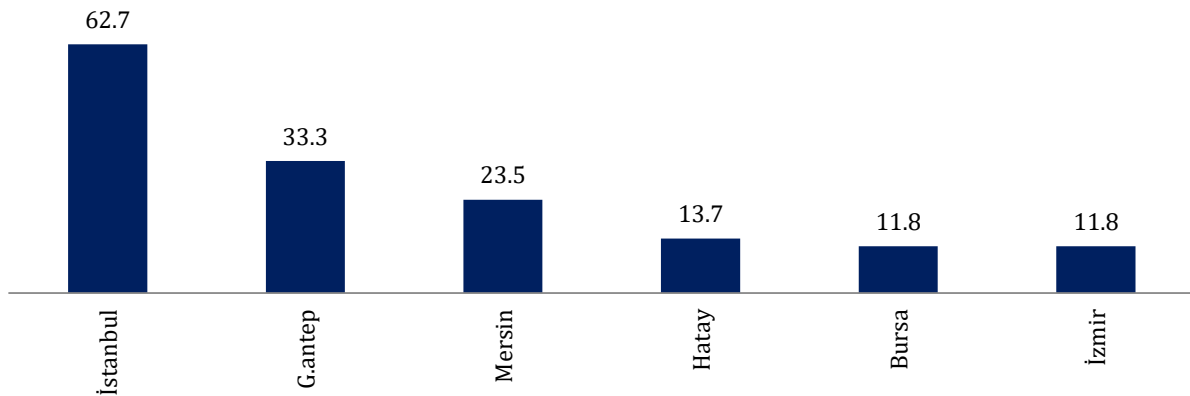
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Annex

Provincial overview of survey findings

1. **More than a quarter (26.8 percent) of Syrians changed cities in Turkey before finally settling and, establishing their companies.** The city Syrians moved from the most is Istanbul (62.7 percent). Istanbul is followed by Gaziantep (33.3 percent), Mersin (23.5 percent), Hatay (13.7 percent), Bursa and Izmir (both with 11.8 percent). While the reasons behind the movement of entrepreneurs are still widely unknown, these findings suggest that cities that Syrians chose to move away from are not as conducive to Syrian entrepreneurship as they can be.

Figure 38 From which cities in Turkey has Syrians moved from before establishing their companies

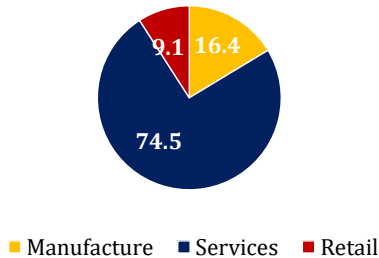


Source: EBRD-TEPAV TRES

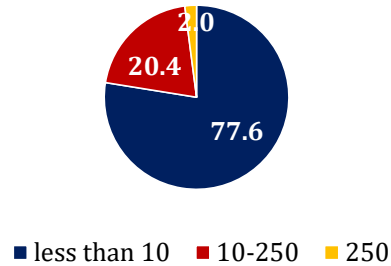
2. **Most Syrian companies that relocated between cities chose to establish their businesses in the services sector (74.5 percent).** The services sector is trailed by manufacturing (16.5 percent) and the retail sector (9.1 percent), respectively. When the size of the company with regards to its workforce is analyzed it is viewed that most of these companies are micro-sized as they employ less than 10 people (77.6 percent). This is followed by companies with 10-250 employees (20.4 percent) and 250 and more employees (2 percent), respectively. Out of all the companies that moved between cities, 16.4 percent are operating in manufacturing sector (see Annex 2), while 12 percent of these manufacturing companies employ 250 or more employees. Furthermore, provinces preferred the most among the 8 pilot provinces by Syrian entrepreneurs are Gaziantep, Mersin, and Hatay.

Figure 39 Sectoral and employee number breakdown of Syrians who established companies after they changed cities in Turkey

Sectoral breakdown



Employee number breakdown



Source: EBRD-TEPAV TRES

3. **The findings point to a particular dissatisfaction with the business environment in Istanbul as 32 companies that changed cities has moved away from Istanbul.** Istanbul is trailed by Gaziantep and Mersin with 17 companies each, Hatay 7, Bursa and Izmir 6 companies, respectively. Interestingly enough, Mersin and Gaziantep are also two of the provinces in which most Syrian entrepreneurs end-up establishing businesses. In other words, even though certain companies relocated elsewhere, Gaziantep and Mersin attract more companies and entrepreneurs than they alienate. Correspondingly, further analysis of the reasons for relocation might help provide a better understanding of the business environment in these cities and a basis for improving standards.

Figure 40 In which city Syrian entrepreneurs operated a company before relocating elsewhere in Turkey?



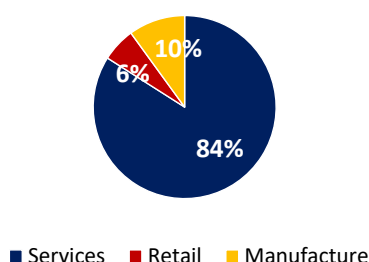
Source: EBRD-TEPAV TRES

4. **Most of the Syrians who relocated from Istanbul to establish their business have chosen to operate in the services sector, and most of these companies established employ less than 10 people (both 84 percent).** Accordingly, the services sector is followed by manufacture (10

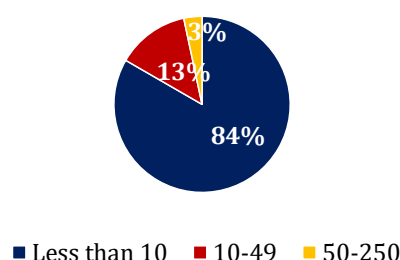
percent) and retail sectors (6 percent), respectively. With regards to the workforce employed in these companies, 13 percent employ between 10-to-49 people, while a mere 3 percent employs between 50-to-250 people. Interestingly enough, the share of large enterprises that moved from Istanbul in terms of employment is higher (3 percent), in comparison to all companies that changed cities (2 percent). Correspondingly, the relocation from Istanbul could be attributed to the higher cost of living and higher rents in the province than in these 8 provinces.

Figure 41 Overview of Syrian companies that operated a business in Istanbul before moving elsewhere

Sectoral breakdown



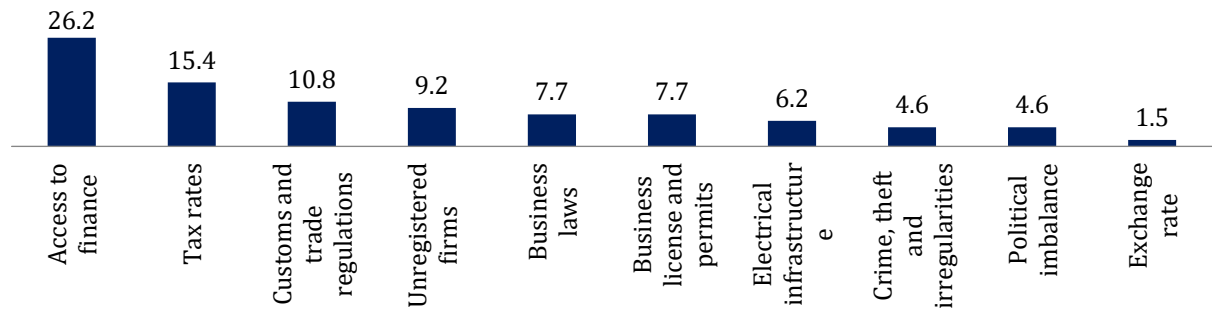
Employee number breakdown



Source: EBRD-TEPAV TRES

5. **Syrian companies who moved from Istanbul to other cities have pointed-out similar obstacles for their companies, as did the other Syrians companies operating in Turkey, mainly, 'access to finance' and 'tax rates'.** However, while 26.2 percent of Syrian companies who moved from Istanbul cited 'access to finance' as the primary obstacle, the figure is at 41.5 percent for Syrian companies in the 8 pilot provinces. Furthermore, 15.4 percent of Syrian companies which moved from Istanbul listed 'tax rates' as the second biggest obstacle, the figure is 22.9 percent in the 8 pilot provinces. Interestingly, when the ranking of obstacles in the 8 pilot provinces is compared with the companies that had operated in Istanbul, it is seen that business laws (17.6 percent) is third, as opposed to customs and trade regulations (10.8 percent) for the companies moving away from İstanbul. Other obstacles faced by companies that moved from Istanbul to these 8 provinces are 'unregistered firms' (9.2 percent) and 'business laws' (7.7 percent), respectively. These findings about Istanbul and the findings on obstacles faced by all Syrian companies surveyed in 8 pilot provinces suggest that there are additional reasons behind this movement away from Istanbul to other cities.

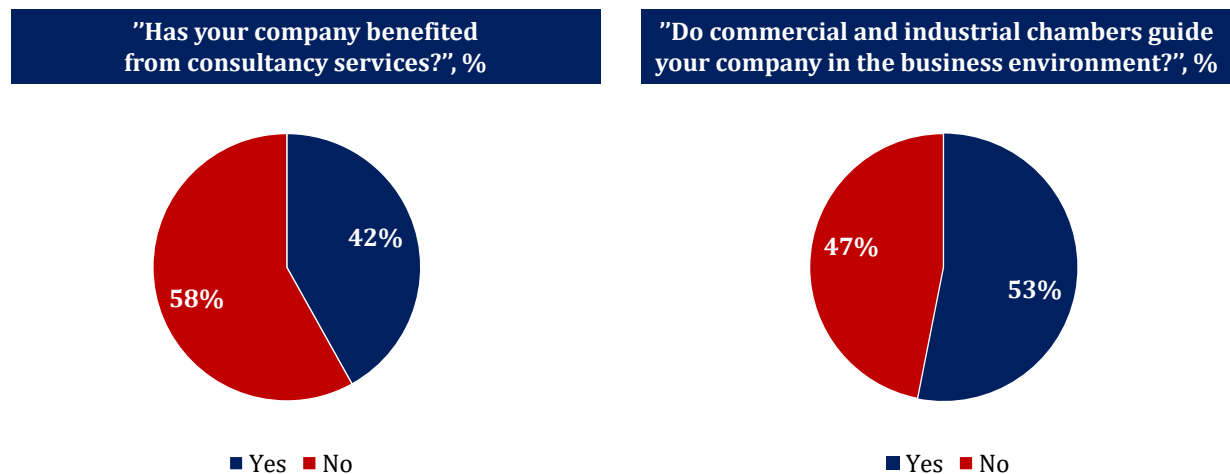
Figure 42 Share of the answers for the question: “What is the biggest obstacle for your company?”, %, top 10 answers



Source: EBRD-TEPAV TRES

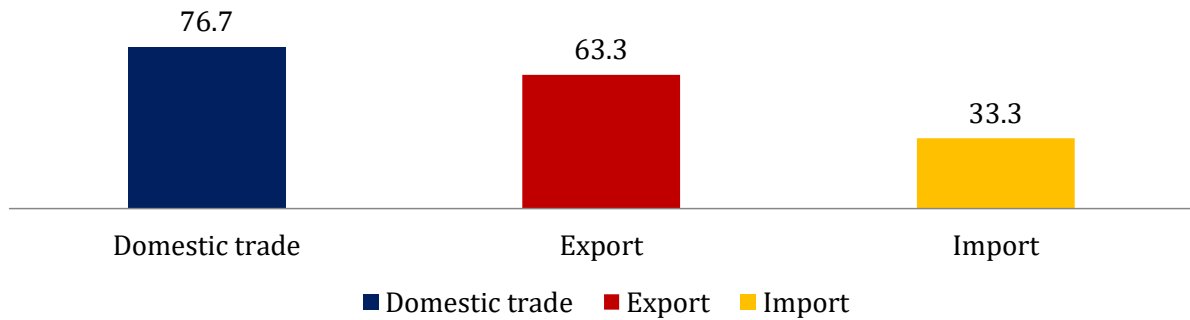
6. **Share of accessing to consultancy and chamber services is higher for Syrian companies that operated a business in Istanbul before moving elsewhere. Also, they are exporting more than the Syrian sample.** Contrary to the general findings which show that 39.9 percent of Syrian companies received any guidance from chambers, 53 percent of companies that operated a business in Istanbul are guided by commercial and industrial chambers. In spite of the 29.1 percentage share of Syrian companies which have benefited from consultancy services, the same percentage for Syrian companies that moved from Istanbul to elsewhere is 42 percent. In addition, while 55.4 percent share for Syrian companies surveyed export; companies who moved from Istanbul to elsewhere have higher percentage of export focus companies (63.3 percent).

Figure 43 Share of the answers for the questions: “Has your company benefited from consultancy services?” and “Do commercial and industrial chambers guide your company in the business environment?”, %



Source: EBRD-TEPAV TRES

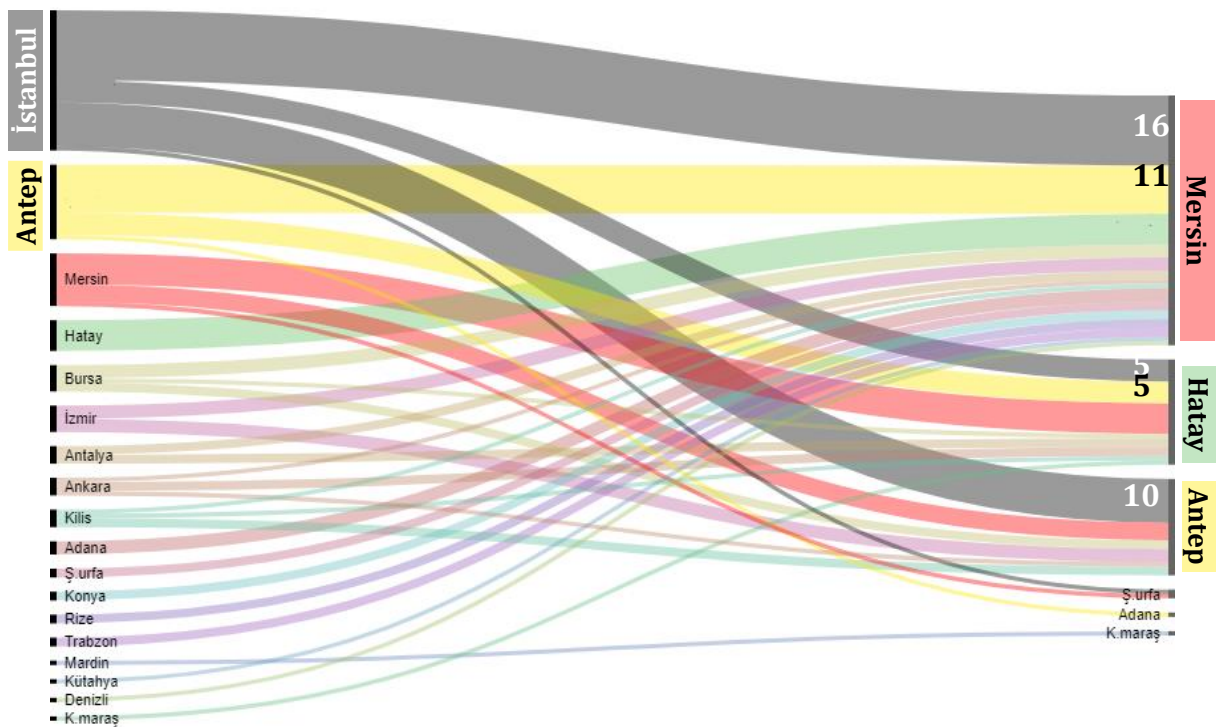
Figure 44 Share of the answer for the question: “Does your business sell to the domestic market, export or import?”, %



Source: EBRD-TEPAV TRES

7. **The province of Mersin is the most preferred city with the relocation of twenty-seven (27) companies, followed by Hatay and Gaziantep with ten (10) companies each.** As mentioned before, the highest number of companies that relocated came out of Istanbul, pointing to dissatisfaction with the business environment in the province, while the province of Mersin (see Annex 8) received the highest number of companies that have relocated. While the data, and therefore the analysis falls short in explaining the reason behind Mersin’s favorable position, the answers to most of the questions answered point to the importance of local leadership and an inclusive business environment. What is more, the reason for relocating to Mersin and Hatay was stated to be for export purposes by the respondents.

Figure 45 Cities Syrians chose to move from and move to in Turkey to operate their businesses

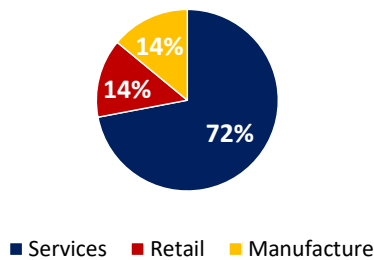


Source: EBRD-TEPAV TRES

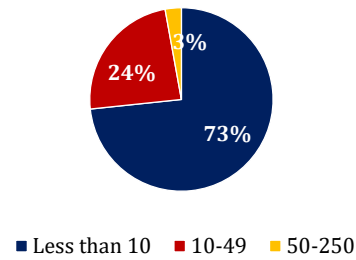
8. **Most Syrians companies that have moved between cities to establish their businesses have chosen Mersin as their base of operations and, are mostly operating in services sector.** Syrians who moved to Mersin in order to establish their businesses have mostly chosen to operate in the services sector (72 percent), trailed by retail sector and manufacture sector (both at 14 percent). Furthermore, 73 percent of these companies are micro-sized, employing less than 10 people, followed by firms with a workforce size of 10-49 people (24 percent) and 50-to-250 people (3 percent), respectively.

Figure 46 Most of the Syrians moved to Mersin to establish their businesses

Sectoral breakdown



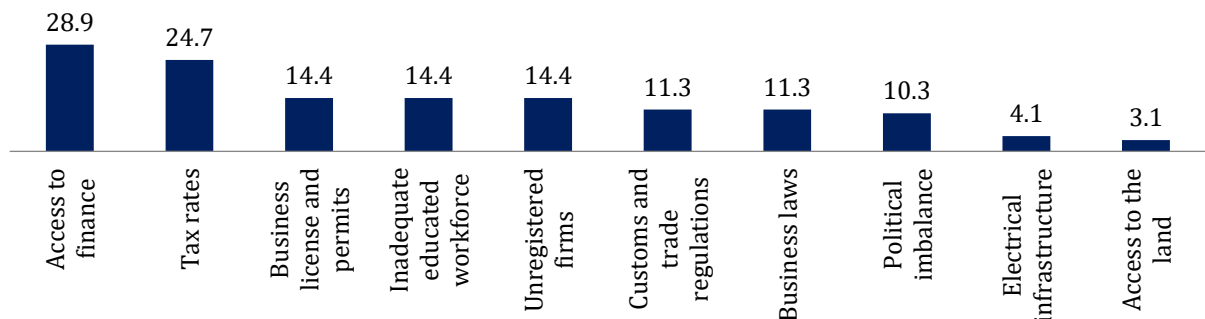
Employee number breakdown



Source: EBRD-TEPAV TRES

9. **When the obstacles faced by Syrian companies in Mersin are analyzed, it is seen that ‘access to finance’ (28.9 percent) even though ranks first, is not seen as big of an obstacle compared to the 8 pilot provinces (41.5 percent).** Access to finance is followed by ‘tax rates’ (24.7 percent), ‘business license and permits’ (14.4 percent), ‘inadequately educated workforce’ (14.4 percent) and ‘unregistered firms’ (14.4 percent), respectively as the main obstacles. Interestingly enough, ‘customs and trade regulations’ which previously was stated to be the third most prominent obstacle by companies that moved from Istanbul, does not even fall into top five in Mersin.

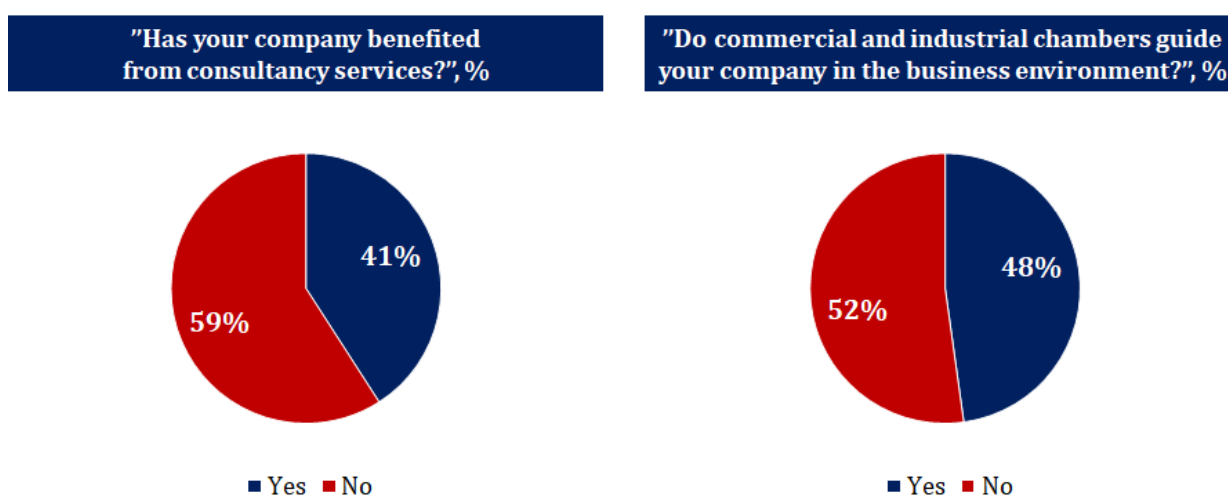
Figure 47 Share of the answers for the question: “What is the biggest obstacle for your company?”, %, top 10 answers



Source: EBRD-TEPAV TRES

10. **Syrians who moved to Mersin benefited from consultancy services and chambers' guidance more than their counterparts. However, the share of export-focused companies is approximately the same with the average of Syrian sample.** Findings indicate that 39.9 percent and 29.1 percent of Syrian companies benefit from the guidance of chambers and the consultancy services, respectively. Still, Syrians who moved to Mersin have comparatively higher shares. While 41 percent of them benefited from consultancy services, companies are guided by commercial and industrial chambers have 48 percent share. However, 52.4 percent of companies that moved to Mersin export goods. The same figure is 55.4 percent for the whole Syrian sample.

1 Share of the answers for the questions: "Has your company benefited from consultancy services?" and "Do commercial and industrial chambers guide your company in the business environment?", %



Source: EBRD-TEPAV TRES

Figure 48 Share of the answer for the question: "Does your business sell to the domestic market, export or import?", %

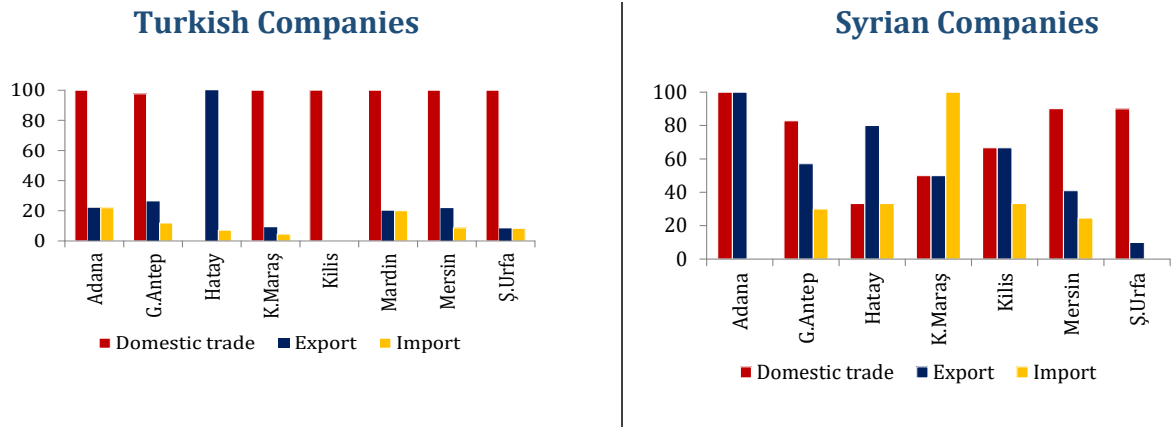


Source: EBRD-TEPAV TRES

11. **When the business of all companies surveyed is analyzed in all 8 provinces, it is seen that Syrian companies are more inclined to undertaking export and import activities while their Turkish counterparts, aside from those in Hatay, mostly sell to the domestic market.** All of the Syrian companies operating in Kahramanmaraş undertake import transactions, while Turkish companies in Adana (20 percent) and Mardin (20 percent) undertake import

transactions. On the other hand, out of all the 8 provinces, Hatay and Kilis (33 percent), Gaziantep (30 percent), and Mersin (25 percent) are the provinces where the Syrian companies undertake import transactions respectively. More importantly, when export performances of the Syrian companies are investigated, it is seen that, Adana is the most impressive city with all Syrian companies located in the city being exporters. Adana is followed by Hatay (80 percent), Kilis (65 percent) and Gaziantep (approximately 58 percent). Interestingly enough, as compared to their Syrian counterparts, aside from those in Hatay (100 percent), Turkish companies are not as export-oriented. Gaziantep (25 percent), Adana and Mersin (20 percent) follow Hatay with exporting Turkish companies.

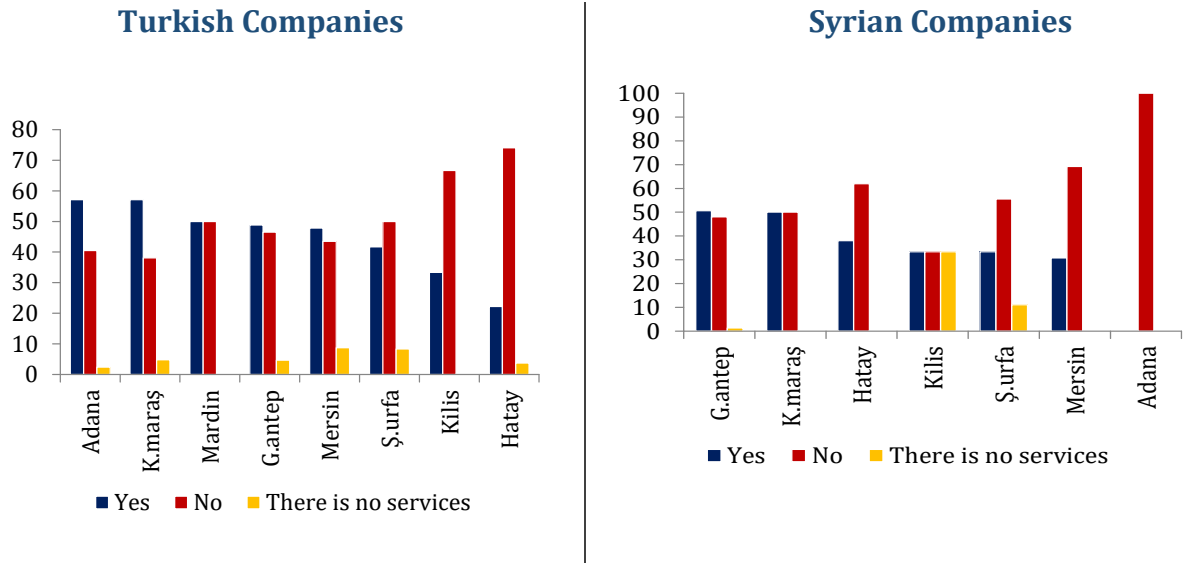
Figure 49 Share of the answers for the question “Does your business sell to domestic market, export or import?”, by provinces, %



Source: EBRD-TEPAV TRES

- 12. On average, both Syrian and Turkish companies have not benefitted too much from the services offered by commercial and industrial chambers in these 8 provinces, hence chambers could improve the services provided to both Syrian and Turkish companies.** Syrian companies located in Gaziantep and Kahramanmaraş (45 percent each) made use of the services offered by the chambers the most among all Syrian companies surveyed. On the other hand, utilization rates are higher for Turkish companies as 55 percent of all respondents in Gaziantep and Kahramanmaraş have stated that they made use of these services offered by chambers. Whereas Syrian companies that have not benefited from their chambers' services are those in Adana, with almost nil percent of guidance, and Mersin with only 30 percent, followed by only 38 percent of Syrian companies in Hatay that claims to have utilized the services. These findings, therefore, point to a need for improvement in the services offered by chambers, mainly to Syrian companies, and also to Turkish companies operating in the area.

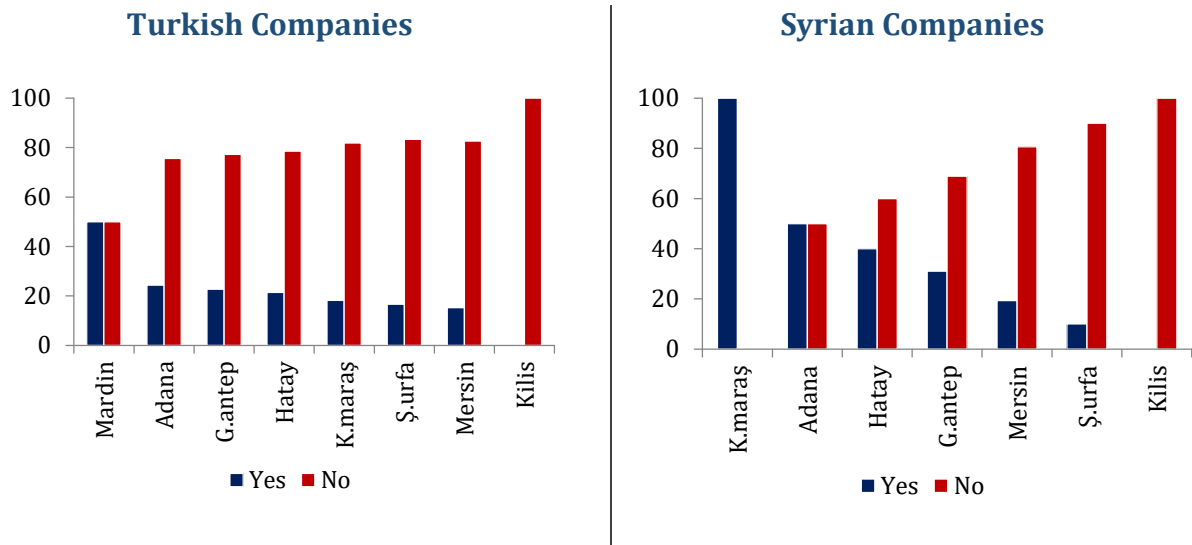
Figure 50 Share of the answers for the question: “Do commercial and industrial chambers guide your company in the business environment?”, by provinces %



Source: EBRD-TEPAV TRES

13. All Syrian companies in Kahramanmaraş stated that they made use of consultancy services, while the province in which Turkish companies benefited from consultancy services the most is Mardin (50 percent). Kahramanmaraş is followed by Adana (50 percent), Hatay (40 percent), and Gaziantep (approximately 30 percent) with regards to the utilization of consultancy services by Syrian companies. On the other hand, a large portion of Turkish companies stated that they did not make use of any consultancy services while the Turkish companies operating in Adana (22 percent), Gaziantep, and Hatay (both 20 percent) used consultancy services.

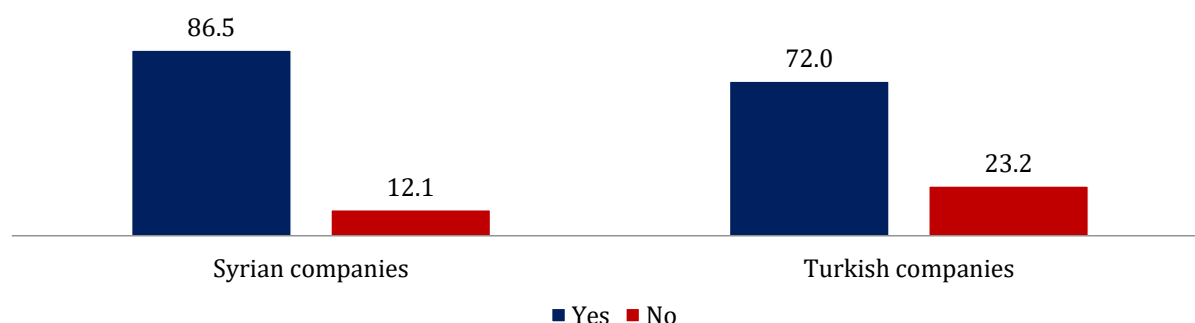
Figure 51 Share of the answers for the question: “Has your company benefited from consultancy services?”, %



Source: EBRD-TEPAV TRES

14. Even though access to finance have previously been mentioned as one of the biggest obstacles Syrian companies face, the share of Syrian companies that have a checking or savings account is higher than their Turkish counterparts. Interestingly, while 86.5 percent of Syrian respondents have stated that they have accounts, only 72 percent of Turkish companies stated they have an account, in turn 23.2 percent of Turkish companies stated that they did not have any accounts.

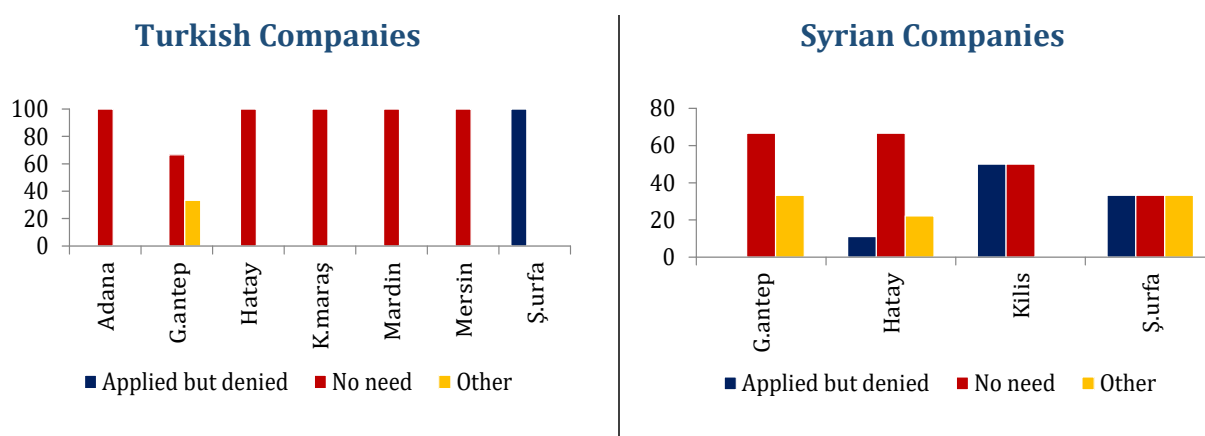
Figure 52 Share of the answers for the question: “Does your company have any checking or saving account?”, %



Source: EBRD-TEPAV TRES

15. More than 60 percent of Syrian companies in Gaziantep and Hatay have stated that they did not have any savings or credit accounts and cited not needing one as the main reason. On the other hand, Syrian companies who stated that they ‘applied but denied’ are mainly from Kilis (50 percent), Şanlıurfa (33 percent) and Hatay (10 percent), therefore pointing to a need for in-depth analysis of the reasons why Syrians were denied from opening a bank account. With regards, all Turkish companies in Adana, Hatay, Kahramanmaraş, Mardin and Mersin (all 100 percent) have stated that they did not need an account.

Figure 53 Share of the answers for the question: “Why your company does not have any checking or saving account?”, %



Source: EBRD-TEPAV TRES