



Emerging & High-Value Sectors for Syrian Entrepreneurs in Turkey

February 2022



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Introduction

Building Markets creates jobs and encourages economic growth by finding, building, and connecting competitive local small and medium-sized enterprises (SMEs) to supply chains and investment. In Turkey, Building Markets partners closely with SMEs to accelerate their significant economic contributions – including much-needed job creation. The vast majority of the more than 2,500 SMEs in Building Markets’ Turkey network (98%) are refugee-owned and refugee-employing. Although these businesses face unique challenges, they have the potential to be significant job creators. In 2017, for example, Building Markets found that Syrians had invested more than USD 330 million in capital into more than 6,000 new enterprises in the country and employed nearly ten people on average.[i] Today it is estimated that 10,000 formal companies, wholly or partly owned by refugees and migrants in Turkey, employ an average of seven people and sustain more than 250,000 refugees in the country.[ii]

This snapshot is based on research conducted by PAR Research and Consultancy (Istanbul, Turkey) for Building Markets. PAR Research and Consultancy analyzed data from the Turkish Statistical Institute (TURKSTAT) to identify emerging and high-value sectors with long-term potential for refugee entrepreneurs in Turkey. They also assessed changing sectoral dynamics in Turkey before (2015-2019) and during the first year of the COVID-19 pandemic (2020).

For the last ten years, Turkey has been the primary destination for Syrians fleeing conflict at home, becoming host to the world's largest refugee population. Turkey is now hosting 4 million refugees, including 3.6 million Syrians registered in the country.[iii] Over the last decade, Syrians have become more integrated into economic life as consumers, job seekers, employees, and entrepreneurs. These entrepreneurs represent enormous unmet potential. In addition to the jobs that entrepreneurs are creating, their businesses' revenue helps support durable solutions for refugees in Turkey.

Turkey is an upper-middle-income country that faced pervasive economic challenges even before the COVID-19 pandemic began in early 2020. Today, the Turkish economy is struggling with rising unemployment and high youth unemployment, high costs of living, loss in the value of the Turkish currency, and rising inflation.[iv] These economic challenges affect refugee and host communities alike.

Even as the economy faces further instability, businesses can take advantage of new technologies and new patterns of globalization spurred by the COVID-19 pandemic. This snapshot identifies high-value and growing business sectors in which refugee entrepreneurs are not yet known to be highly involved at present and that offer strong potential to drive revenue and job growth for Syrian entrepreneurs in Turkey – primarily focused on high technology sectors and knowledge-intensive services.[v] In this snapshot, refugee-owned and refugee-employed SMEs in Turkey can explore what this means for their businesses and add value to the economy.

What are Knowledge-Intensive Services?

Knowledge-intensive services are those services that are particularly dependent on technology and skilled human capital. Examples include education, healthcare, scientific research and development, computer programming, and legal and accounting services.[vi]



What are High Technology Sectors?

High technology (“high tech”) refers to sectors with higher technological intensity levels than traditional sectors and are focused on greater innovation. Examples include telecommunications, computer programming, broadcasting, and the manufacturing of high-tech products.[vii]



Existing Sectors for Syrian Entrepreneurs

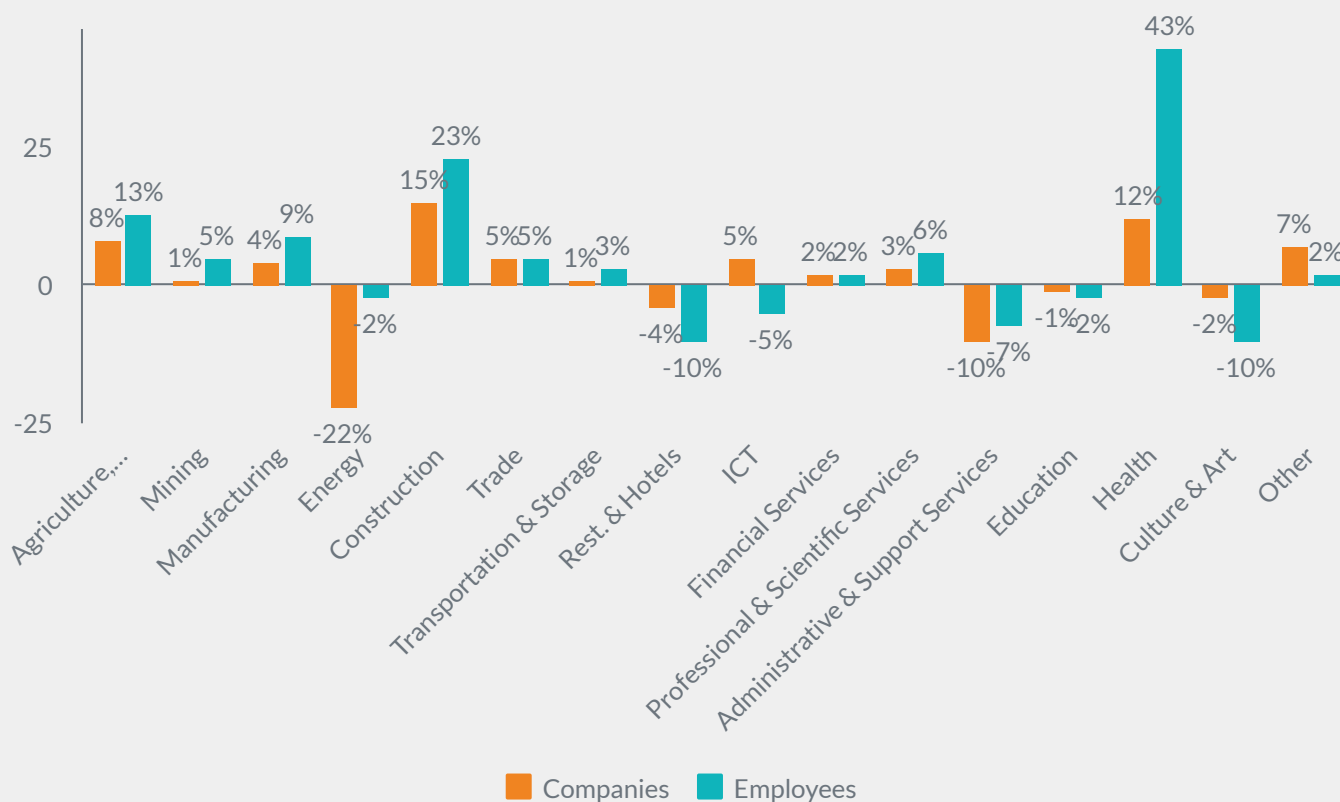
Most refugee entrepreneurs are currently concentrated in less knowledge-intensive and low technology sectors. The main areas of activity for refugee entrepreneurs are in the traditional service sector (wholesale and retail trade, food service activities) and low technology manufacturing (clothing manufacturing, food processing). In both sectors, the concentration of refugee businesses is higher than Turkey's average. Entrepreneurs established businesses in these sectors due to their previous entrepreneurial experience, know-how, and pre-migration social capital. As capital intensity increases in enterprises and sectors, the concentration of refugee businesses decreases. However, where capital intensity increases, profitability generally also increases. An example of this is high technology manufacturing.

Growing Sectors

Employment in Turkey has traditionally been highest in low technology and less knowledge-intensive sectors, and enterprises in traditional sectors employ 58% of the labor force. Given the economic situation and the ongoing pandemic, during 2020, there were shifts in which sectors had the capacity to create employment and which sectors added the most value to the Turkish economy.

In 2020, there was a significant decrease in job generation in traditional services. However, employment in specific sectors increased, such as manufacturing, health, and construction sectors. At the same time, knowledge-intensive sectors, like manufacturing, information and communication technologies (ICT), and financial services, gained momentum as a share of gross domestic product (GDP) in 2020.[viii]

% CHANGE IN NUMBER OF COMPANIES AND EMPLOYEES BY SECTOR

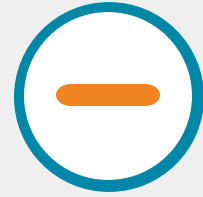


Sectors Gaining and Losing Employment (2020)



SECTORS GAINING EMPLOYMENT SHARE

Manufacturing, Health, Construction



SECTORS LOSING EMPLOYMENT SHARE

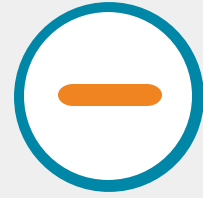
Education, Restaurant and Hotels, Administrative and Support Services, Culture and Art

Growing and Shrinking Sectors as a Share of GDP (2020)



GROWING SECTORS

Manufacturing, ICT, Financial Services



SHRINKING SECTORS

Traditional Services (Restaurants, Hotels, Transportation), Education, Construction, Real Estate

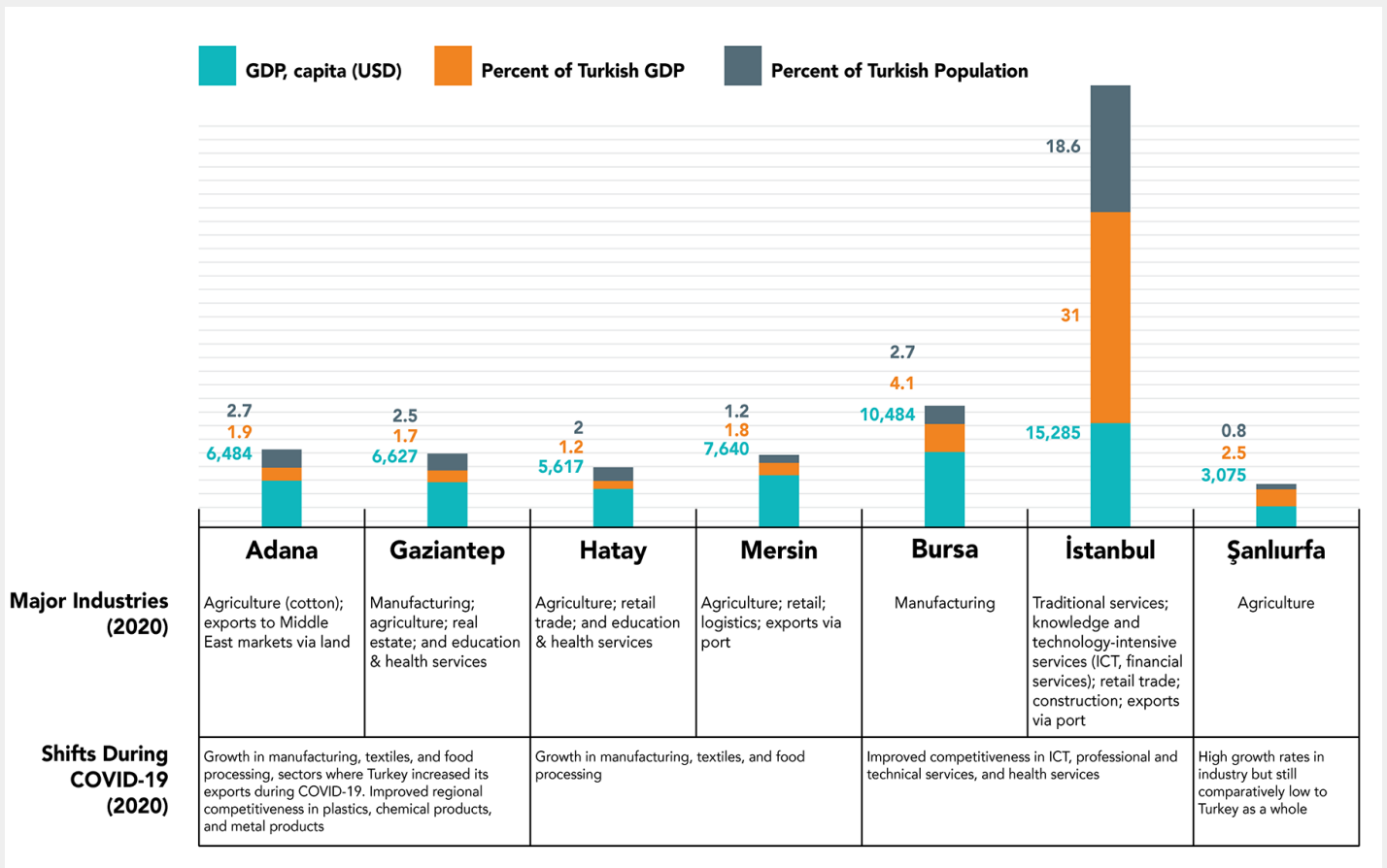
The growth of manufacturing during the COVID-19 period is attributed to an increase in exports of certain products. Since the COVID-19 pandemic, some sectors have increased their exports to the European Union (EU), mainly taking advantage of EU companies' new strategy of nearshoring or bringing their operations closer to home, shortening their supply chains. Turkish exports, especially in knitwear goods, cotton and cotton products, and food products, gained market share in the EU compared to the Asian markets during COVID-19.[ix]

Refugee entrepreneurs have much higher rates of exporting (38%) than all registered companies in Turkey (11%). While most Turkish exports go to Europe, refugee SMEs export to the Middle East. This might be interpreted as a reflection of continued ties with the Middle Eastern market and reliance on pre-migration social capital, i.e., building partnerships with other Syrians and reviving relations with old customer networks to develop transnational trade relations.[x] This is an incentive for Turkish entrepreneurs to partner with refugees. In addition, refugee SMEs are involved in apparel and food products, two high-growth exports during the pandemic.[xi]

Assessing shifts in sectors' share of GDP, employment dynamics, and export volumes indicate how sizable sectors are within an economy. While these data points do not necessarily reflect how much profit or value is generated within the sector, they can be helpful indicators to entrepreneurs regarding which sectors to enter.

Regional Variation and Competitiveness

Turkey's regions experienced similar economic trends as the country as a whole throughout 2020, whereby manufacturing gained competitiveness over traditional service sectors. However, some regional differences reflect each city's existing strengths in sector competitiveness. Sectors vary significantly in different regions of Turkey and across the seven cities that host the highest number of refugee-owned enterprises, creating distinct dynamics for market entry strategies for each region's entrepreneurs. These cities differ in population and economic size, and the size of Istanbul alone makes it hard to compare with other cities in Turkey.



High-Growth Exports During COVID-19 (2020)



Textiles



Food Processing



Pharmaceuticals



Wood Products

Recommendations for Entrepreneurs

As outlined in this snapshot, the ongoing COVID-19 pandemic and the economic situation in Turkey have led to shifts in the economy, and specific sectors are likely to recover faster than others. Refugee entrepreneurs seeking to enter the marketplace or diversify their businesses can capitalize on these opportunities.

1. Increase engagement in knowledge-intensive services: Despite most refugee entrepreneurs being involved in traditional and low technology sectors, which have lower profitability, refugee entrepreneurs are more represented in knowledge-intensive industries (education, travel services) than Turkey as a whole. Engaging in knowledge-intensive services can be beneficial as these sectors are less impacted by lockdowns and have higher profitability. In addition, other profitable sectors, like manufacturing, are capital intensive, but knowledge-intensive sectors can be profitable while being smaller in size.

One challenge is that knowledge-intensive sectors require more extended periods of professional training. SMEs can benefit from Building Markets' one-on-one mentorship and technical assistance to support a shift or expansion of operations to knowledge-intensive sectors and address challenges unique to their business.

2. Consider higher technology sectors: Refugee entrepreneurs are more involved in high technology sectors (computer programming, broadcasting, and telecommunications) than the average in Turkey. While large firms are often more productive in manufacturing and capital-intensive production, SMEs can outperform larger enterprises in high technology business services and niche services, especially ICT. ICT and financial services were the fastest growing sectors in Istanbul over the last five years.

SMEs can leverage these market advantages by learning how to make their bids for tenders in high technology sectors more competitive through Building Markets' tender training opportunities.

3. Focus on exports: A survey of SMEs in Building Markets' network suggests 40% of refugee-owned enterprises are already exporting. Increased nearshoring with COVID-19 can be advantageous for exporters targeting the Middle East region. Refugee entrepreneurs can take advantage of their existing networks and language skills and respond to the demand for Turkish products in Middle Eastern markets, contributing to post-pandemic economic recovery.

However, Turkish export regulations can be a barrier to SMEs unfamiliar with government policy. Building Markets' services can help SMEs identify relevant tenders in international markets, improve their digital marketing and visibility, engage in matchmaking events with buyers, and seek learning opportunities related to Turkish government regulations. In turn, this can help bolster businesses' export potential.

Recommendations for Entrepreneurs

4. Increase access to finance: High profitability sectors require more capital-intensive investments, especially in manufacturing. Problems accessing finance means that there are additional obstacles to entering these sectors. Closing gaps in financial documentation will help overcome barriers to loans and investment. Less than 1% of all SMEs in Building Markets' Turkey network have received a formal business loan.

Syrian-owned SMEs need to work on meeting information requirements, such as transparent financial statements, bankable business plans, and corporate governance standards, to receive services and limit the collateral requirements of banks.[xii] Beyond traditional bank loans, innovative financing, including invoice factoring, could help Syrian SMEs manage cash flow and grow their access to supply chains.

Investing in more profitable high technology and knowledge-intensive service sectors, especially professional, scientific, and support services, requires investment in human capital. While this snapshot has highlighted several emerging and high-value sectors, the accumulation of the appropriate technology, knowledge, capital, and proximity to markets will significantly impact job creation and profitability across various sectors.



Building Markets' Services

Building Markets offers a suite of mutually-reinforcing services that can help refugee-owned and refugee-employing SMEs in Turkey expand into new sectors, reach new markets, and improve their operations.

Online Business Directory

Maintaining a digital presence is crucial to staying competitive in local and international markets. Building Markets creates unique business profiles for all verified businesses on the [Online Business Directory](#). Businesses can claim their listing, add pictures, update information, and use their page as a free marketing tool. To identify potential suppliers, buyers can search the online directory by sector, location, business size, or impact factors like woman or refugee ownership.

Tender Distribution and Matchmaking Services

SMEs can explore new business opportunities through Building Markets' tender distribution and matchmaking services. Each day, tenders from a wide range of sectors are collected and published on the [Online Business Directory](#) and sent to SMEs via WhatsApp. Building Markets also provides regular training on the tender application process and procurement webinars to help businesses make their bids more competitive. For buyers, Building Markets can provide custom matchmaking reports with information on relevant suppliers in the Turkey network.

Training, Mentorship, and Technical Assistance Services

Building Markets offers training on fundamental business practices, such as sales and marketing, exporting and export regulations, and financial management, and training on special topics like the use of Google Ads and LinkedIn that can help SMEs improve their operational skills. Training sessions are offered virtually and in person, and modules are available for offline use through Building Markets [Online Learning Platform](#). One-on-one mentorship and technical advisory services are also available for SMEs looking to address challenges unique to their business, such as developing and implementing a business plan or expanding their service offerings.

Access to Finance

Building Markets' Access to Finance services support high-potential SMEs to improve their investment and credit-readiness to obtain new capital and grow their businesses.

Sources

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- [v] Trade, construction, and manufacturing account for almost 80% of Syrian workers, of which textile, clothing, leather, and footwear industries make up the majority of manufacturing. For more information on the number of Syrian refugees by sector, see: Luis Pinedo Caro (ILO Turkey). 2020. “Syrian Refugees in the Turkish Labour Market.” https://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---ilo-ankara/documents/publication/wcms_738602.pdf. For a profile of Syrian businesses in the Southern Region of Turkey, see Building Markets. 2021. SME Snapshot: Syrian Small Business in the Southern Region of Turkey. https://buildingmarkets.org/wp-content/uploads/2021/08/building_markets_syrian_sme_snapshot_turkey_southern_region_210419.pdf
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How We Work

Founded in 2004 and headquartered in New York City, Building Markets creates jobs and encourages economic growth by finding, building and connecting competitive local SMEs to supply chains and investment. Through its model, the organization has supported more than 26,000 SMEs, assisted those businesses in winning USD 1.35 billion in contracts, \$21 million in loans, and helped create 70,000 full-time equivalent jobs.

In Turkey, Building Markets has built a unique network of more than 2,000 Syrian-owned SMEs. Verified businesses can access services that increase their visibility, improve their performance, and connect them to new opportunities. Since 2017, our programs in Turkey have led to SMEs winning over USD \$3 million in new contracts and capital.

Are you a small business operating in Turkey?

INCREASE VISIBILITY



Get verified and create a unique profile on our business directory

ACCESS TRAINING



Enroll in online and in-person courses that target your company's growth

CONNECT TO OPPORTUNITIES



Locate tenders in your sector and win new contracts and capital

Interested in Learning More?
Contact our supply chain and finance experts:

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