



SME POLICY INDEX

WESTERN BALKANS AND TURKEY 2022

ASSESSING THE IMPLEMENTATION OF THE SMALL BUSINESS ACT FOR EUROPE

Launch of the publication Türkiye

19 September 2022

Presentation outline



Key features of the SME Policy Index 2022 publication

SME sector in Türkiye


Overview of SME Policy Index 2022 assessment for Türkiye






Main objectives and key features of the SME Policy Index 2022 publication

SME Policy Index objectives:


 provide **inputs for national SME development strategy and other national development strategies** (e.g. innovation, education, environmental protection) as well as **guide the ERPs,**


 **monitor alignment in enterprise policy with the EU *acquis*,** especially with respect to Chapter 20.

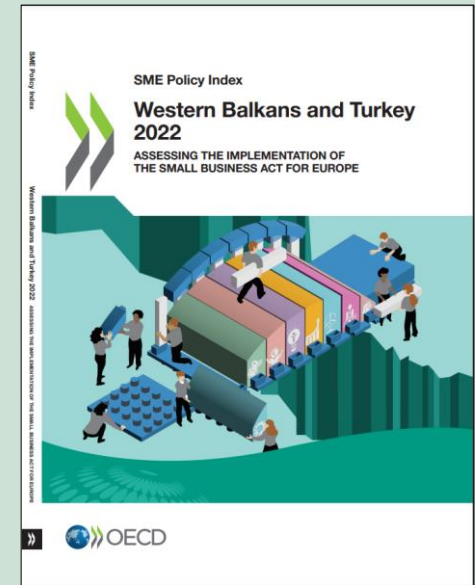
Key features of 2022 edition:

 increased focus on **analysing the implementation of the policy recommendations** provided in the 2019 edition,

 analysis of the impact of the **COVID-19 pandemic** on policies,

 horizontal approach to **the themes that are becoming of increasing importance for the region** (e.g. greening, digitalisation),

 examples of the **latest OECD and EU policy trends,** instruments, tools and good practices.



Presentation outline



Key features of the SME Policy Index 2022 publication

SME sector in Türkiye

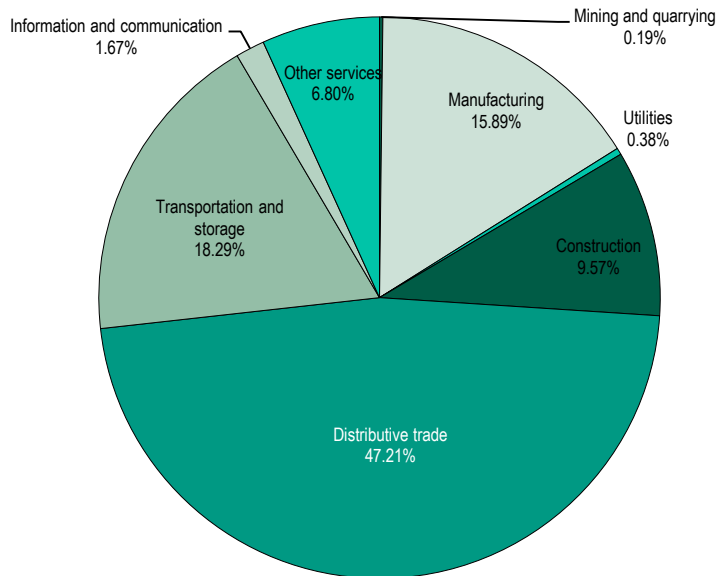
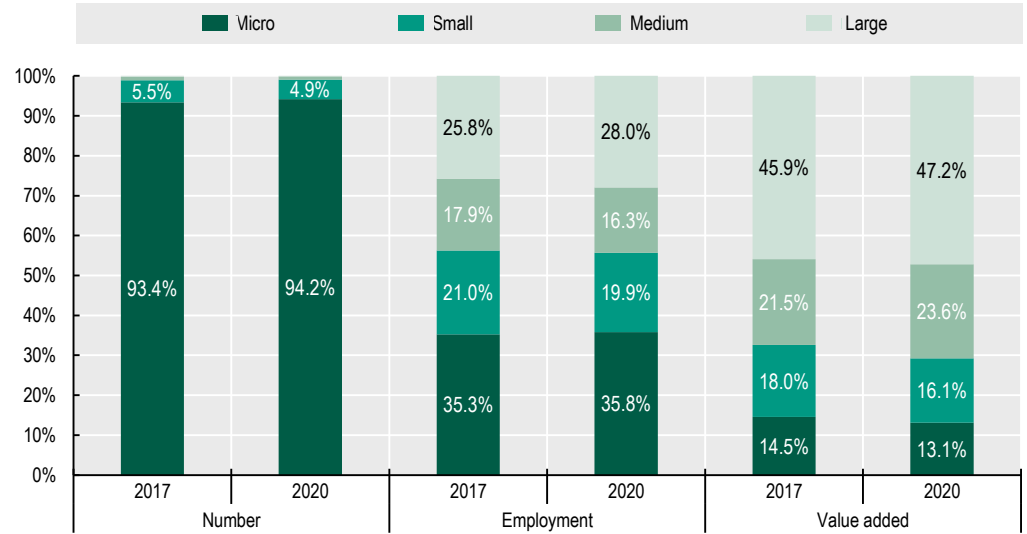
Overview of SME Policy Index 2022 assessment for Türkiye





SME sector in Türkiye

- SMEs accounted for **99.85%** of all enterprises in 2020
- SMEs represented **72% of employment** in the business sector, a decrease of 2.2 percentage points since 2017
- SMEs accounted for **~53% of value-added** a 1.2 percentage point decrease since 2017



- The **distributive trade sector** remains the overwhelming industry of SMEs in the economy at 47.2%
- **At 18.3%** the **transportation and storage** sector follows as the second-highest number of SMEs
- MSMEs in **construction and distributive trade** account for as much as 86% and 82% of total employment in their respective industries



Presentation outline



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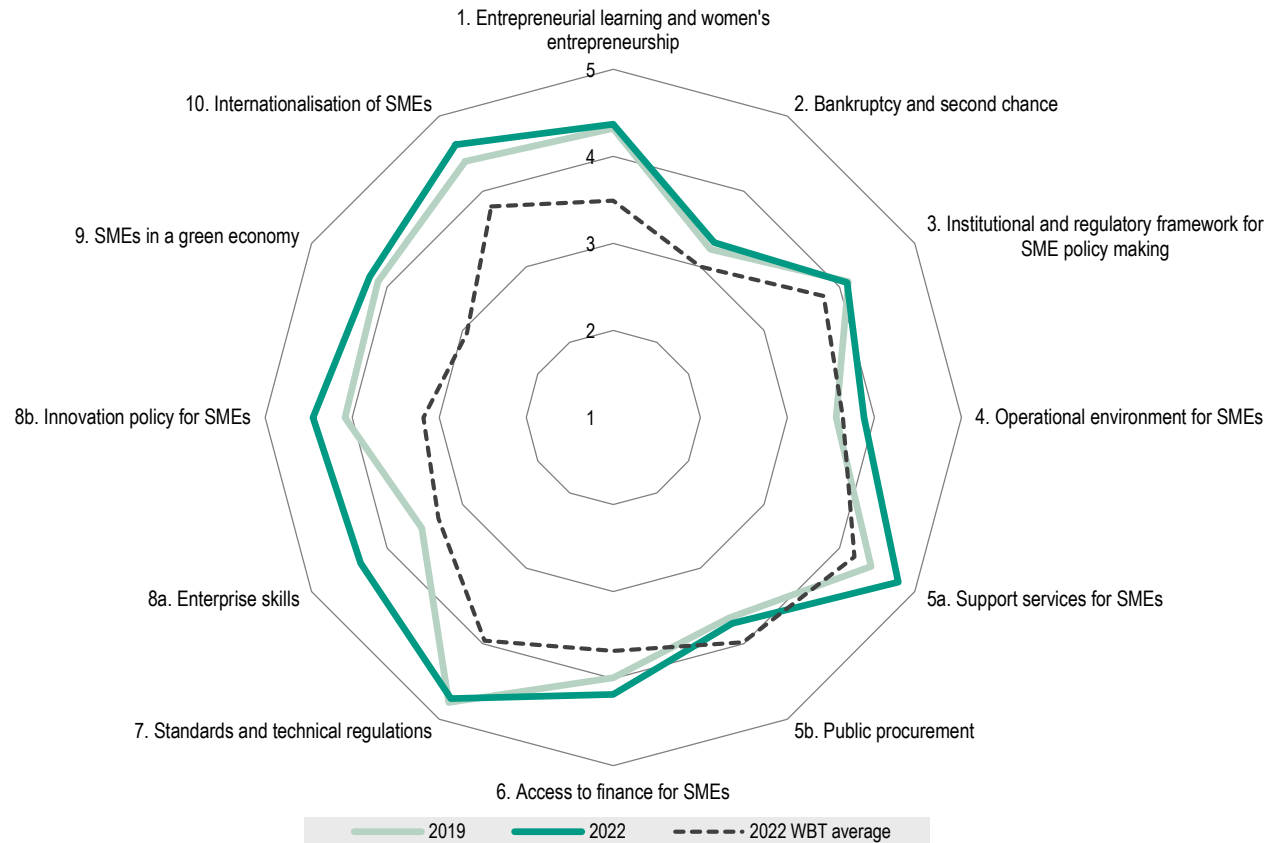
SME sector in Türkiye

Overview of SME Policy Index 2022 assessment for Türkiye





2022 assessment results show improvements across policy areas



The strongest performance is in the areas of:

- Dimension 5a: Support services for SMEs
- Dimension 7: Standards and technical regulations
- Dimension 8b: Innovation policy for SMEs
- Dimension 9: SMEs in a green economy
- Dimension 10: Internationalisation of SMEs

The most room for improvement is in the areas of:

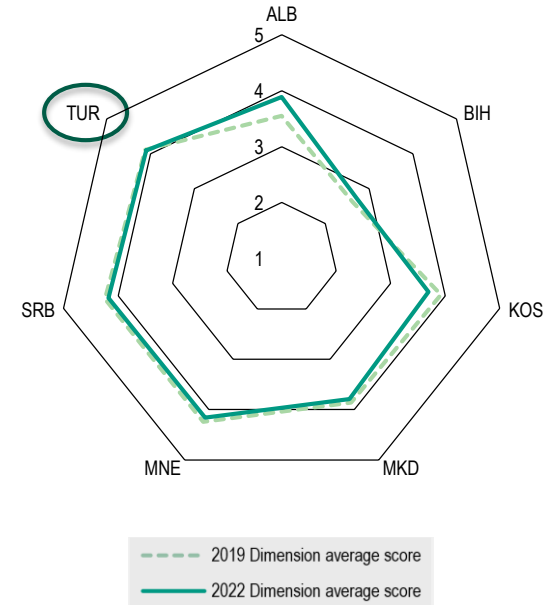
- Dimension 2: Bankruptcy and second chance
- Dimension 4: Operational environment for SMEs
- Dimension 5b: Public procurement





Türkiye has a strong institutional and regulatory environment for SME policies, but could make better use of key tools

- 1 The implementation of KOSGEB's strategic plan (2019-2023) advanced well
- 2 Action was taken to combat the presence of the informal economy in the SME sector
- 3 Frameworks to ensure the consistent use of regulatory impact assessment and public-private consultations are lacking
- 4 The BAMS initiative continued, with increased focus on digitalisation of procedures



89% of targets

under the KOSGEB Strategic Plan were achieved as of 2021



400 trainings

were organised by KOSGEB to raise awareness on the importance of fighting the informal economy since 2019





Institutional and regulatory framework for SME policy making – Way forward

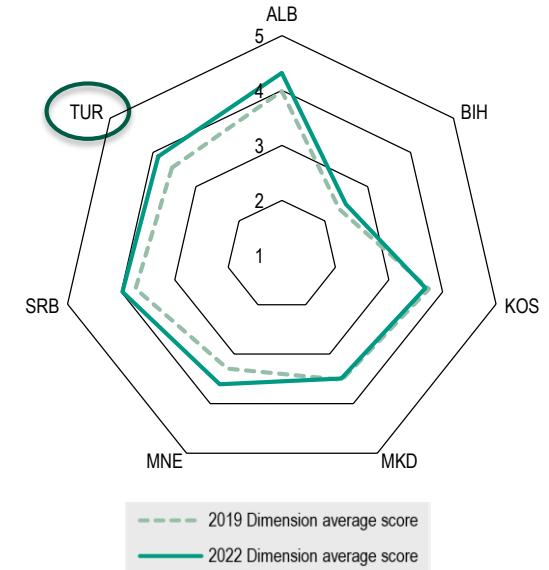
- **Ensure and enforce the effective implementation of RIA.**
- **Develop a framework for PPCs and ensure their consistent application.** This framework should help define the criteria for conducting PPCs, their minimum duration and quality standards to ensure the effective participation of stakeholders.





Türkiye has improved its operational environment for SMEs through digitalisation reforms and simplification of procedures

- 1 **Türkiye's online portal for digital government services has been further developed**
- 2 **Company registration procedures are centralised, but have not yet been digitalised**
- 3 **Licensing procedures for retail businesses have been simplified through the PERBIS platform**
- 4 **Simplified tax administration procedures and the development of e-services for tax purposes have decreased tax compliance costs for SMEs**



6390 digital
government services

Were available in Türkiye as of early 2022, up from around 3000 in 2019



238 trade registry
directorates

*located in chambers of commerce, act as **one-stop shops** for company registration*





Operational environment for SMEs – Way forward

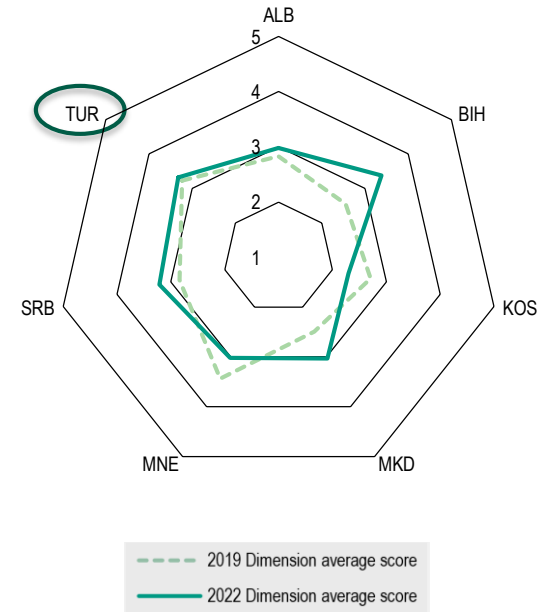
- **Improve monitoring and evaluation of digital government services.**
- **Fully digitalise the company registration process.**
- **Centralise all business licenses under one portal.**
- **Develop a strategy to ease tax administration procedures for SMEs.**





More efforts are needed in establishing insolvency prevention measures

- 1 Progress has been made in insolvency legislative framework, but simplified reorganisation proceedings for SMEs and debt discharge rules still lacking
- 2 Measures to prevent bankruptcy are yet to be implemented
- 3 Programmes to promote second chance among failed entrepreneurs are still lacking



Türkiye is the **2nd** best performer

in the **Bankruptcy and Second Chance** dimension from 2019 to 2022



3 positive legislative amendments

were made across Türkiye, leading to the **alignment of the legislative framework** for insolvency





Bankruptcy and second chance – Way forward

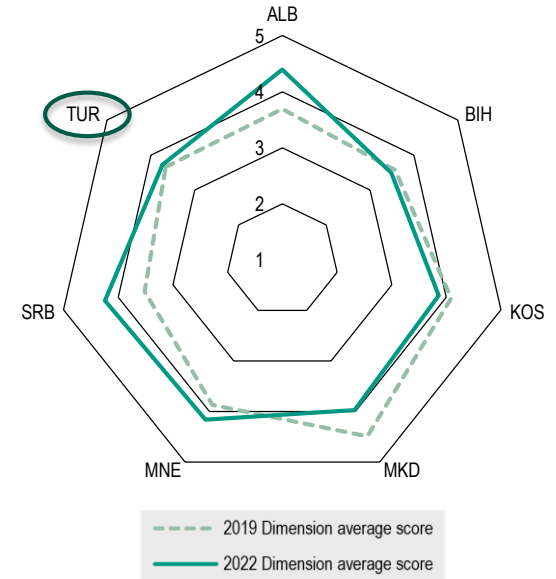
- **Develop insolvency prevention policy measures, including a fully-fledged early warning system.**
- **Introduce international cross-border insolvency rules.**
- **Introduce simplified bankruptcy proceedings for SMEs.**





The public procurement regulatory framework has not been further aligned with EU rules but SMEs' access has been facilitated

- 1 No changes in the national legislation have been implemented to align with EU requirements.
- 2 The administrative burden has been reduced through e-procurement.
- 3 SMEs' access to the public market has been further facilitated.
- 4 Consultation assistance and training are provided to SMEs.



Up to **15%**

Of price advantage should be provided in favour of bidders who offer domestic goods in procurement procedures



75% of recommendations

*Were **moderately implemented** since the last assessment*





Public procurement – Way forward

- **Modify the national legislation on public procurement to align with the 2014 EU Public Procurement Directives**, in particular removing the preferential treatment for domestic bidders.

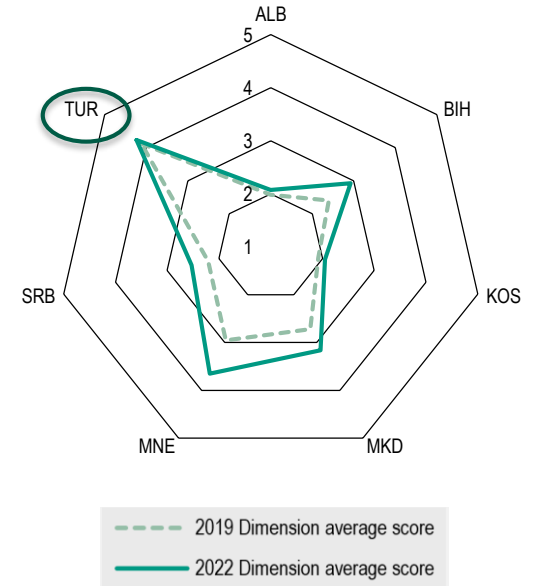
- **Further reduce the administrative burden of participating in public procurement.**





The framework for environmental policies targeting SMEs is solid and well co-ordinated

- 1 Green policies targeting SMEs have been increasingly integrated into various strategic documents
- 2 Implementation has been conducted at a good pace and activities to support SMEs' green transition are ongoing
- 3 Progress was achieved in co-ordinating SME green policies
- 4 A range of financial initiatives are available to support SMEs in their greening efforts in Türkiye
- 5 Information-based instruments on green practices are widespread



18 Organised Industrial Zones

across 81 cities were transformed into green zones (out of 346 OIZs)



65% of SMEs

undertake measures to save energy in Türkiye, compared to 61% in the EU





SMEs in a green economy – Way forward

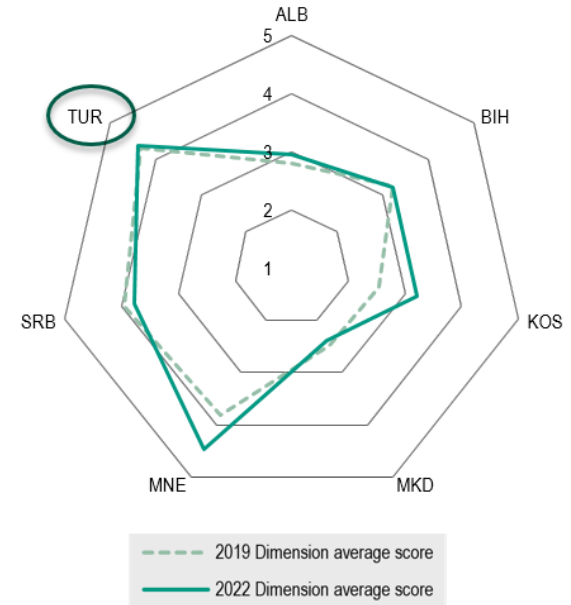
- **Strengthen evaluation tools to ensure efficient implementation of SME greening policies, green certification and support programmes.**
- **Introduce green public procurement measures to impose direct supply chain pressure on environmentally friendly goods and services.**





Türkiye continues to prioritise entrepreneurial learning with a strong focus on innovation and technology

- 1 Entrepreneurial learning is strongly evidenced within government policy but lack a co-ordinated approach
- 2 Future-focused education and training system
- 3 Entrepreneurship in career guidance for VET has been expanded
- 4 Support for women's entrepreneurship is well-evidenced
- 5 Gender-disaggregated data could be further developed



Türkiye is one of the **2** WBT economies

conducting **assessments of learning outcomes** at secondary and VET levels



32% of women

participated in **the labour force** in Türkiye in 2021





Entrepreneurial learning and women entrepreneurship – Way forward

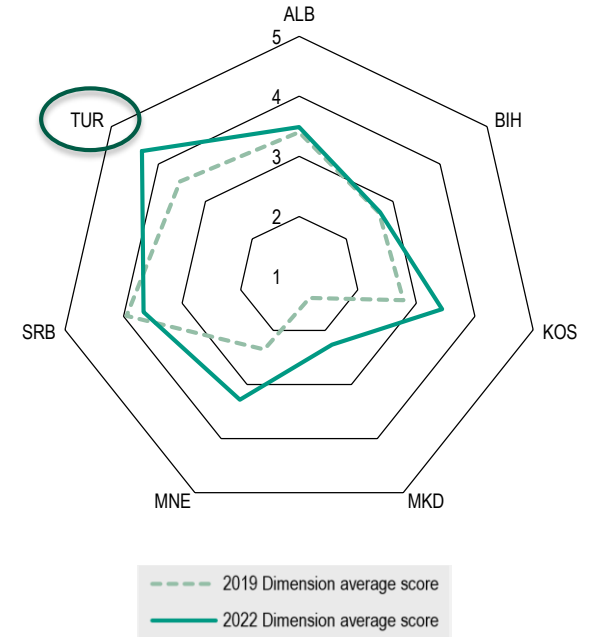
- **Identify national partnership bodies to take formal responsibility for the co ordination of entrepreneurial learning and women’s entrepreneurship.**
- **Scale up the entrepreneur role model programme trialled through the Entrepreneurs in High School programme,** as part of the implementation process of the Education Vision 2023 strategy.
- **Enhance the visibility of activities supporting women’s entrepreneurship.**





The enterprise skills framework is well-established and the entrepreneurship ecosystem has been further developed

- 1 The previously strong policy and ecosystem support for SME skills development has been further strengthened
- 2 Efforts are underway to prepare a system-level skills intelligence framework
- 3 A diverse range of SME skills support and training exists at national and regional levels
- 4 Digitalisation of SMEs is a strong feature within SME support and training provision



27 banks

Supported the “I Can Manage my Business” programme aiming at supporting SMEs in gaining skills



Türkiye is the 1st best performer

In the *enterprise skills dimension* in 2022





Enterprise skills – Way forward

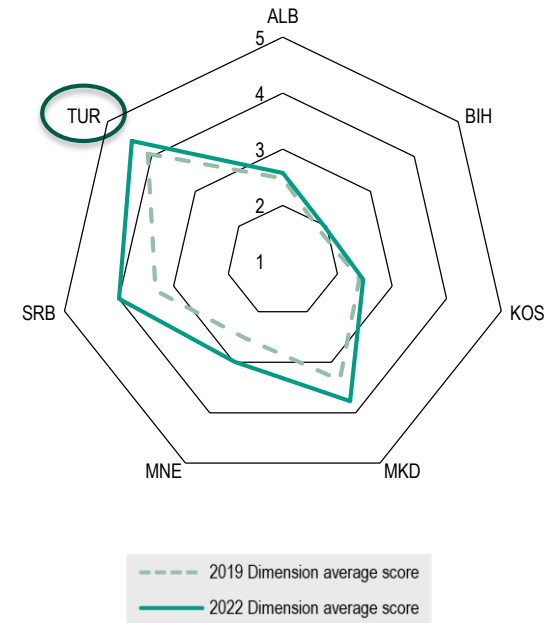
- **Establish national opportunities for SME support and skills training providers to exchange practices to increase quality,** develop new collaborations between providers and disseminate the results of impact evaluation.
- **Improve the system-level evaluation of all government-led or government-financed SME skills programmes.**





Türkiye has a strong innovation ecosystem backed by sound legislative, institutional and financial support

- 1 **Legal framework is complemented by strong implementation mechanisms.**
- 2 **Support for innovative firms is ample but uneven.**
- 3 **Funding for innovation is strong and targeted.**
- 4 **Private sector investment in R&D is increasing.**
- 5 **Business and academia collaboration is growing.**



3 600 SMEs

Have been awarded over EUR 12 million to support the commercialisation of innovative products



46% increase

In the number of **innovation accelerators**, from 48 in 2018 to 70 in 2021.



23.6% increase

in R&D **investments** since 2014, from 0.86% of GDP to 1.06% in 2020, but remains below the target of 1.8% by 2023.





Innovation Policy – Way forward

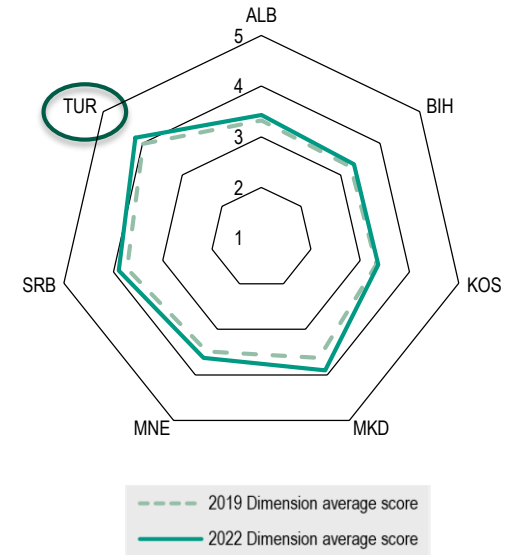
- **Complete the strategic policy framework**, through an action plan to complement the existing framework and provide clear objectives, targets and timelines for Türkiye's strategic framework for innovation.
- **Rebalance the geographic focus of support measures**, by conducting a mapping of the support programmes implemented by KOSGEB, TUBITAK, and the regional development centres to help identify gaps in geographic coverage and potential overlap.





Türkiye continues to be a regional leader in facilitating access to both traditional and alternative financing options for SMEs

- 1 Well-developed legal framework has been reinforced
- 2 Capital market financing is gaining momentum
- 3 Financial intermediation has expanded and credit is continuing to grow
- 4 Alternative financing options are excelling
- 5 Financial literacy framework is missing but training is available albeit unevenly



EUR 124 million

in capital net assets in 2021, having quadrupled since 2010



280 000 SMEs

benefitted from EUR 9.3 billion in guarantees provided by KOSGEB since 2017



USD 1.2 billion

in venture capital investments in 2021, up from USD 143 million in 2020





Access to Finance – Way forward

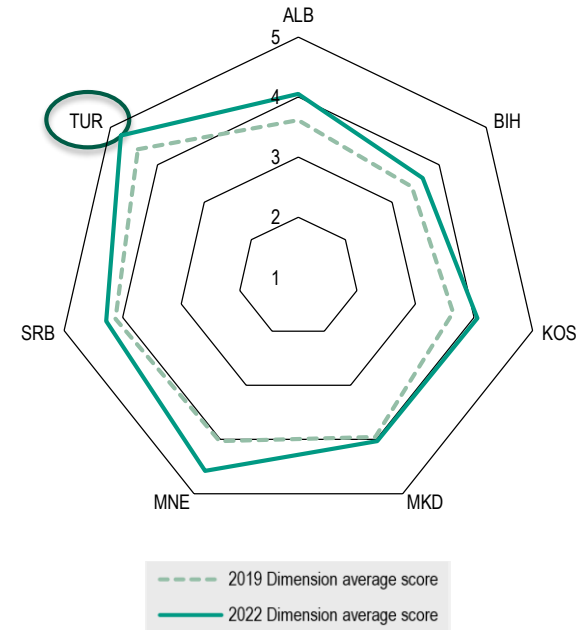
- **Tackle the increasing backlog of insolvency cases to provide certainty to secured creditors**, for example, by further promoting out-of-court settlements or introducing hybrid models.
- **Stimulate long-term financing opportunities for SMEs**, to counter the phasing out of temporary measures introduced during COVID-19.
- **Revitalise efforts to develop a more strategic approach to financial literacy**, by implementing a comprehensive assessment of financial awareness and understanding of the broader population, and entrepreneurs.





Türkiye positioned itself as a leader in public and private BSSs provision

- 1** The uptake of BSSs increased beyond set targets, due to a strong institutional framework
- 2** Türkiye formalised monitoring and evaluation of governmental BSSs programmes
- 3** The ecosystem for entrepreneurship and the private provision of BSSs has been reinforced
- 4** The government amplified the co-financing mechanisms for SMEs



 **14 703**
support services

were provided by Türkiye in this assessment cycle

 **100%** of OECD recommendations

were fully or partially implemented since 2019

 **47.5%**

Is by how much the target of the number of supported SMEs was exceeded in 2021





Support services for SMEs – Way forward

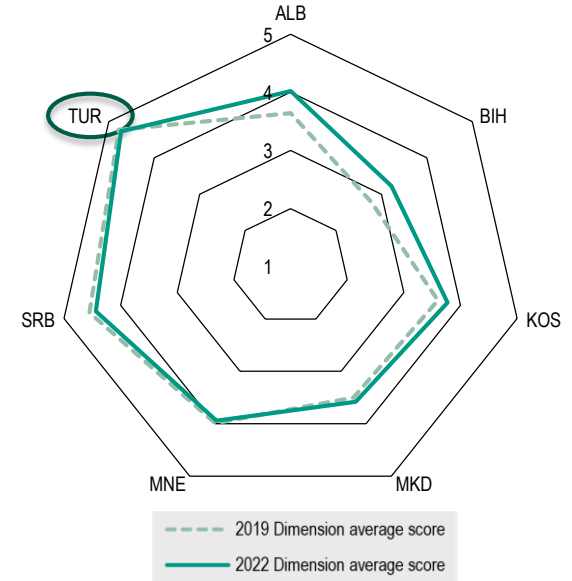
- **Make financial support contingent on the use of accredited private-sector consultants.**
- **Intensify transparency efforts in reporting, monitoring and evaluation.** Though the monitoring mechanisms are well developed in Türkiye, this practice could be effectively scaled up by making all monitoring results public.





Türkiye remains the regional leader regarding standards and technical regulations

- 1 National legislation was aligned with the EU's Market Surveillance Regulation in 2021
- 2 Türkiye has a very high rate of adoption of EU standards
- 3 Türkiye has the most comprehensive accreditation system in the WBT region
- 4 Information provided to SMEs on standardisation is comprehensive and widely available



Way forward

- ❖ Foster the participation of SMEs in standards development



41% of Türkiye's exports

went to the **EU single market** in 2021



Over 99%

of EU standards have been adopted by Türkiye, the **highest share** in the WBT region



25% more

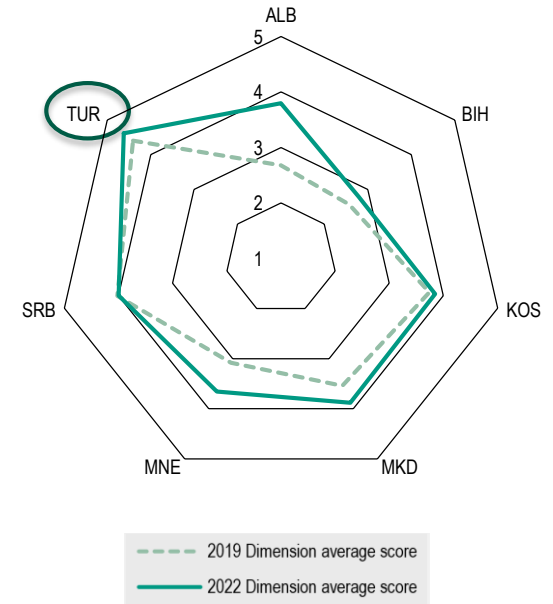
conformity assessment bodies were nationally accredited in 2021 than in 2018





Considerable advancement in SME internationalisation and e-commerce can be observed

- 1 **Türkiye developed a broad range of export promotion programmes**
- 2 **The governments strategic framework for SMEs' positioning in GVCs has been consistently strengthened**
- 3 **With improved feedback collection from programme beneficiaries, room for improvement in monitoring and evaluation remains**
- 4 **Far-reaching support for e-commerce facilitates the achievement of ambitious strategic goals**



226.6 billion

is the export target set for 2023



653 SMEs

were supported under KOSGEB's International Market Support Programme between 2020-21



15.7%

is the 2020 ratio of e-commerce in the retail market





Internationalisation of SMEs – Way forward

- **Strengthen efforts to effectively monitor and evaluate the impact of SME global value chain activities and their impact.**
- **Develop a business-to-business matchmaking portal or directory to connect multinational enterprises to their potential SME suppliers more effectively.**





Providing access to a global marketplace and partnership support in Korea

The Korea Trade-Investment Promotion Agency (KOTRA), a government agency, introduced a BuyKorea platform, a **global marketplace**, where potential buyers can post inquiries about specific products through the website, ensuring they will get an answer directly from the supplier, eliminating the need for an intermediary and lowering transaction costs.

**26 000
products**

**50 000
sellers**

**3.4 million
buyers**



buyKOREA

Within the framework of BuyKorea, the Global Partnership platform supports partnerships between Korean suppliers and overseas global enterprises:

- Product purchase
- Technical cooperation
- Service partnership
- Funding
- Joint ventures



What can Türkiye learn from Korea's example?

Relevance for Türkiye

- Despite broad support for SMEs to integrate into GVCs, **the economy lacks a centralised B2B portal** to facilitate direct linkages between SME suppliers and MNEs.
- Türkiye could leverage KOSGEB's expertise, which could serve as a facilitator between MNEs and SMEs and **create a government-run B2B marketplace**, available free of charge, to showcase Turkish products for exports and potential suppliers for interested investors.
- Türkiye could build on its Turquality programme and include a number of branded products in the database, **gaining international exposure**.
- KOSGEB is already a useful source of information for SMEs, so complementing it with a B2B partnership support platform, would **broaden the internationalisation options for SMEs and amplify technology and knowledge transfers** through meaningful partnerships with MNEs.



Korea's Global Partnership programme is centered around its leading sector – manufacturing. Türkiye could focus on machinery, electronics, textiles, automotive industry and agro-food.



Thank you for your attention!

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