



SCREENING CHAPTER 20
ENTERPRISE AND INDUSTRIAL POLICY

AGENDA ITEM III: SME AND ENTERPRISE POLICIES

**Country Session: The Republic of TURKEY
4-5 May 2006**



CONTENT

- Overview
- Institutional Structure
- Policy Documents
- Instruments for SMEs
- SME Definition
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Overview

Sectoral Distribution of Enterprises (2002)

Sectors	Number of Companies	%	Number of Employees	%
Commercial	794,715	46,19	2,048,264	32,38
Manufacturing	246,899	14,35	2,043,815	32,31
Transportation, Storing, Communication	244,490	14,21	500,104	7,91
Hotels and Restaurants	163,112	9,48	526,845	8,33
Other social, Communal and Personal Service Activities	90,919	5,28	213,400	3,37
Real Estate, Leasing and Business Activities	90,473	5,26	325,697	5,15
Construction	35,702	2,07	229,400	3,63
Health and Social Services	31,546	1,83	99,966	1,58
Activities of Financial Intermediaries	13,538	0,79	123,178	1,95
Education Services	5,692	0,33	76,435	1,21
Mining and Quarrying	1,809	0,11	80,341	1,27
Electricity, Gas and Water Distribution	1,703	0,10	57,591	0,91
Total	1,720,598	100,00	6,325,036	100,00

Source: TURKSTAT, 2003



According to 2002 Census of Manufacturing and Business figures of the Turkish Statistical Institute, there are **246,899** enterprises in the manufacturing industry, which employ **2,043,815** people

Enterprises in the Manufacturing Industry (2002)

Number of workers	Number of Enterprises	%
Only the owner of the enterprise	1,509	0,61
1 – 9	220,030	89,12
10 – 49	20,325	8,24
50 – 99	2,453	0,99
100 – 150	946	0,38
151 – 250	719	0,29
250 +	917	0,37
Total	246,899	100

99,63%

Source: TURKSTAT 2003



According to data of TURKSTAT (2002), SMEs constitute;

- 99.8 % of total enterprises including those in the service sector,
- 76.7 % of total employment,
- 38.0 % of total investments,
- 26.5 % of total value added,
- 10.0 % of total export.

**INSTITUTIONAL STRUCTURE**

ACTORS	ACTIVITIES
PUBLIC	
Ministry of Industry and Trade (MoIT)	Facilitates determination of industrial policies, provides and encourages rapid and sustainable development of industry, promotes competitiveness of SMEs, holds records of the industrial enterprises.
Undersecretariat of State Planning Organisation (SPO)	Prepares long-term development plans and annual programmes, develops future-oriented strategies and policies in cooperation with related institutions.
Small and Medium Industry Development Organisation (KOSGEB)	Support mechanisms for increasing competitiveness of SMEs, encouraging entrepreneurship and innovative start-ups.
The Undersecretariat of Treasury	State aid for investments, financial transfers to public enterprises.
The Undersecretariat of Foreign Trade	Support mechanisms for improving export capacity.
Ministry of Labour and Social Security	Rules for employment, registration.
Ministry of Finance	Taxation, finance matters for enterprises.
TUBITAK	Support and policy making for R&D, scientific research, innovation activities

**INSTITUTIONAL STRUCTURE (CONT'D)**

NGOs	
The Union of Chambers and Commodity Exchanges of TURKEY (TOBB)	Represents private sector, ensures unity and solidarity between chambers and commodity exchanges, facilitates professional work of members, promotes confidence in the relations of members with the public.
The Confederation of Tradesmen and Artisans of Turkey (TESK)	Coordinates and represents tradesmen, craftsmen chambers and the federations, takes vocational measures for its members according to national and global economic development, provides vocational training.
Turkish Technology Development Foundation (TTGV)	Supports technology development projects.
MAJOR FINANCIAL INSTITUTIONS	
Banks	Credits
ISRISK, VAKIFRISK, KOBİ A.S.	Venture Capital
KGF, TESKOMB	Guarantees
SME Exchange Market	



PUBLIC-CIVIL COOPERATION, ASSOCIATION AND CONSULTATION MECHANISMS

Mechanism	National Parties	Legal Base
Involvement in decision making processes by providing feedback and joining Ad-hoc Committees within the preparation process of Development Plans.	All Related Public and Private Actors, Universities, NGOs	Prime Minister Circular
Two main actors of private sector are the members of the Executive Board of KOSGEB (a public body for SMEs).	TOBB, TESK, KOSGEB	KOSGEB Law
Representatives of various public and private sector organisations have involved in many projects; Turkish IRCs, EICs, EU Funded Projects.	All Related Public and Private Actors	Memorandum of Understanding
NGOs establish connection between target area and public mechanisms; KOSGEB Synergy Focal Points.	KOSGEB and Chambers	KOSGEB Support Regulation
In order to define sectoral problems, Turkish Sectoral Assemblies propose reports and opinions to the Government	TOBB	TOBB Law
Technoparks, KOSGEB Technology Development Centers.	Universities, KOSGEB, MoIT	Law concerning Technoparks, KOSGEB Law
Annual SME SUMMITs.	by TOBB in association with public and civil bodies	TOBB Law



POLICY DOCUMENTS

- **8th Five Year Development Plan**
- **Medium-Term Programme**
- **Annual Programmes**
- **SME Strategy and Action Plan**



8th FIVE YEAR DEVELOPMENT PLAN (2001–2005)

- To improve the productivity of the SMEs,
- To increase their share within total value added and to enhance their international competitiveness,
- To increase the credit volume of SMEs from the banking system,
- To raise awareness on modern financing instruments (such as credit guarantee funds, risk capital, financing investment partnerships, asset investment partnerships),
- To support SMEs for enhancement of their technology level and improvement of product quality,
- To facilitate the access to information, guidance and consultancy services,
- To improve cooperation among enterprises,
- To increase electronic commerce facilities for SMEs.



MEDIUM-TERM PROGRAMME (2006-2008)

The main objective for enterprises is to enhance their technological capability, ensure their adaptability to changing conditions and competitiveness both in domestic and global markets.

Within this framework;

- Entrepreneurship, quality, productivity, innovation and effective utilisation of technology will be supported,
- Financial instruments will be diversified,
- Physical, technology and information infrastructure will be improved,
- Network formation among enterprises will be supported.



MEDIUM-TERM PROGRAMME (CONT'D)

- Red-tape will be reduced and administrative procedures will be accelerated,
- Input costs, taxes and social security premium costs on employment will be reduced,
- An efficient public support system taking into consideration regional and sectoral priorities and in line with the EU *acquis*, will be generated,
- Good governance and institutionalisation will be supported in enterprises,
- Creation of trademarks will be supported,
- Certification system, its infrastructure, market surveillance will be improved in line with the EU *acquis*.



ANNUAL PROGRAMME (2006)

- Projects to increase productivity will be supported,
- R&D support will continue,
- Entrepreneurship training will be increased,
- SME support programmes will be continued,
- Venture capital will be increased and banks will be encouraged to give part of their credits as venture capital,
- Intermediation and specialisation of investment and commercial banks in SME supports will be encouraged,
- Use of information and communication technology will be supported,
- Investment support offices within Development Agencies will be established in provinces.



SME STRATEGY AND ACTION PLAN

- Prepared in 2003 in line with European Charter for Small Enterprises, MAP tools and AP
- Revision of the Plan is being carried out by a Committee since 2005.

Priority Areas;

- Providing education and training for entrepreneurship,
- Development of cheaper and faster processes for business start-ups,
- Enactment of better laws and legislation,
- Training to provide qualified employees,
- Improving on-line access and transactions via Internet,
- Opening up to new markets,
- Improvements in taxation and financial matters,
- Development of technological and innovation capacity of SMEs,
- Development of high level SMEs support,
- More effective representation of SMEs on national and international platforms.



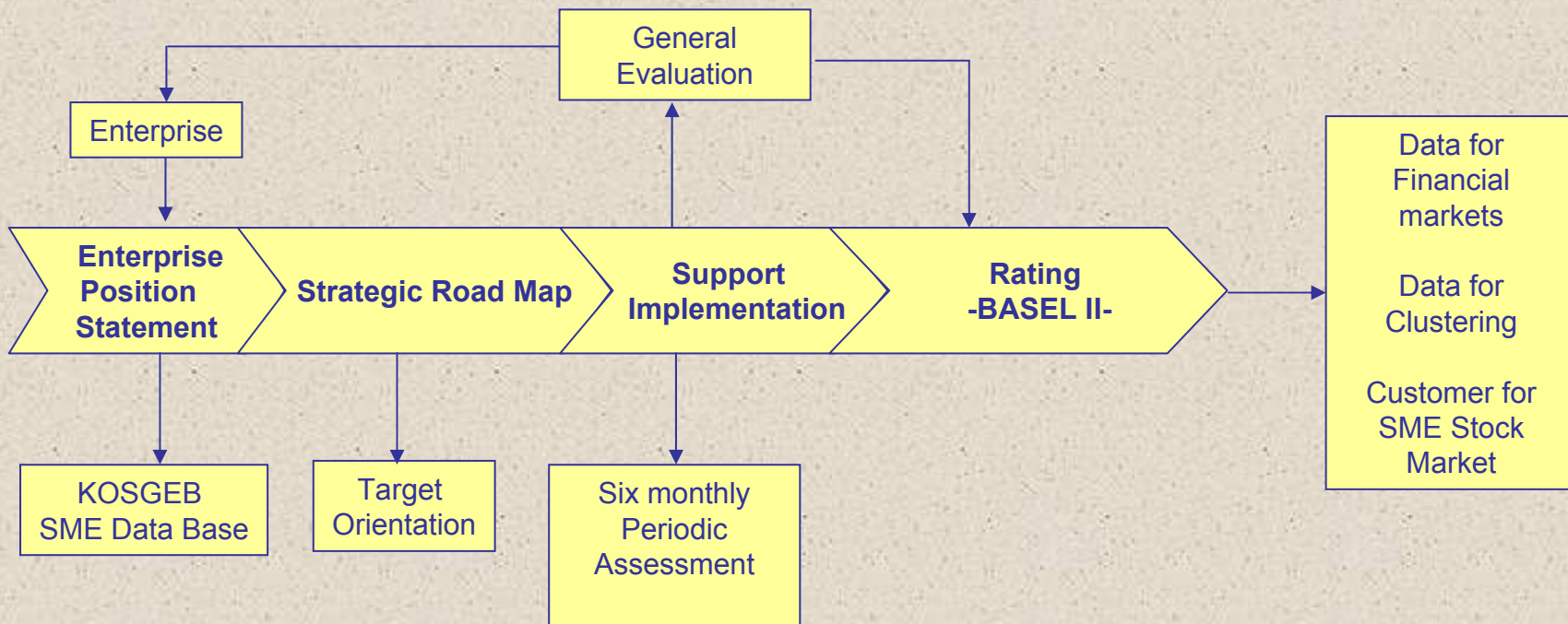
INSTRUMENTS FOR SMEs

- Public Mechanisms
- Better Business Environment
- Civil Mechanisms
- Global Instruments



PUBLIC MECHANISMS

KOSGEB Support Model





PUBLIC MECHANISMS (CONT'D)

KOSGEB Supports

- Consultancy and Training Supports
- Technology Development and Innovation Supports
- Market Research and Export Promotion Supports
- International Cooperation Development Supports
- Information Technology Supports
- Quality Improvement Supports
- Regional Development Supports
- Entrepreneurship Development Supports



PUBLIC MECHANISMS (CONT'D)

Incentives by the Undersecretariat of Treasury

Preparing, implementing and monitoring incentive measures for encouragement and orientation of investments and services.



PUBLIC MECHANISMS (CONT'D)

Support Mechanisms Provided by the Undersecretariat for Foreign Trade

- Encouraging employment in sectoral foreign trade companies,
- Vocational training,
- Environmental protection activities,
- Market research projects,
- Participation in international fairs,
- Operating stores abroad,
- R&D projects.



PUBLIC MECHANISMS (CONT'D)

Young Entrepreneur Development Programme by KOSGEB

To present entrepreneurship as an opportunity and to turn entrepreneurship potential into a planned process in the period during which university students are planning their career:

- Extra-curricular programme for senior university students,
- Extensively implemented in over 30 universities each year,
- 100 hour training with in-class and applied modules (including motivation, business idea generation and business planning),
- Programme graduates who set up a business become eligible for,
- KOSGEB start-up capital support,
- Helpful for generating an entrepreneurial culture in universities.



BETTER BUSINESS ENVIRONMENT

In order to improve quality of SME Policies, Reform Programme for the improvement of the investment environment within the scope of activities of the Undersecretariat of Treasury has been put into action:

- Number of documents required from the investors in the application process has been decreased from 15 to 4,
- Scope of SME investments, which can benefit from the encouragement measures, has been extended from manufacturing to include agro-Industry, health, education, tourism, mining, software sectors.



BETTER BUSINESS ENVIRONMENT (CONT'D)

“Law Amending Turkish Trade Law, Tax Procedure Law, Stamp Duty Law, Labor Law And Social Insurance”;

- Transaction of company establishment has been reduced from 19 to 3 steps, Therefore, company can be established “just in 1 day”.

New KOSGEB Support Regulation

- The number of the application documents for KOSGEB Supports decreased from 48 to 5.



BETTER BUSINESS ENVIRONMENT (CONT'D)

Law on Organised Industrial Zones (OIZs);

Management Committees of OIZs have been empowered;

- To give necessary construction licenses to facilitate investment process,
- To provide infrastructure services such as electricity, roads and telecommunication to the common use of all factories located in these zones.

By-law on Opening a Business Place and Work Licence dated 2005

The number of documents, to obtain establishment of workplace licence and operating licence were reduced.



BETTER BUSINESS ENVIRONMENT (CONT'D)

Recruiting the First Employee Project*

- A ministerial working group was established, and some administrative and legal measures were taken,
- Number of information demanded in “Declaration Paper on Business” are reduced,
- Service Center in OSTIM Organised Industrial Region was activated as a pilot implementation in 15 October 2005. The Center executes all procedures related to recruiting an employee.
- It is planned to apply the structure nation wide in association with governorships

**One of the MAP BEST projects*



CIVIL MECHANISMS

Technology Development Projects Support” by UFT in collaboration with TTGV as the implementing institution,

A matching-fund soft-loan (no interest rate) scheme for technology innovation projects of companies,

Project duration up to 24 months,

UFT contribution is 50% of project budget and up to 1 Million USD,

Qualification criteria are based on “OECD Oslo Manual”,

IPR created fully belongs to the company.

Vocational Training by MEKSA,

Professional Trainings and Guidance by TOBB, TESK and professional organisations,

Publications, seminars towards SMEs by Business Foundations/Organisations.



GLOBAL INSTRUMENTS

EU Funded Projects, Community Programmes

- MAP,
 - ✓Financial Tools
 - ✓Experiences gained from BEST Projects,
 - ✓Turkish EICs

- 6th FP
 - ✓Turkish IRCs
 - ✓SME Involvement

Bilateral Projects with Third Countries

Cooperation with International Bodies



EXAMPLES UNDER GLOBAL INSTRUMENTS

EU and TESK; “Supporting Women Entrepreneurs Project (2002-2004)”

- Focused on the promotion of entrepreneurship among women
- Five training centres in Ankara, Bursa, Denizli, Mersin and Corum.

Achievements;

- Identification of the services which would be delivered to women entrepreneurs,
- Awareness on women entrepreneurship was increased,
- 1630 women participated, 359 of which set up their own business or be a partner,
- A women business centre was also established in Bursa,
- Project has been extended in association with KOSGEB.



EXAMPLES UNDER GLOBAL INSTRUMENTS (CONT'D)

IZMIR AGEAN IRC

According to the success criteria of IRC Network, *6th most successful office just in two years period (2004-2006)*,

- 265 company visits realised,
- 62 technology audits were performed,
- 42 technology offers and requests from Turkish SMEs were announced in IRC Network,
- 720 technology offers and requests were translated and announced to Turkish SMEs,
- 37 international events were organised in Turkey and 400 Turkish SMEs participated,
- Turkish SMEs participated in 14 international events abroad,
- 977 one-to-one meetings between Turkish and foreign SMEs were arranged,
- 16 transnational technology transfers (TTT) were achieved (10 from EU to TR, 6 from TR to EU),
- 5 branch offices were established (Aydin, Mersin, Antalya, Usak and Balikesir).



EXAMPLES UNDER GLOBAL INSTRUMENTS (CONT'D)

KOSGEB BUSINESS MATCHING CENTERS

- To improve international economic relations between SMEs,
- To eliminate obstacles,
- To develop sustainable relations via an official platform,
- To develop bilateral and multilateral economic relations,

Currently,

- Procedures have been almost completed with Germany and Russia,
- Process is underway for Ukraine, USA, Netherlands, Israel, Azerbaijan and Bahrain.



SME DEFINITION IN TURKEY

SME definition has been recently unified and will be in force as of 18 May 2006, in order to eliminate the differences between the SME definitions used by various institutions in Turkey.

- Law No. 5331 on adding an additional article to the ‘Law No. 3143 on The Organization and Functions of Ministry of Industry and Trade’ (Official Gazette: 16 April 2005, 25788).
- Based on the Law No 5331, “By-Law on Definition, Characteristics and Categorisation of Small and Medium Sized Enterprises“ (Official Gazette: 18 November 2005, 25997).



SME DEFINITION IN TURKEY (CONT'D)

Definitions valid as of 18 May 2006:

Enterprise: Any entity owned by one or more real or legal person(s) and engaged in an economic activity, irrespective of its legal form.

There are three types of enterprise according to their relationship with other enterprises in terms of holdings of capital or voting rights, concerning the aim of calculating staff numbers and financial amounts:

- Autonomous enterprises
- Partner enterprises
- Linked enterprises

SME: Economic entities, which employ less than 250 persons and which have an annual turnover or an annual balance sheet not exceeding 25 Million YTL (15.15 Million Euro).



SME DEFINITION IN TURKEY (CONT'D)

SME Definitions Used In the EU and New Definiton for Turkey (All sector)

	Criteria for definition	Micro enterprise	Small enterprise	Medium enterprise
EU	Staff Headcount	<10	<50	<250
	Annual turnover	≤ 2 Million Euro	≤ 10 Million Euro	≤ 50 Million Euro
	Annual balance sheet	≤2 Million Euro	≤ 10 Million Euro	≤ 43 Million Euro
TURKEY	Staff Headcount	<10	<50	<250
	Annual turnover (1 € = 1.65 YTL)	≤ YTL 1 Million (606,000 Euro)	≤ YTL 5 Million (3 Million Euro)	≤ YTL 25 Million (15.15 Million Euro)
	Annual balance sheet (1 € = 1.65 YTL)	≤ YTL 1 Million (606,000 Euro)	≤ YTL 5 Million (3 Million Euro)	≤ YTL 25 Million (15.15 Million Euro)



SME DEFINITION IN TURKEY (CONT'D)

Declaration

There is a declaration attached to the By-Law. Enterprises fill the declaration including information on the qualification of an enterprise as an SME.



COOPERATIVES

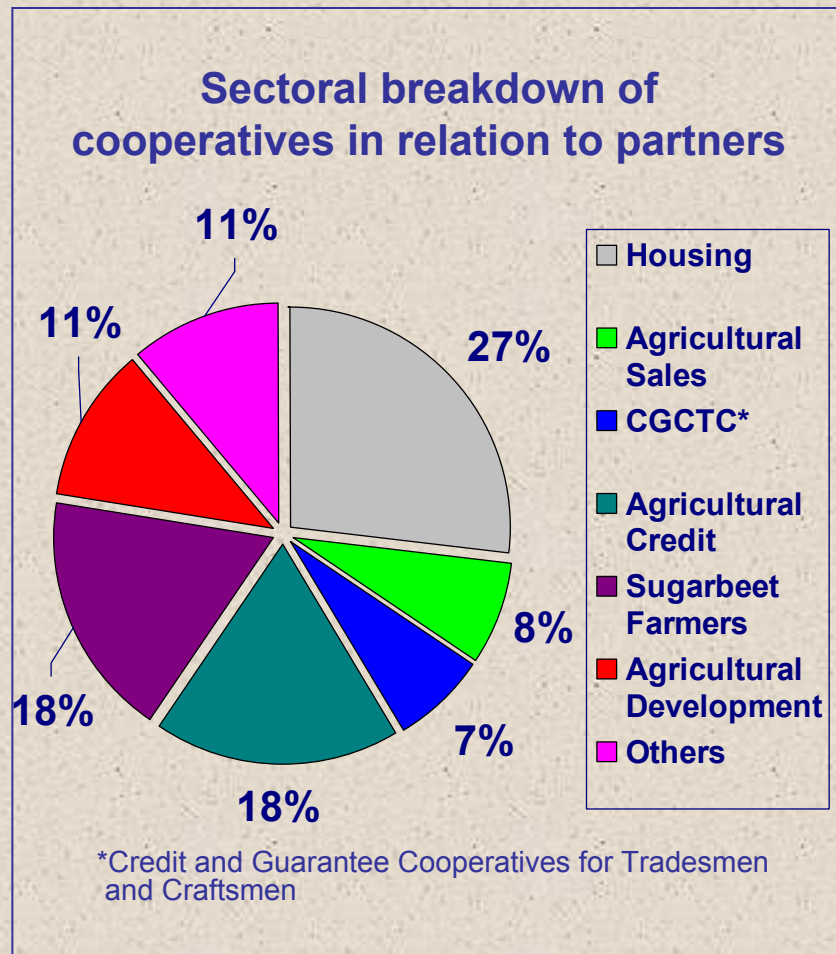
Legal and Institutional Framework:

- Constitution (Article 171): “The state shall take measures to promote the development of cooperatives”.
- Law on Cooperatives No 1163,
- Law on Agricultural Sales Cooperatives and Unions No 4572,
- Law on Agricultural Credit Cooperatives and Unions No 1581,
- Ministry of Industry and Trade (MoIT) and Ministry of Agriculture and Rural Affairs (MARA) are the main responsible bodies.

COOPERATIVES

The Structure of Cooperatives

- A cooperative may be formed by at least seven or more persons,
- A cooperatives` union may be formed at least seven or more cooperatives,
- A cooperatives` central union may be formed by cooperative unions,
- National Cooperative Union of Turkey is the head organization,
- There are almost 85,000 cooperatives with 8.7 million partners.



Source: MoIT, MARA



THANK YOU FOR YOUR ATTENTION