**SME STRATEGY AND ACTION PLAN**

**2015- 2018**

**- SSAP -**

**August - 2015**

**Ankara**

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# LIST OF ABBREVIATIONS

|  |  |
| --- | --- |
| EU  | European Union |
| EU28  | 28 Member Countries of the EU  |
| EEN  | European Enterprises Network  |
| R&D  | Research and Development  |
| Inc.  | Incorporation  |
| BDDK  | Banking Regulation and Supervision Agency |
| BIST  | Istanbul Stock Exchange  |
| BIT  | Information Technologies  |
| BREF  | Best Available Techniques Reference Documents  |
| BSTB  | Ministry of Science, Industry and Technology  |
| CIP  | Competitiveness and Innovation Framework Program |
| CISOP | Competitiveness and Innovation Sector Operational Program  |
| COSME | Program for Competitiveness of Enterprises and Small and Medium Sized Enterprises  |
| ÇSGB  | Ministry of Labor and Social Security  |
| ÇŞB | Ministry of Environment and Urbanization  |
| DDGM  | General Directorate of State Incentives  |
| DMO  | The State Supply Service  |
| EIP  | Entrepreneurship and Innovation Program  |
| ETKB  | Ministry of Energy and Natural Resources  |
| EVD  | Energy Efficiency Consultancy  |
| EXIMBANK  | Turkish Export Credit Bank Inc. Co. |
| EYB | Energy Management Units  |
| VAFC | Value Added at Factor Costs  |
| GBS  | Entrepreneur Information System  |
| GDTİ  | Foreign Trade Statistics by Entrepreneurship Specifications  |
| GİP | Developing Enterprises Market  |
| GSYO  | Venture Capital Investment Trust Inc. Co.  |
| GTB  | Ministry of Customs and Trade |
| SWOT  | Strength Weaknesses Opportunity Threat  |
| IPA | Instrument for Pre-Accession Assistance  |
| NUTS  | Nomenclature of Territorial Units for Statistics |
| İŞGEM  | Business Development Center  |
| İŞKUR  | Turkish Employment Agency |
| İTO  | Istanbul Chamber of Commerce  |
| İYK | Monitoring and Steering Committee  |
| IVCI  | Istanbul Risk Capital Initiative  |
| KGF | Credit Guarantee Fund Inc. Co. |
| KİK  | Public Procurement Authority  |
| KOBİ  | Small and Medium Size Enterprise |
| KOSGEB  | Small and Medium Enterprises Development Organization |
| KSEP  | SME Strategy and Action Plan |
| KSS | Small Industry Zone  |
| MEB  | Ministry of Education  |
| MERSİS  | Central Civil Registration System Project  |
| MET  | Best Available Techniques  |
| MYK  | Vocational Competence Organization  |
| OECD  | Organization for Economic Cooperation and Development  |
| OSB  | Organized Industrial Zone |
| RİP  | Official Statistics Program  |
| SBA | The USA Small Business Administration  |
| SSI | Social Security Institution  |
| SMBA  | South Korea Small And Medium Business Administration  |
| CMB  | Capital Markets Boards  |
| NGO  | Non-governmental Organization |
| TBB | Banks Association of Turkey |
| TDV | Turkish Foreign Trade Foundation  |
| TEKMER  | KOSGEB Technology Development Center |
| TESK  | Turkish Confederation of Craftsmen and artisans |
| TESKOMB | Central Union of Associations of Credit and Guarantee Cooperatives for Craftsmen and artisans of Turkey |
| TGB  | Technology Development Areas  |
| TİM  | Turkish Exporters Assembly  |
| TKBB  | Participation Banks Association of Turkey  |
| TOBB  | Turkish Union of Chambers and Commodity Exchanges |
| TPE | Turkish Patents Institute |
| TSE | Turkish Standards Institute |
| TTGV  | Turkish Technology Development Foundation |
| TÜBİTAK  | Turkish Scientific and Technologic Research Institute |
| TÜİK  | Turkish Statistics Agency |
| TÜRKONFED | Turkish Enterprise and Business Confederation  |
| UAVT | National Address Database  |
| UDHB  | Ministry of Transport, Maritime Affairs and Communication  |
| UFRS | International Financial Reporting System  |
| UGE  | Applied Entrepreneurship Training  |
| WEF | World Economic Forum  |
| WIPO  | World Intellectual Property Organization  |
| YOİKK  | Investment Climate Improvement and Coordination Council |
| YÖK  | Council of Higher Education |
| YPK  | Higher Planning Board  |
| YSHİ  | Annual Industry and Services Statistics  |

# EXECUTIVE SUMMARY

Although our national commitments regarding EU harmonization was the reason why the work for preparation of SME Strategy and Action Plan (SSAP) started in 2003, the actual rationale for the preparation of entire plans in the following years is to ensure national coordination in the implementation of SME policies. Within this framework, fourth SSAP has been prepared by participant working methods that cover all related stakeholders for the period of 2015-2018.

The overall objective of SSAP 2015-2018 is to “increase the competitiveness of SMEs in international levels within a business climate that is responsive to the needs of small enterprises and increase the contribution of SMEs in the economic development of our country.” In order to achieve this general objective, 5 strategic areas and 15 strategic targets have been identified. In the processes for identification of the mentioned objective and targets, complying with 2023 vision of Turkey and 10th Development Plan, primarily main problems, which Turkey should focus on, have been determined and these problems have been grouped in terms of strategic areas and solution methods related to the problems have been converted into strategic targets. 2015-2018 Period SSAP strategic areas and targets have been listed below:

**Strategic Area 1. Foster Competitive Strength of SMEs and Achieving Their Growth**

**ST1.** Ensuring institutionalization and branding of SMEs and increasing their efficiency levels

 **ST2.**Ensuring wider areas for collaborative business and project development culture within SMEs

 **ST3.**Increase capabilities in harmonizing national and international legislation for SMEs in order to achieve sustainable development and growth

 **ST4.**Increase qualifications of employers and employees of SMEs with the aim of development in human capital in SMEs.

**ST5.** Ensure primary support for production industry SMEs

**Strategic Area 2. Increase the Level of Internationalization of SMEs by Increasing SMEs’ Export Capacities**

 **ST1.**Increase the accessibility of SMEs that desires to export to international markets

**ST2.**Diversifying markers and ensure sustainability in exports by fostering access to exporting SMEs to new markets

**ST3.**Increase share of local products with medium to high and high technology products in exports of SMEs

**Strategic Area 3. Safeguard SMEs in the process of improving business and investment climate**

**ST1**. Increasing response levels to the needs of SMEs in presentation of regulations affecting business and investment climates and public services and ensuring SMES statistics in international standards

**ST2.**Ensuring integrity in incentives of the state regarding SMEs

**Strategic Area 4. Improve the R&D and innovation capacity of SMEs**

**ST1.** Supporting production structure based on information in SMEs in order to achieve progress in patent and commercialization issues

**ST2.**Providing support primarily to innovative SMEs in terms of products, services and business model.

**ST3.**Increase cooperation between the domestic/foreign big size companies and universities, and SMEs

**Strategic Area 5.Facilitate the access of SMEs to Finance**

**ST1.**Facilitate access of SMEs to bank credits

**ST2**. Ensure SMEs to benefit more of alternative financing sources

Within the framework of strategic areas and targets 94 actions and projects designed to be executed by related institutions and organizations are listed in the Action Plan detailed in Section 8.

# INTRODUCTION

## Objective and Scope

SME Strategy and Action Plan was first prepared in Turkeywithin the framework of the provision “develop and implement a national SME strategy in compliance with the European Small Business Charter and Multi-Year Program for Businesses and Entrepreneurship” in the Accession Partnership Document of 2003 that was put into force with European Union (EU) Council Decision dated 19 May 2003 and numbered 2003/398/EC. This first SSAP was put into force with the approval of Higher Planning Board (YPK)’s decision dated 10 November 2003 and numbered 2003/57. Through High Planning Council decision no. 2005/20 dated 04 May 2005, it was decided that the coordination and implementation of SME Strategy and Action Plan be undertaken by Small and Medium Enterprises Development Organization (KOSGEB) which is directly in charge of implementing SME policies, and that overall steering function be undertaken by SSAP Steering Committee[[1]](#footnote-1).

The continued emphasis on the improvement of business climate for SMEs in the Accession Partnership Document adopted in 2006 and the developments in the world and in our concerning the EU negotiation process have necessitated revisions to the SME Strategy and Action Plan document. AS a result of the work carried out by SSAP Preliminary Assessment Committee consisting of representatives of related organizations under the coordination of KOSGEB, the plan revised to cover the period 2007-2009 was approved through High Planning Decision no. 2007/25 dated 04 May 2007, and took effect.

At the meeting of SSAP Steering Committee held on 16 November 2009, it was decided to extend the term of 2007-2009 SSAP for one more year in order to complete ongoing actions and projects and to prepare a new plan covering 2011-2013 period. In line with this decision, SSAP 2011-2013 has been prepared as a result of the work launched under the coordination of KOSGEB in 2010, with contributions of all related parties and approved by YPK decision dated 4 July 2011 and dated 2011/19.

At the meeting of the SSAP Steering Committee held on 26 July, it has been decided to extend the term of SSAP 2011-2013 for one year in order to complete ongoing actions and projects. Finally it has been decided to renew SSAP 2015-2018 period by action renewal/revision under the coordination of KOSGEB on 06 March 2014 by SSAP Steering Committee.

The overall purpose of 2015-2018 SSAP, prepared with the contribution of all related parties and general leading of SSAP Steering Committee chaired by Undersecretary of Ministry of Science, Industry and Technology (BSTB), is “in business environment responsive to the needs of small enterprises **increasing the competitive strength of SMEs in international levels and increasing the contribution of SMEs in the economic growth of our country”.** Implementation schedule of renewed SSAP starts at 2015 following the final day of the extension period of the previous plan and ends at the end of 2018 that is the day 10th Development Plan shall be completed. SSAP 2015-2018 has been prepared considering 10th Development Plan and other macro policies as well as currently available international documents regarding SMEs and sections related to SMEs of other international industry/thematic policy documents.

SSAP 2015-2018 covers actions and projects to be executed for SMEs by related institutions and organizations within the scope of 15 different targets specified within 5 strategic areas defined in order to achieve the overall purpose. Since the strategic area of “Foster and Support Entrepreneurship” defined in previous SSAP is covered separately within the scope of “Turkey Entrepreneurship Strategy and Action Plan”, it is not specified in SSAP 2015-2018.

Defined strategic areas are towards SMEs acting in service, industry and trade sectors. In addition, problems of SMEs varying from one region to another and one sector from another are considered in preparation process; however, SMEs are taken as an integrated approach in the renewed SSAP and regional or sector based actions and projects are not specified in SSAP 2015-2018. At this point the main purpose is to focus on common problems and needs of SMEs from every sector and every region and developing actions/projects related to the solutions of those problems and needs. Sole exception to this approach is SMEs acting in manufacturing sector complying with emphasizes made in 10th Development Plan as “need for having a strong production industry” and “increasing the share of production within total added value”.

For the expenses that are needed for realization of action/projects listed in SSAP 2015-2018, a separate budget within the scope of SSAP has not been formed other than the sources of responsible institutions.

## Methodology and Process

SSAP 2015-2018 was prepared within the framework of the decision of SSAP Steering Committee dated 06 March 2014 as well as other relevant agencies under the coordination of KOSGEB in line with the coordination duty assigned thereto by the HPC decision no. 2005/20. SME representatives from various sectors were invited to the common mind workshop held to evaluate the draft actions included in the Plan, with an eye to reflecting the views of SMEs to the Plan. The preparatory process of the Plan can be outlined as follows:

* A working group has been established within KOSGEB at the first stage of the preparation studies.
* KOSGEB SSAP Working Group complied information to be used as inputs in determination process of strategic areas by scaning Turkey’s 2023 vision and 10th Development Plan as well as Report of Special Expertise Commission for Empowering Craftsmen and artisans and SMEs and national macro policy documents and other related international documents related to SMEs.
* 2018 targets related to SMEs listed in Turkey 2023 Vision and 10th Development Plan have been arranged and Macro Targets have been identified regarding SSAP 1015-2018.
* At three stage analysis conducted parallel to the literature search in order to find our strong and weak parts of the SMEs and environmental opportunities and threats (SWOT) regarding SMEs. At the first stage, findings obtained with SWOT Analysis results conducted with members of KOSGEB SSAP Working Group have been supported with an internet based survey carried with the participation of 3,697 SMEs. When the opinions of related institutions and vocational organizations have been received, SWOT Analysis took its final shape.
* Using findings obtained by SWOT Analysis and literature search, main problems that need to be focused are identified and these results have been converted into strategic areas after grouping and solution methods of the problems have been converted into strategic targets. Those drafted strategic areas and targets identified took the final shape after presenting the draft to the broach of a wide range of stakeholders composed of public institutions and non-governmental organizations (NGOs).
* Following identification of SSAP Macro Targets of 2015-2018 as well as strategic areas and targets, action design process for SSAP to be renewed started with examination of SSAP 2011-2013 target progress reports.
* Within this process, proposals have been requested related to the actions and projects to be executed within the scope of strategic areas and targets with via official letters sent to the related institutions. Received recommendations have been consolidated iteratively and the drafted action plan has been formed.
* Taking the institutional opinion of the related institutions about the drafted document, draft SSAP document has been submitted to the members of SSAP Steering Committee at the meeting held on 20 March 2015.
* The document, which has taken its final shape with the contribution of SSAP Steering Committee, was submitted to Ministry of Development on 25 May 2015 with the number 286 in order to receive the approval of YPK.

## SSAP 2011-2014Activities

There were 82 actions and projects to be executed by related institutions and organizations under 5 strategic areas and 16 targets within the scope of SSAP 2011-2013. As of March 2015, 7 “Targeted Progress Reports” per each institution have been prepared by institutions responsible for the actions and projects within the implementation period. These reports have been presented to SSAP Steering Committee for their evaluations. 8th Steering Committee meetings have been arranged with the main agenda item of assessment of Targeted Progress Report.

According to consolidated “Final Report” of July-December 2014 period of SSAP 2011-2013 which was decided to be extended for one more year, 74 actions of 82 were entirely completed, 7 of the actions were partially completed and 1 action was not completed. Some of the important developments provided within the scope of actions and projects are listed below:

* In order to consolidate the studies conducted for improving entrepreneurship under one title, Council of Entrepreneurship, composed of representatives of related institutions, has been formed. Within the framework of the studies of the Council, Turkey Entrepreneurship Strategy and Action Plan has been prepared covering the period of 2015 – 2018.
* In order to foster culture of entrepreneurship and increase success level of the enterprises established by entrepreneurs based on a business plan, Applied Entrepreneurship Trainings (UGE) have been organized. Within the scope of UGEs, organized by KOSGEB and institutions KOSGEB is coordinating with, trainings have been given to 274 thousand entrepreneur candidates to start up a business.
* Measures to encourage entrepreneurship, especially entrepreneurship based on technology have been increased. Incentives for early stage of start-ups have been granted including providing workplace at Business Development Centers (İŞGEM) in order to avoid hesitations of new entrepreneurs. Within the scope of EU Regional Competitiveness Operational Program, under the first stage of “Establishment of 3 New İŞGEMs in Selected Regions and Creating a Network Among İŞGEMs in Turkey Project”, construction of İŞGEM buildings in Kastamonu, Malatya and Tokat has been completed.
* Service network towards SMEs has been widened via 26 Development Agencies and 88 KOSGEB Service Center; specific response areas have been identified in terms of region, sector and scale details, and collaboration has been carried between Development Agencies and KOSGEB to apply project based incentive programs. With this method, number of opportunities has been increased to provide solution to region and sector specific problems via incentives and subsidies.
* Prime Ministry’s Mandate has been published on 5 June 2011 regarding A Small Business Act for Europe aiming to prioritize of SMEs in all policies established by the EU. It is ensured to take the “Small Business Act” and principles defined in the act to the agenda of the country and to create awareness to the issue with the mandate. Within this context, activities related to increase awareness to the needs of SMEs have been executed among public administrations.
* In order to support expenses related to access of SMEs to Istanbul Stock Exchange (BIST) Developing Enterprises Market (GIP), KOSGEB prepared GİP SME Incentive Program and the Program has been put into implementation as of June 2011. 12 enterprises have been supported within the scope of the program as of end of June 2015.
* “Project on Identification of Contaminating Effects of SMEs to the Environment and Forming KOSGEB Road Map to Get Required Measurements” has been applied.
* Central Civil Registration System Project (MERSİS) has been executed and in all 238 Trade Registry Organizations, services have been started to be provided via MERSİS.
* Studies have been conducted to consolidate the documents the documents having similar content, given to the Ministry of Labor and Social Security (ÇSGB), Social Security Institution (SSI) and Turkey Employment Agency (İŞKUR) and and to be given to one single institution.
* University-Industry Cooperation Implementation and Research Centers have been fostered to improve university-industry cooperation.
* Legislative infrastructure of Individual Participation Capital System, which is a process of establishing a new financial instrument for early stage companies having financial difficulties, has been completed. According to March 2015 Individual Participation Capital Progress Report, number of angel investors holding Individual Participation Investor’s license is 285.
* Upon the statement of Article 26 of Share Communiqué numbered VII-128.1 published on Official Gazette dated 22 June 2013 and numbered 28685, the fee determined to be two in ten thousand to be paid to the Board for share to be traded in GIP has been reduced by 50% to encourage public offer and it has been one in ten thousand.
* “G43 Anatolia Venture capital Fund Project” aiming to increase access to finances for SMEs in underdeveloped region of Turkey (43 provinces) that is developed EU Instrument for Pre-Accession Assistance and other institutions based on Nuts II scale via an venture capital has been put into force in 2011.
* Turkey-EU İŞGEMs providing information, training and consultancy services to SMEs and entrepreneurs are founded in Antakya, Batman, Sivas and Van.
* Investment Incentive Organizations, having the duties to present investment potentials of the regions and guiding investors in permit and approval stages, have been founded in 81 provinces under the Development Agencies to act in provincial level. Thus, studies have been conducted to attract investments in highly competitive sectors and according to the priorities of the regions to ease the execution procedures of the investment.
* In order to produce and publish regular SME statistics, and to submit them to the policy definers regarding SMEs, studies have been conducted with Turkey Statistics Institution (TÜİK) and KOSGEB. Within this framework, every year starting from 2012, “Small and Medium Sized Entrepreneurship Statistics” news bulletin have been published by TÜİK within the scope of EU SME week.

# CURRENT STATE OF SMES İN TURKEY

## Definition of SME

The first SME definition of Turkey was published in 2005 within the scope of “Regulation on Definitions, Qualifications and Classifications of SMEs” by arranging the legislation complying with the definition of SME in the EU according to additional clause 1 of the Code of Organization and Duties of Ministry of Industry and Trade dated 8 January 1995 and numbered 3143 to avoid ambiguity due to different used of SME definitions. Since 2006, this definition is used by institutions and organizations supporting SMEs.

By BSTB, studies have been conducted to make amendments on the currently available Regulation with the contributions of related institutions/organizations under the coordination of KOSGEB. As a result of the conducted studies the “Regulation on Amendments in the Regulation on Definition, Qualifications and Classification of Small and Medium Sized Enterprises” was published Official Gazette dated 4 November 2012 and numbered 28457.

According to the Regulation enterprises with less than 250 employees and annual net sales revenues or balance sheet less than 40 million TL and economic units or initiatives classified as micro enterprises, small enterprises and medium enterprises are defined as SME.

National SME definition criteria in terms of scales are listed in Table 1.

Table1-National SME Definition

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Scale** | **Number of Employees** | **and** | **Annual Revenue(TL)** | **or** | **Annual Balance Sheet Value****(TL)** |
| Micro Enterprise  | < 10 | ≤1 Million | ≤1 Million |
| Small Enterprise  | 10-49 | ≤8 Millions | ≤8 Millions |
| Medium Size Enterprise  | 50-249 | ≤40 Millions | ≤40 Millions |

Source: Official Gazette dated 4 November 2012 and numbered 28457.

Complying with advisory jurisdiction prepared by European Commission and published on EU Official Gazette dated 20 May 2013 the EU definition criteria used since 2005 are specified in Table 2.

Table2-EU SME Definition

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Scale** | **Number of Workers** | **and** | **Annual Revenue** | **or** | **Annual Balance Sheet Value** |
| Micro | < 10 | ≤ €2 Millions | ≤ €2 Millions |
| Small | 10-49 | ≤ €10 Millions | ≤ €10 Millions |
| Medium | 50-249 | ≤ €50 Millions | ≤ €43 Millions |

Source: European Commission Advisory Jurisdiction 2003/361

## Shares of SMEs in Turkish Economy and Their Structure

*Structure of SMEs*

According to results of TUIK’s annual Labor Statistics in Terms of Entrepreneur Numbers Studies show that there are 3,529,541 enterprises carrying its activities in 2013. Within the scope of the mentioned study, the distribution of enterprises by sectors, provinces and number of employees can be obtained. Because there are no other regularly published data including sales revenues and balance sheet values apart from number of employees, the number of enterprises with less than 250 employees according to Number of Enterprises in Terms of Labor Statistics is recognized as total number of SMEs. According to the study, there are 3,524,331 enterprises with less than 250 employees in Turkey in 2013.

It is estimated that the number of enterprises that have less than 250 employees and over the criteria for qualifying as SME in terms of sales revenue and balance sheet represents a very small share of total enterprises (approximately one per thousand[[2]](#footnote-2)). Also, the statement specified in Article 2 of “Regulation on Definition, Qualifications and Classifications of Small and Medium Sized Enterprises” emphasizing that “solely number of employees can be considered for implementations other than state incentives” in identification of number of SMEs make it possible to use number of enterprises having 0-249 employees within the scope of the study of Number of Enterprises by TÜİKLabor Statistics. Unless otherwise is a specified, enterprise having less than 250 employees listed in SSAP statistics are accepted as SMEs.

According to the study of Number of Enterprises by TÜİK Labor Statistics 2013, the sectoral and scale distribution of all enterprises is provided in Table 3 (Statistical Classification of Economic Activities in European Community, NACE Rev.2). Accordingly, 99.9 percent of all enterprises in Turkey are SMEs. Micro enterprises with 0 to 9 employees account for 93.6 percent of all enterprises. Small enterprises with 10 to 49 employees account for 5.4 percent of all enterprises while enterprises with 50-249 employees account for 0.9 percent of all enterprises.

There are not significant differences between the group composed of 28 member states of EU (EU28) and Turkey in the distribution of enterprises in terms of scales. Based on sectors more than one third of the SMEs act in commercial sectors while this sector is followed by Transportation and Storing with 15.9 percent and menifacturing sector with 12.1 percent.

Table3-Distribution of Enterprises by Sector and Number of Employees

|  |  |
| --- | --- |
| **SECTOR (NACERev.2)** | **Number of Enterprises by Number of Employees**  |
| **0-9**  | **10-49**  | **50-249**  | **0-249** | **>250** |
| A –Agriculture, Forestry and Fishery  | 28.619 | 1.537 | 211 | 30.367 | 22 |
| B - Mining and quarrying | 5.475 | 1.437 | 352 | 7.264 | 60 |
| C –Manufacturing | 371.608 | 44.668 | 8.882 | 425.158 | 1.627 |
| Electricity, Gas, steam and hot water production and distribution  | 3.931 | 418 | 167 | 4.516 | 62 |
| E – Water supplying; Sewer, Waste Management and Treatment Activities  | 3.044 | 384 | 103 | 3.531 | 81 |
| F – Construction | 210.095 | 36.027 | 7.115 | 253.237 | 510 |
| G - Wholesale and retail trade; repair of motorized vehicle, motorbike | 1.189.401 | 47.583 | 4.272 | 1.241.256 | 472 |
| H – Transportation and storage | 548.578 | 10.929 | 1.387 | 560.894 | 219 |
| I – Accommodation and Restaurant Services Activities  | 290.907 | 12.715 | 1.597 | 305.219 | 307 |
| J - Information and Communication  | 37.877 | 2.401 | 426 | 40.704 | 86 |
| K –Activities on Finance and Insurance | 24.702 | 1.026 | 161 | 25.889 | 75 |
| L –Activities on Real Estates  | 49.662 | 1.562 | 160 | 51.384 | 15 |
| M – Vocational, Scientific and Technique Activities  | 182.344 | 9.697 | 738 | 192.779 | 117 |
| N –Administrative and Support Services  | 39.727 | 5.382 | 2.840 | 47.949 | 876 |
| P – Education | 21.307 | 6.284 | 885 | 28.476 | 345 |
| Q - Healthcare and social services | 37.682 | 3.995 | 870 | 42.547 | 291 |
| R –Culture, Art, Entertainment, Resting and Sports  | 33.470 | 837 | 138 | 34.445 | 13 |
| S –Other Personal Services  | 224.781 | 3.672 | 263 | 228.716 | 32 |
| **TOTAL** | **3.303.210** | **190.554** | **30.567** | **3.524.331** | **5.210** |
| **Distribution of enterprises by scale** | **%93,6** | **%5,4** | **%0,9** | **%99,9** | **%0,1** |
| **Distribution by scale in EU-28** | **%92,4** | **%6,4** | **%1,0** | **%99,8** | **%0,2** |

Source: Number of Entrepreneurs by TÜİK Labor Statistics 2013;Annual European SMEs Report 2013/2014

The share of enterprises in manifacturing sector in all enterprises is 12.3 percent in average from 2007 to 2013. Mentioned enterprises are composed of micro enterprises with 88.8 percent in average, small enterprises with 9.1 percent in average and medium sized enterprises with 1.8 percent in average. Average distribution for all enterprises for the same period is micro enterprises with 95%, small enterprises with 4.3% and medium sized enterprises with 0.6%.

In studies like Industry Workforce Input Indices and Foreign Trade Statistics by Specifications of Entrepreneurship conducted by TÜİK, mining and quarrying sector is grouped as (B), manufacturing as (C), electricity, gas, steam and conditioning production and distribution as (D), and accumulation of water, its treatment and distribution as (E) and manifacturing sector. Distribution of SMEs based on main sector groups by using similar grouping methods is specified in Figure 1. Accordingly, 12.5% of SMEs are in industry and 35.2% of SMEs are in trade sector.

Figure 1- Distribution of SMEs by Main Sectoral Groups



Agriculture Industry Trade Other

Source: TÜİK,Number of Entrepreneurs by Labor Records 2013

Average number of employees by sectors of enterprises in SME scales is provided in Table 4.[[3]](#footnote-3) Accordingly, enterprises forming 97% of SMEs acting in Industry and Services sectors with less than 20 employees in Turkey carried its activities with 2.2 employees in average in 2012.

Table4-Average Number of Employees by Sectors

| **Sector****(Nace Rev.2)** | **Average number of employees** |
| --- | --- |
| **1-19** | **20-49** | **50-99** | **100-249** | **1-249** | **> 250** |
| B - Mining and quarrying | 5,8 | 31,2 | 69,1 | 153,0 | 19,7 | 969,3 |
| C –Manufacturing | 3,2 | 31,6 | 68,7 | 152,8 | 7,0 | 670,9 |
| F –Construction | 4,1 | 30,7 | 68,8 | 149,6 | 7,8 | 449,2 |
| G - Wholesale and retail trade; repair of motorized vehicle, motorbike | 2,0 | 30,4 | 67,1 | 147,2 | 2,6 | 924,7 |
| H - Transportation and storage | 1,5 | 31,0 | 67,5 | 148,3 | 1,9 | 1252,2 |
| I - Accommodation and Restaurant Services Activities | 2,2 | 30,4 | 68,9 | 156,1 | 3,2 | 678,1 |
| J –Information and Communication | 2,0 | 30,9 | 68,3 | 150,9 | 3,7 | 1075,3 |
| M - Vocational, Scientific and Technique Activities | 2,4 | 29,0 | 67,8 | 158,6 | 3,0 | 538,9 |
| N - Administrative and Support Services | 3,1 | 31,1 | 70,8 | 155,7 | 13,6 | 796,6 |
| P – Education | 5,7 | 30,3 | 71,1 | 151,9 | 13,8 | 521,8 |
| Q - Healthcare and social services | 3,0 | 30,2 | 68,9 | 163,9 | 6,6 | 565,9 |
| **All Industries** | **2,2** | **30,9** | **68,6** | **152,3** | **3,6** | **732,0** |

Source: TÜİK, Annual Industry and Services Statistics (YSHİ)2012

*Share of SMEs in Turkish Economy*

Some other studies have been conducted by public institutions showing contribution of SMEs to the economy of the country as well as their demographic breakdown. Statistics obtained within this scope are summarized below along with their sources:

According to YSHİ - 2012 results[[4]](#footnote-4);

* The share of SMEs in total commodities and services purchases is 65.5 percent.
* The share of SMES in revenues is 63.3 percent.
* The share of SMES in production is 56.2 percent.
* The share of SMES in value added factor cost (VAFC) is 53.9 percent.
* The share of SMES in gross investments regarding material commodities is 53.2%.
* The share of SMES in number of employees is 75.8%.
* The share of SMES within paid employees is 69.7%.

According to the results of Foreign Trade Statistics by Entrepreneurship Qualifications (GDTİ) - 2013;

* 59.2% of the exports have been executed by SMEs.
* 39.9% of the imports have been executed by SMEs.

According to Turkish Banking Sector Key Indicators- March 2015 Report;

* The share of SMEs in total loans within banking sector is 26%.

According to the results of Research and Development (R&D) Activities Survey- 2013;

* Share of SMEs in R&D expenses is 16.9%. The share of SMEs in commercial R&D expenses is 35.7%. 85.6% of those expenses are current expenses while the remaining 14.4% is investment expenses.
* 53.2% (36,741) of 69,018 of R&D personnel forming Commercial Sector R&D Manpower are employed by SMEs.
* Commercial Sector R&D Manpower is 28,690 in terms of Full Time Equivalent and 49.1% of the total is employed by SMEs.

According to Innovation Survey - 2012[[5]](#footnote-5);

* In the period of three years covering 2010-2012, 48.5% of entrepreneurs having 10 and more employees carried innovation activities. Innovation activities increase in line with the size of the enterprises. Accordingly;
	+ 46.5% of enterprises with 10 to 49 employees,
	+ 56.1% of enterprises with 50 to 249 employees, and
	+ 66.3% of the enterprises with 250 and more employees carried innovation activities.
* 26.3% of SMEs carried product and/or process innovation activities.
* 43.2% of SMEs carried organization and/or marketing innovation activities.

According to the results of Survey for Use of Information Technologies in Enterprises – 2014;

* While use of computers is 93.5% in enterprises having 10 to 49 employees, the ratio is 98.3% in enterprises having 50 to 249 employees.
* Access to internet is 88.5% in enterprises having 10 to 49 employees while this ratio is 96.1% in enterprises having 50 to 249 employees.
* The ratio of having a webpage/site in enterprises is 52.3 in enterprises with 10-49 employees while this ratio increases to 73.5% in enterprises having 50-249 employees. The same indicator is 59.1% in enterprises with 1 to 49 employees and having access to internet while it is 76.4% in enterprises with 50 to 249 employees.
* The condition for receiving product/services orders via Electronic Data Interchange (EDI) or website is 8.1% for enterprises having 10 to 49 employees while the ratio is 9.3% in enterprises having 50-249 employees.

In terms of selected macro indicators the share of SMEs in economy by years is given in Figure 2. Accordingly, it is observed that the share of SMEs decreased by years in terms of the followed indicators while it is seen that the decrease is getting more significant especially in investments and added value.

Figure2–Share of SMEs in Economy by Years



Investment

Revenueyment

Added Value

Employment

Source: TÜİK, YSHİ2003-2012

On the other hand, it is indicated in Table 5 that there have been significant nominal increases in the identified indicators in the period of 2003 to 2012. Thus, the reason for the comparative decrease in the share of SMEs is relatively higher increases faced in big enterprises compared with SMEs in the same period.

Table5- SMEs in Terms of Selected Indicators- Comparison of Big Enterprises

|  |  |  |  |
| --- | --- | --- | --- |
| **Indicators** | **2003** | **2012** | **Nominal Change** |
| **SMEs** | **Big Enterprises** | **SMEs** | **Big Enterprises** | **SMEs** | **Big Enterprises** |
| Employment | 5.249.903 | 1.424.065 | 9.517.367 | 3.042.100 | 81.3% | 113.6% |
| Added Value(Million TL) | 87.300 | 56.019 | 211.009 | 178.379 | 141.7% | 218.4% |
| Revenue(Million TL) | 503.411 | 244.879 | 1.742.351 | 1.008.198 | 246.1% | 311.7% |
| Investments(Million TL) | 24.605 | 15.507 | 76.363 | 67.070 | 210.4% | 332.5% |

Source: TÜİK,YSHİ2003-2012

The only survey providing opportunity to examine the added value of SMEs by main sector groups is YSHI. Added value by SMEs and breakdown of employment and exports by main sectors is listed in Figure 3.

**Figure3-Economic Indicators of SMEs by Main Sectors**

****

Other

Trade

Industry

Exports

Added Value

Employment

Number of Enterprises

Source: TÜİK, YSHİ 2012, GDTI 2013

Accordingly, approximately one third of the enterprises in manifacturing sector of trade industries in terms of number of enterprises almost have the same ratio of employment in trade industry yet it leaves trade industry behind in terms of value added. On the other hand, SMEs in trade sector are making exports approximately more than twice than the SMEs in manifacturing sector.

VACF values calculated for comparing employment efficiency of the sectors are given in Table 6.

Table 6-VAFC in SMEs by Sectors

|  |  |  |
| --- | --- | --- |
| **Industry****(Nace Rev.2)** | **VAFC per paid employees (TL)**  | **VAFC per hour worked (TL)** |
| D – Electricity, gas, steam and air-conditioning production and distribution | 279.749 | 130 |
| E –Water supply, sewage, waste management and treatment activities  | 75.036 | 35 |
| L –Real Estate | 60.807 | 28 |
| J –Information and Communication | 53.953 | 25 |
| M –Vocational, Scientific and Technical Activities | 50.799 | 24 |
| B –Mining and Quarrying  | 43.638 | 20 |
| G - Repair of wholesale and retail trade; motorized vehicle, motorbike | 32.891 | 15 |
| Q - Healthcare and social services | 32.688 | 15 |
| H - Transportation, storage | 31.874 | 15 |
| C – Manufacturing  | 29.087 | 13 |
| F - Construction | 22.348 | 10 |
| N –Administrative and Support Services  | 21.694 | 10 |
| P - Education | 19.762 | 9 |
| I –Accommodation and Restaurant Services | 18.007 | 8 |

Source: TÜİK, YSHİ 2012

The two sectors observed to have the highest efficiency levels in 2012 and grouped in manifacturing sector are Electricity, Gas, Steam and Air-Conditioning Production and Distribution and Water Supply, Sewage, Waste Management and Treatment Activities, yet their share in SMEs is only 0.16% in overall number of SMEs.

VAFC values, calculated for comparing efficiency of SMEs and big enterprises by periods, are given in Table 7. Accordingly, the difference in terms of efficiency between the micro enterprises having 1 to 19 employees and small, medium and big sized enterprises have increased in the period of past 10 years both by VAFC per paid employees and per hours worked. On the other hand, there is a difference of two fold between the SMEs and big enterprises in terms of both indicators as of 2012.

Table7-SMEs in terms of VAFC–Comparison with Big Enterprises

|  |  |  |
| --- | --- | --- |
| **Number of Employees** | **VAFC per Paid Employees** | **VAFC per Worked Hour** |
| **2003** | **2012** | **% Change**  | **2003** | **2012** | **% Change** |
| 1-19 | 26.175,9 | 24.401,3 | -6,8% | 11,4 | 11,3 | -1,1% |
| 20-49 | 26.427,4 | 32.101,0 | %21,5 | 12,0 | 14,9 | %24,1 |
| 50-99 | 29.992,7 | 34.691,9 | %15,7 | 13,6 | 16,1 | %18,1 |
| 100-249 | 29.758,2 | 39.106,5 | %31,4 | 13,5 | 18,1 | %34,1 |
| **SME** | **27.255,2** | **30.165,7** | **%10,7** | **12,1** | **14,0** | **%15,4** |
| > 250 | 39.362,3 | 58.684,4 | %49,1 | 18,3 | 27,5 | %50,6 |

Source: TÜİK, YSHİ 2012

## SME Policy in Turkey and Institutional Infrastructure

Main document drawing main framework of SME policy of Turkey and affecting SSAP 2015-2018 at first level is the 10th Development Plan. The main purpose in the Plan towards entrepreneurship and SMEs i identified as *“fostering competitive strength of SMEs to increase their added value in the economy”* and within this framework, it is stated that the key factor was “*supporting innovative SMEs in terms of product, service and business model as well as fast growing enterprises and enterprises with the potential of fast growth”.*Other macro strategic documents taken as a reference in the preparation and implementation of SSAP are Medium Term Programs, Annual Programs and Turkey Industry Strategy Document.

Due to their size in number and the value they add to the economy, today almost all countries have a SME policy in order to keep SMEs being established, grow, develop and survive. Within the framework of those policies, countries support SMEs and provide them services and create activities to increase their competitive strength. The key document defining SME policy in Turkey is SSAP. The main reason for preparing SSAP is to keep the coordination in national level on the implementation of related policies. Main institutions taking part in creation and implementation processes of SME policy in Turkey and their duties are listed in Table 8.

**Table8**–**Duties of Institutions Forming SME Ecosystem**

| **ORGANİZATİON/INSTITUTION** | **DUTIES IN SME ECOSYSTEM**  |
| --- | --- |
| Ministry of Science, Industry and Technology  | Ensuring development and implementation of policies, strategies, plans and programs in science, industry and technology; fostering a production structure with high added value, based on high technology, efficient, responsive to the environment, diminishing dependence to external sources, secure and sustainable; developing coordination between the academia and industry; strengthen technological infrastructure of industry of the country and raising competitive strength by providing support and incentives primarily to SMEs on entrepreneurship, innovation and R&D studies.  |
| Ministry of Development | Coordinating development plans and policies related to SMEs in annual programs and their implementations; developing policies regarding problems of craftsmen and artisans SMEs within the framework of improving local employment and entrepreneurship; ensuring general coordination of development agencies.  |
| Ministry of Economy | Ensuring arrangement, fostering and improvement of exports for the benefit of economy of the country through principles, targets and policies within development plans and annual programs; establishing, managing and operating free trade zones; ensuring the use of investment incentive measurements for the ones whose investment projects are evaluated within the framework of states incentives for investments; implementing incentives and having them implemented; executing secretarial activities of Investment Environment Improvement Coordination Board (YOİKK).  |
| Ministry of Customs and Trade  | Identification of policies, principles and targets related to craftsmen and artisans; developing strategies regarding the mentioned parties; executing services related to craftsmen and artisans tradesmen; managing Craftsmen and artisans Information System and MERSIS.  |
| Ministry of Finance | Implementation of tax incentives.  |
| Ministry of EU | Monitoring and coordinating studies to comply with EU legislation; examination and dissemination of best practices in use.  |
| Ministry of Treasury | Monitoring state incentives, easing access of SMEs to finances and activating Individual Participation Capital system.  |
| KOSGEB | Coordinating preparation and execution of SSAP; providing services and incentives for SMEs.  |
| Turkish Standards Institute(TSE) | Execution of studies to identify and publish services and production standards of SMEs; working in coordination with SMEs in preparation and publishing stage of the international standards that have priority for export oriented SMEs. |
| Turkish Scientific and Technologic Research Institute (TÜBİTAK) | Developing science and technology policies; encouraging, supporting, coordinating and executing R&D activities. |
| Economy Coordination Board  | Ensuring coordination in identification, implementation and update of the state’s incentive policies.  |
| Turkish Union of Chambers and Commodity Exchanges(TOBB) | Taking role in policy and project development platforms regarding SMEs and reflecting the opinions and contributions of the chambers and members of the Union and the Union itself to the studies; executing research and solution development studies related to problems of the sector by forming sectoral committees and; executing informative and awareness activities towards SMEs.  |
| Turkish Confederation of Craftsmen and Artisans(TESK) | Taking part in policy and project development platforms related to the craftsmen and artisans to reflect the opinions and contributions of the members to the studies; executing informative and awareness activities towards craftsmen and artisans.  |
| Development Agencies | With 26 agencies in regions in the level 2 of Statistical Region Units Classification (IBBS) implementing regional project based incentives; preparing regional plans.  |
| Turkish Technology Development Foundation (TTGV) | Providing support for technological and R&D innovation projects of the private sector.  |
| Halk Bankası (Halk Bank) | Providing credit in better conditions for craftsmen, artisans and SMEs.  |
| Turkish Export Credit Bank Inc. Co.(EXIMBANK) | Supporting manufacturers carrying production activities towards exports via loans, insurance and guarantee programs.  |
| Credit Guarantee Fund Inc. Co. (KGF) | Providing collateral services for the bank credits of the SMEs.  |
| Central Union of Associations of Credit and Guarantee Cooperatives for Craftsmen and artisans of Turkey (TESKOMB) | Providing collateral services for the Halkbank credits received towards craftsmen and artisans.  |
| Venture Capital Investment Trust Inc. Co. (GSYO)  | Sharing the risk of SMEs by providing capital. |

Note: The list showing the support and incentives to the SMEs is provided in the attachment.

## SMEs in the EU and in the World

### 3.4.1 SMEs in Terms of the Relations with the EU

*Europe 2020 Strategy*

European Commission accepted on March 3, 2010 the “Europe 2020: European Strategy for Smart, Sustainable and Inclusive Growth” that took place of Lisbon Strategy aimed economy of the EU to be the most competitive, dynamic smart economy of the world until 2010. Three key priorities drawing the main lines of economy and development policies of the EU 2020 are listed below:

* Smart Growth : Economy based on information and innovation,
* Sustainable growth: Economy using more efficient sources, green and open to competition,
* Inclusive Growth: High employment economy ensuring integrity in terms of economy, society and limitations.

European Commission recommended 7 key initiatives in order to ensure progress in prioritized areas within the scope of the mentioned strategy. The initiatives mostly related to the SME policy of the EU are “Innovation Union”, “Resource Effcient Europe” and “An Industrial Policy for the Globalization Era”. Issues specified in the EU 2020 strategy are in harmony with the targets of SSAP.

*Program for Competitiveness of Enterprises and SMEs (COSME)*

Within the framework of the “An Industrial Policy for the Globalization Era”, one of the main policies defining the EU 2020 Strategy, and due to the special importance given to the SMEs representing more than 90% of the enterprises carrying economic activities within the EU countries COSME has been put into force covering the period of 2014-2020.

COSME, starting with the related regulation of the EU and enforced in December 2013, took the place of “Entrepreneurship and Innovation Program” (EIP) which is a sub component of “Competitiveness and Innovation Program” (CIP) applied between the years 2007 to 2013.

The budget of COSME, which aims to increase access of SMEs to finances, improve the access to the markets, develop environmental conditions and foster entrepreneurship, has been identified as approximately 2.3 billion Euros for the 7 years.

Especially within the scope of COSME targeting SMEs, special importance is given to micro enterprises, enterprises related to craftsmanship, enterprises with single employee, liberal occupations and social enterprises as well as potential, new young and women entrepreneurs credit guarantees ensuring access to the credit guarantees with flexible and easy conditions to the SMEs for access to finances and as well as incentives for venture capital investment companies are included within the program.

KOSGEB has been appointed as the institution responsible for carrying technical negotiations with the European Commission in coordination with other public institutions and organizations for identifying the participation share related to COSME and other related issues. Sustainability has been achieved in the studies of Turkey executed with the EU towards SMEs when the agreement related to the program was signed on 16 October 2014 in Brussels and published on Official Gazette dated 18 December 2014 and numbered 29209.

*European Enterprises Network (AIA)*

Bodies of the European Information Center and Innovation Transfer Center acting within the scope of Multi Years Program for Enterprises and Entrepreneurship executed in the period of 2002-2006 have been redesigned with CIP and EIP ad their targets and duties have been combined leading the creation of a new structure named AIA. Turkey took part in AIA, providing services for ensuring access of SMEs to international markets and to ensure their internationalization, with 7 consortiums.

Within the scope of AIA activities, information services are provided towards SMEs, trainings and seminars are organized, studies are conducted for cooperation offers and twinning activities are executed. AIA country coordination is carried by KOSGEB since 2008.

AIA will serve under COSME in the period of 2015-2020. Within this framework, within COSME period it is aimed to ensure participation of Turkey with more consortiums towards access of SMEs to studies executed by the EU and increase the number of cooperation.

*Small Business Act of Europe*

European Commission put the “Small Business Act of Europe” into force on 25 June 2008. The aim of the Act is to create the most suitable environment for the growth of SMEs and prioritizing the needs of SMEs in all policies put by the EU. The Act reflects the political decisiveness of the European Commission accepting that the SMEs have the central role in the EU and for the first time the Act defines a detailed framework toward SMES for the EU. Small Business Act of Europe includes 10 key policies.[[6]](#footnote-6)

National coordinating institution responsible for monitoring progress related to the principles determined within the Small Business Act of Europe in Turkey is KOSGEB.[[7]](#footnote-7) Also, Turkey is involved in “Implementation Project of Small Business Act of Europe” with Eastern Balkan countries. “SME Policy Index: Western Balkans and Turkey 2012 Report” published in 2012 at the end of the project, emphasizes that Turkey showed a good progress in implementing the he principles and has a performance over the average of eight economies in the membership stage included in the scope of the report in general. Studies regarding SME Policy Index for 2015 that is planned to be published in 2015 are executed with the coordination of KOSGEB and related institution/organizations. EU Small Enterprises Act of Europe has been considered in the identification of the activities to be executed within the scope of SSAP 2015-2018.

*Competitiveness and Innovation Sector Operational Program (CISOP)*

Within the framework of the financial cooperation of the EU and Turkey and within the scope of Instrument for Pre-Accession Assistance (IPA), Competitiveness and Innovation Sector Operation Program is prepared by BSTB complying with the 10th Development Program to be implemented in the period of 2014-2020 and IPA II Term following Regional Competitiveness Operational Program applied in the period of 2007-2013. 3 key support areas specified in the program are: Development of Private Sector, Capacity Development and Science, Technology, Innovation. Within this context, support with EU sources shall be provided to the projects prepared in the issues listed below.

* Improvement of industrial infrastructure; supporting SMEs,
* Grouping, creating network and increasing competitiveness of SMEs in global markets,
* Fostering and developing infrastructure of service sector and creative industries,
* Fostering access of SMEs to finances and diversification of financial tools,
* Strengthening research capacity; improving R&D and innovation infrastructure,
* Commercializing R&D and innovation; Supporting technology transfer; fostering social innovation projects,
* Supporting university industry cooperation

*Horizon2020*

EU Framework Programs are programs of the community created for harmonizing science, technology, policy and implementations of Europe. Program was started in 1984 for the first time and these programs are civil research programs of the world with the highest budgets. Framework programs are executed for empowering research and technology development capacity of Europe, fostering university-industry cooperation, and developing cooperation in different areas related to the EU policies with the EU member countries, EU candidating countries and other countries in cooperation with the EU. Programs are created to direct technology of the future via international partnerships.

In the process covering the period of 2007-2013, EU 7th Framework Program was executed. Horizon 2020, which is the research and innovation framework program of the new era of the European Union, shall be executed by the European Commission in the period of 2014-2020.

There is the area of “”Innovation in SMEs” under “Industrial Leadership and Competitiveness” that is one of the components of the program with approximately 80 billion Euros. It is aimed to transfer innovative ideas in great speed and effectively by supporting development of innovation potential of SMEs with this purpose and also it is targeted to increase industrial competitiveness of Europe, economic growth and employment opportunities in the long term.

*Monitoring State Incentives for SMEs and National Liabilities Regarding Notification to the EU*

Complying with Clause 4 of the Code on Monitoring and Auditing State Incentives numbered 6015 put into force after being published on Official Gazette dated 23 October 2010 with the number 27738, Board of Monitoring and Auditing State Incentives has been established. The Board is authorized to identify principles and regulations of state incentives and prepare related legislation, examining compliance of the state incentives, monitoring and auditing the incentives according to the agreements between Turkey and the EU, and obtaining implementation results from the incentive provider to make the required notices to the European Commission and the related organizations.

Following the publish of the mentioned code, “Regulation on Duties and Authorities of the Board of Monitoring and Auditing State Incentives and Working Principles of the Board” was published in 2011 and the duties and authorities of the Board were defined. In 2014 “Regulation on Data Transfer to State Incentives Data System” was put into force when published on the Official Gazette. On 20 June 2014 Undersecretariat of Treasury published the list of legislation forming a base to the implementations of the organizations and institutions that will transfer data to the State Incentives Data System according to article 5 and provisional article 1 of the mentioned regulation.

Finally, with the Mandate of the Prime Ministry published on Official Gazette dated 1 January 2015, enforcement of the regulations related to the notification and audit of the state incentives has been postponed to 31 December 2015 complying with the code numbered 6015.

3.4.2 SMEs in Terms of Economies of the Countries

EU, where the process of accession negotiations of Turkey is ongoing, considers SMEs as the backbone of the European economy. In 2013, there were 21.5 million SMEs in EU28.[[8]](#footnote-8)EU’s SMEs added value to the economy approximately for 3.7 trillion Euros providing employment for 88.8 million people. In other words, European SMEs formed every 99 enterprises of 100 businesses in 2013 employed every 2 employees in 3 employees and produced 58% of added value. This size equals 28% of gross domestic product of EU28.

As it can be observed in the EU example, key indicators used in international level for the comparison of SME performances of the countries are share of SMEs in all enterprises, shares of SMEs in employment and added value produced by SMEs. SME data of the EU and some other selected countries are given in Table 9. Accordingly, in the EU28 SMEs where the SMEs approximately are 7 times more than Turkey, almost 9 times more workers than Turkey are employed.

**Table9**–**SME Information in the EU and Some Other Selected Countries**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Country** | **Reference Year** | **Number of Employees** | **Employment in SMEs (Million people)** | **Gross National Added Value Produced by SMEs (Million Euro)** |
| AB28 | 2013 | 21,571 Millions | 88,844 | 3.667 |
| USA | 2011 | 18,2 Millions | 48,7 | 3.300 |
| Japan | 2012 | 3,9 Millions | 33,5 | - |
| Israel | 2011 | 370 Thousands | 1,2 | 45 |
| Italy | 2013 | 3,7 Millions | 11,5 | 459 |
| Spain | 2013 | 2,4 Millions | 7,6 | 281 |
| Netherlands | 2013 | 802 Thousands | 3,6 | 189 |
| Norway | 2013 | 282 Thousands | 1 | 156,2 |
| Brasil | 2011 | 4,2 Millions | 23,3 | 600 |
| Russia | 2011 | 1,7 Millions | 11,4 | 700 |
| India[[9]](#footnote-9) | 2011 | 24,5 Millions | 73 | - |
| South Korea\* | 2012 | 3,35 Millions | 13,06 | - |

Source: Annual European SMEs’ Report 2013/2014; \* South Korea SME Administration (SMBA)

Scale based distribution of the SMEs in the EU and some of the selected countries is provided in Table 10. Accordingly, it is observed that small enterprises and medium sized enterprises have more effect in developed countries. In the evalauation of Table 10 the differences in the definition of SMEs by countries must be considered.

**Table10**–**Scale Based Distribution of SMEs in the EU and in Some Other Selected Countries**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Country** | **Reference Year** | **Micro****(%)** | **Small****(%)** | **Medium****(%)** |
| EU28 | 2013 | 92,6 | 6,4 | 1,0 |
| USA | 2011 | 95,4 | 3,8 | 0,8 |
| Japan | 2012 | 79,2 | 18,3 | 2,5 |
| Italy | 2013 | 94,9 | 4,6 | 0,5 |
| Spain | 2013 | 94,5 | 4,8 | 0,6 |
| Netherlands | 2013 | 93,8 | 5,2 | 1,0 |
| Israel\* | 2012 | 86,0 | 10,8 | 3,2 |
| Norway\* | 2010 | 81,6 | 16,1 | 2,3 |
| Russia\* | 2012 | 95,8 | 3,9 | 0,3 |
| South Korea \*\* | 2012 | 87,1 | 10,1 | 2,8 |

Source: Annual Report for European SMEs 2013/2014,

\*Organization for Economic Cooperation and Development (OECD)Scoreboard –Financing SMEs and Entrepreneurs 2014

\*\* SMBA

When breakdown of SMEs acting in the EU as of 2013 by sectors is considered, the share of industry SME in the overall SMEs is 10.4% (NACE Rev.2 B-E) while share of trade sector SMEs (NACE Rev.2 G) in the overall SMEs is 28.5%. Breakdown of EU SMEs by main sector groups and scales is given in Figure 4.

**Figure4–EU SMEs by Main Sectors and Scales**



Medium Trade Other

Small Trade Other

Micro Trade Other

Industry Trade Other

Source: Annual Report of European SMEs 2013/2014

Breakdown of Turkey SMEs using the 2013 Labor Statistics Data and similar sectors and scaled classification is given in Figure 5.

**Figure5–Breakdown of Turkish SMEs by Main Sectors and Scales**



Medium Trade Other

Small Trade Other

Micro Trade Other

Industry Trade Other

Source: Number of Enterprises According to TÜİK,Labor Statistics 2013

When Figure 4 and Figure 5 are evaluated together, it is observed that the share of micro enterprises in manifacturing sector in the EU in overall number SMEs is 82.9% and the share of small enterprises in overall SMEs is 13.7%. Those ratios in Turkey are 87.2% and 10.6% respectively. Within this framework, it is observed that there is need for growing the scale of SMEs acting manifacturing sector in Turkey. The same evaluation can be made for trade sector although the need for the growth is not as much as the need for the growth in manifacturing sector.

# SWOT ANALYSIS AND IDENTIFICATION OF STRATEGIC AREAS

## SWOT Analysis

The results of the analysis conducted in 3 phases for identifying strong and weak sides of SMEs and threats and opportunities arising from external environment within the scope of the SME’s ecosystem are given below[[10]](#footnote-10).

*Strengths*

* Flexibility of production structures,
* Fast decision making and business execution processes,
* Ability to adapt faster to changes in market and technologies,
* Being entrepreneurs,
* Higher growth motivations and having dreams for the future,
* Not avoiding taking risks for growing,

Eagerness to monitor the opportunities,

* Open minded to innovations,
* Close relations between the personnel and managers,
* Ability to evaluate response of the new markets with small business packages before investing huge amounts,
* Better knowledge of the local markets where they operate in, thanks to their close relations with customers,
* Ability to better perceive demands in the market and client requests and ensure product diversification within this context,
* Ability to produce fast and deliver in time,
* Being able to take cost and price advantages,
* Having technical information and expertise in the areas they are specialized.

*Weaknesses*

* Difficulty in access to finances,
* Not being able to meet professional managers they need in the management of the enterprise,
* Not being institutionalized,
* Not being open to partnerships and cooperation,
* Difficulty in finding and affording qualified labor force,
* Insufficiencies in monitoring and implementing technological developments and innovations,
* Insufficiencies in branding and marketing,
* Inability to solve problems caused from the structure of family companies,
* Lack of awareness and capacity on branding,
* Difficulties in access to state’s incentives,
* Working with fewer capacity and fewer effectiveness,
* Insufficient capital accumulation for investing in advanced technology,
* Limited opportunities in carrying business and trade in international arena,
* Limited awareness and knowledge about R&D, innovation and industrial property rights,
* Insufficiencies in commercializing R&D results, innovation and design issues,
* Inability to benefit from economy of scale,
* Limited ability of production in high added value products,
* Lack of information in execution of managements and enterprise functions adequately,
* Limited ability to access information in exploring foreign markets,
* Low capacity in project preparation,
* Insufficiency in following public tenders and bidding in these tenders,
* Insufficiency in awareness in energy efficiency implementations,
* Insufficiency in getting information from capital market instruments,
* Difficulties in collecting receivables,
* Insufficiencies in training young population qualified and responsive to the needs of industry,
* Not attributing importance to vocational and technical training,
* Facing lost of labor force and time due to documents with similar contents required from different institutions,
* Diminishing share of production industry in GDP,
* Disadvantages of employment and tax burdens in foreign markets in terms of competition,
* Not receiving guidance services in appropriate investment areas,
* Insufficient use of e-state implementations,
* Non-coordination among the institutions designing and implementing policies regarding SMEs,
* Insufficiencies in program evaluation systems of support providing institutions,
* Inability to use incentive programs towards SMEs,
* Negative impacts of unfair competition caused by enterprises working informally
* Insufficiencies in cooperation between Public Institutions-Universities and SMEs,
* Competitive disadvantage caused by shopping malls, chains of department stores, big enterprises and global companies towards SMEs,
* The inability of the SME statistics to meet the need of policy makers,
* Insufficiency in benefiting from public tenders,
* Insufficiency in the employment of women.

*Opportunities*

* Presence of young population,
* Increase in the number of the universities and cooperation activities between the university research centers and industry,
* Presence of new financial tools in the access of SMEs to finances,
* Presence of credit guarantee and venture capital systems,
* Presence of institutions/organizations providing incentives,
* Availability of EU and other foreign funds for SMEs,
* Attributing special importance to SMEs in national policy documents,
* Opportunity to integrate in global value chains introduced by information technologies,
* Dissemination of e-commerce opportunities,
* Creation of SME consultancy system,
* Having regional and sectoral focus in public based subsidies,
* Banking sector attributing special importance to SMEs.

*Threats*

* Cheap imports from China and South Asian countries caused by the shifting of production axis towards east as a result of the speeding up of global competitiveness,
* Increase in external dependence in production (import of interim goods),
* Dependency in energy and high energy costs,
* Possible negative effects of Transatlantic Trade and Investment Partnership Agreement that is planned to be signed between the EU and United States of America in Turkish SMEs,
* Negative impacts of instabilities in neighboring countries in export of SMEs.

## Strategic Areas

In order convert weaknesses obtained by SWOT analysis to strengths, eliminate threats caused from the environment and benefit from the opportunities of the strengths, 5 strategic areas have been identified.

1. Increase competitive strength of SMEs and ensure their growth,
2. Increase internalization levels of SMEs by increasing exporting capacities of SMEs,
3. Favor SMEs in improvement process of business and investment partnership,
4. Improve the R&D and innovation capacity of SMEs,
5. Facilitate the access of SMEs and entrepreneurs to finance.

Main problems of SMEs and strategic areas related to these problems are providedin Table 11.

**Table11**– **Main Problems and Related Strategic Areas**

| **Weaknesses/Threats**  | **Strategic Areas**  |
| --- | --- |
| Not being able to fulfill the need for professional managers in the management of the enterprise  | **Strategic Area 1:**Increase competitive strength of SMEs and ensure their growth  |
| Not being able to institutionalize  |
| Not being open to partnerships and cooperation  |
| Having problems in finding qualified workforce and paying the costs  |
| Insufficiencies in marketing and branding  |
| Inability to solve problems caused by family companies  |
| Lack of awareness in branding and capacity raising  |
| Working in fewer capacity and fewer efficiency |
| Insufficient use of economies of scale  |
| Limited production capacity in high added value products  |
| Insufficiency of information in fulfilling operating and management functions adequately  |
| Insufficient capacity in project preparation  |
| Insufficient awareness in energy efficiency implementations  |
| Not being able to educate qualified young population responding to the needs of the industry  |
| Lack of importance attributed to vocational and technical training  |
| Shift of public sources and investments to sectors other than production industry that has critical importance for the development of the country, diminishing share of production industry in GDP  |
| Insufficient employment of women  |
| Limitations of opportunities of carrying business and trade in international arena  | **Strategic Area 2:**Increase internalization levels of SMEs by increasing exporting capacities of SMEs  |
| Limitations in access to information in conducting foreign market surveys  |
| Cheap imports from China and South Asian countries caused by the shifting of production axis towards east as a result of the speeding up of global competition  |
| Disadvantages of employment and tax burden in foreign markets in terms of competition  |
| Difficulties in access to state incentives  | **Strategic Area 3**Favor SMEs in improvement process of business and investment partnership  |
| Insufficiency in following public tenders and bidding in these tenders  |
| Facing losts of work force and time due to documents with similar contents received from different institutions |
| Disadvantages of employment and tax burden in foreign markets in terms of competition  |
| Not receiving guidance services in appropriate investment areas |
| Insufficient use of e-state implementations  |
| Lack of coordination between the institutions in designing and implementing policies towards SMEs  |
| Insufficiencies in program evaluation systems of support providing institutions |
| Negative impacts of unfair competition caused by enterprises working informally |
| The inability of the SME statistics to meet the needs of policy makers |
| Insufficiency in benefiting from public tenders |
| Insufficiencies in monitoring and implementing technological developments and innovations | **Strategic Area 4**Improve the R&D and innovation capacity of SMEs  |
| Insufficient capital accumulation to spend in technology investments  |
| Limited awareness and knowledge about R&D, innovation and industrial property rights |
| Insufficiencies in commercializing R&D results, innovation and design issues |
| Insufficiencies in cooperation between Public Institutions-Universities and SMEs |
| Difficulties in access to finances  | **Strategic Area 5**Facilitate the access of SMEs and entrepreneurs to finance  |
| Insufficient information on capital market instruments  |
| Difficulties collecting receivables  |

# STRATEGIC AREAS AND TARGETS

## Strategic Area 1– Increase Competitive Strength of SMEs and Ensure Their Growth

*Current Situation*

Key source of economic growth and increase in the employment within a country is the development of private sector and in order to create a highly competitive economy and sustainable development, development and growth of SMEs, being the leading factor of the economy, must be ensured as well as their competitive strength. Globalization is felt on SMEs as a means of competitive pressure increasing day by day. Serious problems and shrinking in the economy are observed in countries that do not take required measures within this process.

Global competition index survey is conducted by World Economic Forum (WEF) every year in order to compare economic competition power of the countries. According to the Report 2014 – 2015, competitiveness score of Turkey is 4.5 over 7having the 45th rank among 144 countries.

The first rank was Switzerland, second rank is Singapore and third rank is the USA in the competitive power list in the report. These countries are followed by Finland, Germany, Japan, Hong Kong, Netherlands, UK and Sweden respectively. On the triple grouping based on the development level of the countries, Turkey was listed before the “Factor Focused” countries, but behind the “Innovation Focused” economies and under the economies in “Transition From Efficiency Towards Innovation”.

Score of Turkey in terms of identified three sub-indices and 12 indicators as well as her rank among general country list are given in Table 12. Accordingly, Turkey needs to move forward to be listed within “Innovation Focused” economies in terms of many of the indicators. The most important issue that needs improvement is the “Efficiency of Labor Market”.

**Table12**–**Position of Turkey in Global Competition Index**

| **Indicator** | **Rank** | **Score** |
| --- | --- | --- |
| **GLOBAL COMPETITION INDEX**  | 45 | 4.5 |
| **Sub Index A- Key Requirements**  | 56 | 4.8 |
|  1. Compound: Institutionalized Structure  | 64 | 3.9 |
|  2. Compound: Infrastructure  | 51 | 4.6 |
|  3. Compound: Macroeconomic stability  | 58 | 4.8 |
|  4. Compound: Health and Basic Education  | 69 | 5.8 |
| **Sub Index B- Efficiency Boosters**  | 45 | 4.4 |
|  5. Compound: Higher Education and Training  | 50 | 4.7 |
|  6. Compound: Efficiency Commodity Markets  | 43 | 4.6 |
|  7. Compound:Efficiency of Labor Markets  | 131 | 3.5 |
|  8. Compound: Development of Financial Markets  | 58 | 4.2 |
|  9. Compound:Technological Infrastructure  | 55 | 4.3 |
|  10. Compound: Market Size  | 16 | 5.3 |
| **Sub Index C –Innovation Factors**  | 51 | 3.9 |
|  11. Compound: Development Level of Business World  | 50 | 4.3 |
|  12. Compound: Innovation  | 56 | 3.4 |

Source: WEF, Global Competition Index 2014 - 2015 Report

Today, the purpose of almost all enterprises is to maximize their profits and values. Increasing its market value and profitability for an enterprise depends on growth in great proportion while healthy growth of the SMEs depends on institutionalization. Almost in all countries more than 90% of the entire enterprises are formed of micro enterprises and they mainly have the identity of family companies. In “Institutionalization in SMEs and Addressing to a Brand” workshop organized by KOSGEB on 24 June 2014, the findings listed below are obtained regarding main problems of family companies:

* Lack of independent management of the company from family relations,
* Inability to separate business with family issues,
* Lack of board of directors culture,
* Inability to transfer family values to future generations,
* Lack of career planning while preparing children to the management,
* Not being able to create a common share between family vision and company vision,
* Making decisions and giving them up fast,
* Inability to make long lasting strategic plans,
* Inability to make risk management in terms of family and company,
* Inability to separate family expenses from the cash of the company,
* Inability to form institutional relations between managers from the family and professionals other than the family within growing family enterprises.

These findings show that institutionalization did not take adequate attention of the SMEs.

Thus, the first steps to be taken in this regard should be explaining SMEs the gains they may have via institutionalization. Today, it is almost impossible to receive statistics for family enterprises in international level since number of employees and financial features are considered in the definition of SMEs by the countries. For this reason, data to be received via studies conducted in national level in this area are significantly valuable.

One of the methods to achieve competitive advantage is being a brand in domestic or international level. It should be explained to SMEs that branding is not only a certification or advertisement/marketing issue yet is complicated structure increasing profitability, fostering growth requiring a long-term construction process. It is an important requirement to develop different support mechanisms towards institutionalization and branding of SMEs in order to finalize mentioned awareness improvement activities.

Another method for ensuring life of SMEs and their growth in global competition environment is increasing efficiency. In order to ensure efficiency, an integrated efficiency method is needed both in terms of operational efficiency and in terms of national level. It is emphasized in the 10th Development Plan that there was efficiency difference between big enterprises and SMEs, and it is stated that both efficiency levels within the sectors and shares of highly efficient enterprises in employment should be increased to achieve more efficient economy. It is also emphasized in the report that production industry had a very special importance for both of the instruments. It is believed that the implementation of the Efficiency Strategy and Action Plan and the “Program for Increasing Efficiency in Production” that are among the prioritized conversion programs of 10th Development Plan, should provide significant benefits.

Another method to close the gap of efficiency between big enterprises and SMEs is growing the SMEs via cooperation and increase their efficiencies in production and profitability benefiting scales of economy. It is getting more difficult for SMEs to compete by staying small while even the biggest multinational companies of the world are seeking cooperation and partnerships. The need for strengthening common business and project developments of SMEs as well as execution of procurement and marketing activities in cooperation are also emphasized in the 10th Development Plan. For this reason, ensuring cooperation in SMEs and achieving culture for doing business in cooperation are taken within the scope of this strategic area.

Other issues listed in the 10th Development Plan among the subjects that have importance for SMEs are improving management processes of the enterprises, extending their life cycle and solutions for efficiency and scale problems. Within this scope, the target for 2018 regarding the share of SMEs with 20 to 249 employees in Industry and Service sector in overall SMEs is 4%. Numbers calculated for the period of 2003-2012 for the mentioned indicator is given in Figure 6.

**Figure6- Share of SMEs in Overall SMEs Having 20 to 249 Employees by Years**



Source: TÜİK, YSHİ2003-2012

Accordingly, the share of SMEs with 20 to 249 employees in Industry and Service sector in overall number of SMEs acting in Industry and Services sector reached twice of the number of 2003 in 2012.

Countries cannot develop without economic growth. However, each economic growth does not guarantee development. Thus, the purpose of the development cannot be limited only with economic growth. Main purpose of development is increasing welfare of the citizens of the country. On the other hand, definition of development had not reached that point suddenly historically. Problems faced in ecologic balance due to fast growth performances observed in the years right after the World War II and the interaction with the environment have been recognized only at the end of 1960s. Today, according to the view accepted to achieve sustainable development, a balance has to be achieved between human beings and nature; the life of the day and the future has to be planned together in a method giving opportunity to fulfill the needs of the future generations and their development by ensuring conscious consumption of sources. In this regard, integration of social, economic and environmental aims in public and private sector decision making processes with targets should be considered within a balanced method.

Lately, both EU and the OECD attribute great importance to Green Growth and many studies are conducted within this scope. In the OECD paper named SMEs and Green Growth Strategy, which is one of the mentioned studies, it is stated that participation of SMEs to initiatives of Green Growth and benefiting from policy changes that ensures improvement shall play a key role for sustainable development. This is why increasing the compatibility of the SMEs with national and international legislation is one of the most important issues to spend special efforts to achieve sustainable development and growth.

One of the main requirements of development in national level and at the same time the most important need for SME targeting institutionalization is human capital with higher qualifications. Improvement of human capital has been assessed as an opportunity for Turkey with her young population in the 10th Development Plan. In order to add value to institutionalization, branding and increasing efficiency level of SMEs, raising the qualifications of the employees and employers of SMEs is another issue included within the scope of this strategic area.

Empowering the role of women in social, cultural and economic life is important for gender mainstreaming. However, it is also an economic requirement to increase ratio of women in workforce to reach medium to long term targets. This issue is also emphasized in the 10th Development Plan stating that the target for having a place among the biggest economies of the world in 2023 shall not be possible when half of the workforce is active and more of the population shall be activated in production process. In the statistics of “Women by Statistics 2014” published by TÜİK;

* According to the results of the Householder Labor Survey; employment rate in Turkey in 2013 for people older 15 in the overall population is 45.9% while this ratio is 65.2% for males and 27.1% for females. When employment rates for the EU are examined, it is seen that the highest rate of employment for females in 2013 is in Sweden with 72.5% and the lowest rate is in Greece with 39.9%ç The average employment rate for females in EU28 is 58.8%.
* Participation in the workforce, which is one of the important indicators of workforce, is 50.8% in Turkey in general, 30.8% for females and 71.5% for males in 2013 according to the Householders Employment Survey. When participation to the workforce is examined by education level, it is observed that the more women are educated the more they take part in workforce. Employment rate for women who are illiterate is 17.4%, employment rate of women educated less than high school level is 26.3%, employment rate of women with high school degree is 32.1%, employment rate of vocational or technical school graduates is 39.3% while the rate for women holding university degree is 72.2%.

In addition, according to “Entrepreneurship 2013” news bulletin of TÜİK, the rate of women working as employer in Turkey in general is 8% while this rate is 92% for men. The breakdown of employed personnel by their positions at work and gender is given in Table 13. Accordingly, 32 of employed female in every 100 are unpaid family workers in 2013 while this number is only 4.5 for males. For this reason, both as employees and employers is necessary for initialize policies and support programs that shall increase employment of women.

**Table13**– **Employment by Position at Work and Gender**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Wage/Per diem**  | **Employer** | **On his/her own behalf** | **Unpaid family employee** |
| **Years** | **2011** | **2012** | **2013** | **2011** | **2012** | **2013** | **2011** | **2012** | **2013** | **2011** | **2012** | **2013** |
| **Female** | %51,6 | %54,3 | %56,6 | %1,2 | %1,3 | %1,2 | %11,7 | %10,8 | %10,7 | %35,4 | %33,7 | %31,5 |
| **Male** | %65,8 | %66,5 | %67,3 | %6,8 | %6,5 | %6,1 | %22,6 | %22,3 | %22,1 | %4,9 | %4,6 | %4,5 |
| **Total** | %61,7 | %62,9 | %64,1 | %5,2 | %5,0 | %4,6 | %19,4 | %18,9 | %18,7 | %13,7 | %13,2 | %12,6 |

Source: TÜİK, HouseholderLabor Force Survey, 2013;TÜİK, Entrepreneurship by Statistics, 2012 - 2013

When most of internationally conducted surveys are compared with other enterprises, it is indicated that fast growing enterprises are composing an elite portion of the enterprises for the economy of the country both in terms of employment they provide and in terms of capacity for creating innovation. This is why it is an important requirement for providing benefits to this party holding high potential from public sources that shall be provided as grants.

Another party that needs prioritized support is the manufacturing SMEs as it is emphasized many times in the 10th Development Program. It is stated in the Plan that empowerment of manifacturing sector was important both for supporting increase in efficiency and increase national growth performance. It is also emphasized that a strong production industry is also needed for achieving 2023 export targets. Breakdown of SMES by Main Sector Groups is given in Table 14.

**Table14**–**Breakdown in SMEs by Main Sector Groups**

|  |  |  |  |
| --- | --- | --- | --- |
| **Main Sector Group** | **Number of Entrepreneurs** | **Employment** | **Revenue** |
| **2009** | **2010** | **2011** | **2012** | **2009** | **2010** | **2011** | **2012** | **2009** | **2010** | **2011** | **2012** |
| **Industry** | %13,1 | %13,1 | %13,1 | %13,0 | %25,3 | %26,6 | %26,0 | %26,0 | %22,7 | %24,0 | %25,5 | %24,8 |
| **Trade** | %42,4 | %40,5 | %40,8 | %40,4 | %34,4 | %30,8 | %30,6 | %29,5 | %56,8 | %54,7 | %53,4 | %53,8 |
| **Other** | %44,5 | %46,4 | %46,1 | %46,6 | %40,3 | %42,6 | %43,4 | %44,5 | %20,5 | %21,2 | %21,1 | %21,4 |
| **Total** | **%100** | **%100** | **%100** | **%100** | **%100** | **%100** | **%100** | **%100** | **%100** | **%100** | **%100** | **%100** |

Source: TÜİK, News Bulletin of Small and Medium Sized Enterprises Statistics, 2011 - 2014

Accordingly, 13.1% of SMEs active in Turkey are in manufacturing sector in the period of 2009 to 2012. The share of manifacturing sector SMEs in overall SME employment is 26% in average while the share of SMEs in total revenues is 24.3% in average. Comparison of SMEs active in manifacturing sector with other sector’s SMEs in terms of revenues and employment is provided in Table 15.

**Table15**-**Revenue and Employment per Enterprise in SMEs**

|  |  |  |
| --- | --- | --- |
| **Year** | **Employment per Enterprise**  | **Revenue per Enterprise (TL)** |
| **Production** | **Other Sectors** | **Production** | **Other Sectors** |
| **2009** | 5,6 | 2,6 | 652.770 | 395.155 |
| **2010** | 6,6 | 2,9 | 869.346 | 483.003 |
| **2011** | 6,6 | 2,9 | 1.004.350 | 522.828 |
| **2012** | 7,0 | 3,1 | 1.082.717 | 597.968 |

 Source: TÜİK, News Bulletin of Small and Medium Sized Enterprises Statistics, 2011 - 2014

Accordingly, in the period of 2009-2012, manifacturing sector SMEs created employment and revenues twice more than other sector SMEs.

The first Organized Industrial Zones (OSB), established for producing commodities and providing services for settlement and development of the industry in a pre-defined plan, was activated in 1962 in Bursa. The Code for Organized Industrial Zone numbered 4562 was published in Official Gazette on 12 April 2000 with the number 24021. Also the legislation infrastructure has been enforced related to OSBs and the number of OSBs active as of January 2015 has reached 280. Also, via Small Industry Sites (KSS), implemented by building cooperation and equipped with infrastructure services and administration building, vestibule school, sales shops and similar social organizations, and working for small enterprises active in reparation and production activities, ability to act in cooperation for SMEs is also increased. Within this framework, it is targeted to covert enterprises acting in KSS to complete their development and to take their places in organized industrial zones. The number of completed KSS reached 457 as of January 2015.

BTSB provides demand based credits for lands, infrastructure and general managements expenses to the OSBs that are to be constructed in high priority development regions and to the OSBs that use high technology and to the OSBs in the other regions. on lands, infrastructure and general management are provided by BSTB if requested while credits for infrastructure and general management expenses are provided to OSBs in other regions. In addition, lands are provided to the enterprises investing OSBs that are located within the scope of the provinces listed in provisional clause 9 of the Codes numbered 6215 and 4562 and offering employment for 10 people in minimum with a discount of 50% to 100% varying according to the social-economic development index of the countries. The implementation term of the mentioned application was extended for more than two years by a Resolution of the Board of Ministers as of 12.04.2015. Additionally, OSB Legal Entity and enterprises acting in OSBs are supported by exemptions from Corporate Tax, Real Estate Tax, Electricity and Gas Consumption tax, Value Added Tax, Construction Fee and Building Usage Permit Charges, Amalgamation and Parceling Transaction Fees and more of the fees.

Lately, the fact that sources are transferred to sectors with limited foreign trade, where competition pressure is fewer, from manifacturing sector; and added value of the production industry within the total amount is diminishing is assessed as a critical development they may affect potential growth rate in medium to long term. This is the reason for the necessity for supporting production industry SMEs as well as fast growing SMEs within the scıpe of addressing sources to productive areas. It is also very important to support especially sectors classified in high technology SMEs within the mentioned sector. Nevertheless, mentioned enterprises add more to the economy compared with the enterprises acting in other technology levels both in terms of employment and revenues. This contribution is given in Figure 7 and Figure 8 by KOSGEB within the light of the data set received from TÜİK.

**Figure7-Number of Average Employees per SME by Technology Level**



High technology

Medium- High technology

Medium- Low technology

Low technology

Source: TÜİK, YSHİ2009-2013

Accordingly, the average number of employees in SMEs acting in sectors that are classified as high technology is 4 times more than SMEs acting in sectors classified as low technology for the last 5 years.

**Figure8- Average Revenue per SMEs by Technology Level (Million TL)**



Medium- Low technology

High technology

Medium- High technology

Low technology

Source: TÜİK, YSHİ2009-2013

In the last 5 years, the difference between the SMEs in sectors classified as high technology and low technology in terms of revenues is higher than the difference in terms of employment. Accordingly, number of average revenues of the first group of SMEs is 7 times more than the average number of the second group of SMEs.

Another important result obtained from figure 7 and Figure 8 is that a continuous increase in the last five years in terms of average number of employees and revenues in the sectors classified as medium to high technology sectors has been observed.

Targets identified within the scope of the first strategic area due to the explained reasons are listed below:

*Targets*

1. Ensuring institutionalization and branding of SMEs and increasing their efficiency level
2. Dissemination of common business and project development in SMEs
3. Increasing compatibility capabilities to national and international legislation of SMEs for sustainable development and growth
4. Increasing qualifications of SME employers and employees to develop social capital of SMEs
5. Primarily supporting production industry SMEs.

## Strategic Area 2–Increase the Level of Internationalization of SMEs by Increasing SMEs’ Export Capacities

*Current Situation*

In literature the case of a country reaching to a certain level in terms of income per capita and stocking at that level not being able to get to the higher level of countries is named “Middle Income Trap”. One of the macro policies to be implemented for getting out of middle income trap is following an export focused strategy. In the period of 2014-2018the strategy for growth to be implemented by Turkey is defined in the 10th Development Plan as *“developing a competitive production structure led by private sector based on exports via increasing efficiency and speeding up industrialization”.* Besides, one of the key elements that form economic growth performance within the period of 2007-2012 is exports as well as private consumption and fixed capital investment expenses. Within this scope, it is an important prerequisite to increase the momentum of exports Turkey achieved in the last ten years for realizing long term development perspective of Turkey including the target to achieve 500 billion USD of exports forming one of the most important milestones of target of Turkey to be listed in biggest economies of the world in 2023.

In Turkey Export Strategy and Action Plan 2023,enforced with the strategic vision of “*Ensuring Turkey to be listed in the leading countries of the world in the trade of the work by achieving the target of 500 billion USD of exports in 2023”*, there are 9 action areas including market share, investment-infrastructure, environment, technology, cooperation, finances, human resources, legislation and monitoring and evaluation covering every phase of the exports from production to delivery of the goods; and 19 strategic targets aiming to extend opportunities of exporting enterprises. Within this scope, in the process for the identification of the targets of the second strategic area, harmonization to the mentioned macro policy paper has been considered.

The term of Internationalization can be defined as “an enterprise opening its activities towards foreign markets and acting in international activities” in short. If the word “opening” is made inwards it creates importing activities while it creates exporting activities when the actions are made outwards. While there are theories having an approach with stages in the internationalization of SMEs, there are also internationalization models regarding globally born SMEs.

Especially the increasing speed of globalization and developments ensured in Information and Communication Technologies (BIT) increased the ability of SMEs to act in international markets. This situation was also reflected in the shares of SMEs in exports in Turkey and the number of the SMEs exporting in our country. Exporting countries by main sector groups and by years are provided in Table 16.

Table16-Exporting SMEs by Main sector Groups

|  |  |  |
| --- | --- | --- |
| **Year** | **Number of Exporting SMEs**  | **Increase in the Ratio Compared to the Previous Year**  |
| **Industry****(B-E)** | **Trade****(G)** | **Other** | **Total** | **Industry****(B-E)** | **Trade****(G)** | **Other** | **Total** |
| **2009** | 19.579 | 19.709 | 5.526 | 44.814 | - | - | - | - |
| **2010** | 19.820 | 20.173 | 5.777 | 45.770 | %1,2 | %2,4 | %4,5 | %2,1 |
| **2011** | 21.311 | 22.298 | 6.334 | 49.943 | %7,5 | %10,5 | %9,6 | %9,1 |
| **2012** | 23.094 | 23.965 | 6.640 | 53.699 | %8,4 | %7,5 | %4,8 | %7,5 |
| **2013** | 24.919 | 26.096 | 6.692 | 57.707 | %7,9 | %8,9 | %0,8 | %7,5 |

Source: TÜİK,GDTİ 2009-2013

Number of exporting SMEs continuously increased in the period of last 5 years both for Industry and Trade sector and reached 58 thousands as of 2013. The share of exporting SMEs in overall SMEs in 2013 is 1.6%. The targeted number in 2018 for exporting SMEs specified in the Development Plan is 60 thousands. Breakdown of the exports made by SMEs by years is given in Table 17.

Table17-Exports of SMEs by Years

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year** | **Exports by SMEs (Million Dollars)**  | **Increase Compared to Previous Year**  | **Total Sum of Export (Million Dollars)**  | **Increase Compared to Previous Year** | **Share of SMEs in Total Exports**  |
| **2009** | 60.675 | - | 101.394 | - | %59,8 |
| **2010** | 68.169 | %12,4 | 113.391 | %11,8 | %60,1 |
| **2011** | 80.262 | %17,7 | 134.682 | %18,8 | %59,6 |
| **2012** | 95.278 | %18,7 | 152.255 | %13,0 | %62,6 |
| **2013** | 89.751 | -%5,8 | 151.570 | -%0,4 | %59,2 |

Source: TÜİK,GDTİ2009-2013

A parallel path is observed between annual changes in the export of the country for the period of 2010-2013 and annual changes in exports made by SMEs. However, in the year 2013, it is observed that export of the country narrowed slightly (0.4%) while the export of SMEs narrowed more significantly (5.8%) for SMEs in the same year. Exporting SMEs by their scales are listed in Table 18.

Table18-Exporting SMEs by Scales

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **Micro** | **Small** | **Medium** | **TOTAL OF SMEs** |
| **Number of SMEs**  | **Export Value (Million USD)** | **Number of SMEs**  | **Export Value (Million USD)** | **Number of SMEs**  | **Export Value (Million USD)** | **Number of SMEs**  | **Export Value (Million USD)** |
| **2009** | 23.954 | 17.562 | 15.717 | 25.493 | 5.143 | 17.620 | 44.814 | 60.675 |
| **2010** | 23.229 | 18.552 | 17.170 | 27.866 | 5.371 | 21.752 | 45.770 | 68.169 |
| **2011** | 25.046 | 20.435 | 19.167 | 34.663 | 5.730 | 25.164 | 49.943 | 80.262 |
| **2012** | 27.207 | 31.376 | 20.195 | 36.942 | 6.297 | 26.960 | 53.699 | 95.278 |
| **2013** | 28.786 | 27.050 | 21.871 | 36.458 | 7.050 | 26.243 | 57.707 | 89.751 |

Source: TÜİK, GDTİ2009-2013

In the period of 2009-2013, approximately half of the exporting SMEs were formed of micro scaled enterprises for every year. Although a more balanced distribution is observed among SMEs in terms of exports made within the same period, exports made by small lenterprises cover 40% of the exports of SMEs in average for every year. Additionally, export values per enterprise in SMEs for 2013 are; 0.9 million USD for micro enterprises, 1.7 million USD for small enterprises and 3.7 million USD for medium sized enterprises.

In the GDTI survey, conducted by TÜİK, in terms of two indicators explained above and considered in the calculation of the share of the SMEs in exports, only the number of employees in the enterprises is considered. With such a calculation, foreign trade companies of big holdings exporting hundreds of millions of goods are accepted as SMEs. This situation also explains the result of exports of SMEs in Trade sector being almost twice more than the exports of SMEs in Manifacturing sector (Please see Figure 3).

When a similar calculation is made over all administrative records considering the financial parameters used in defining SMEs within the scope of Entrepreneur Information System (GBS), considerable decreases are observed in the number of exporting SMEs and in the share of SMEs in exports. Based on these reasons, it is essentially important to consider parameters used in classification of SMEs in GDTI studies to be conducted by TÜİK in the following years.

Internationalization of SMEs is also possible with exporting the commodities and services directly produced by SMEs or with taking position at global value chains. In the second case, in order to take position in more added value chains than the others SMEs should work closely with big enterprises that already obtained international competition power. This method will increase exporting capacity of SMEs.

The most important deficiency observed in SMEs that are willing to start exports both in developed and in developing countries is the level of awareness related to services and incentives provided by public organizations. From this point of view, completing deficiencies in information for SMEs related to the instruments in implementation is an issue that needs priority. Especially in micro and small enterprises, lack of encouragement is observed due to lack of information. The need of Turkish SMEs followed by providing information and drillings in this regard is the matching process of correct markets with correct enterprises.

In addition, in terms of currently exporting enterprises and ensuring sustainability in exports the issues that need improvement in SMEs are “delivering goods complying with the samples” and “standardization in quality”.

In the EU, which is trade partner of Turkey traditionally, 42% of SMEs had been internationalized in various methods (exports, imports, direct foreign investment, international contractors) while 25% of SMEs make exports and 13% are exporting to markets other than the EU market.

A strategy towards internationalization of SMEs was put into force in 2011 in the EU. The strategy called “Small Business, Big World” mainly aims to expand the activities of the SMEs of the EU in markets other than the European Union. Detailed targets listed within the scope of the mentioned strategy are provided below:

* Ensuring easily accessible and adequate information for SMEs showing how to extend their business in markets other than EU,
* Increasing coordination in incentive activities provided,
* Increasing cost-effectiveness in incentive activities,
* Fulfilling current deficiencies in support services,
* Creating equal conditions for all SMEs in member countries of the EU and ensuring equal participation opportunities.

Six activity areas decided to achieve those identified targets are listed below:

1. Empowering these services by putting the scope of the currently available suppırt services onwards,
2. Forming a single virtual door where SMEs shall reach the information they need,
3. Achieving more stable incentive mechanisms in the EU level,
4. Supporting networks and groups regarding internationalization of SMEs,
5. Rationalizing new activities towards prioritized markets,
6. Improving currently available foreign policies of the EU.

SME’s export information regarding some of the selected countries obtained from various international reports is given in Table 19 along with reference years.

**Table19**–**Breakdown of SMEs in exports by EU and Some Other Selected Countries**

|  |  |  |
| --- | --- | --- |
| **Country** | **Number of Exporting SMEs** | **Share of SMEs in Total Exports (%)** |
| Germany | 345.200 (2010) | 29,6 (2011) |
| UK | 198.300 (2011) | 34,2 (2011) |
| France | 116.232 (2013) | 38,0 (2011) |
| Italy | 188.915 (2011) | 51,7 (2011) |
| Spain | 105.025 (2010) | 46,2 (2011) |
| USA | 298.900 (2013) | 32,6 (2013) |
| Canada | 114.975 (2011) | 40,1 (2011) |
| India | - | 40 (2006-2007) |

Source: Annual Report for European SMEs 2013/2014; OECD Entrepreneurship Report at a Glance 2014; Canada Key SMEs Statistics August 2013;Trade View of the United States 2013;Indian Ministry of SME 2011-2012 Activity Report

When the countries listed in Table 19 are interpreted with the number of exporting SMEs Turkey reached in the year 2013, it is necessary to make more SMEs to encourage exports in order to achieve very ambitious export target of 500 billion USD. On the other hand, fostering access of already exporting SMEs to new markets and increasing market diversification have great importance in ensuring sustainability in exports.

Foreign trade data according to the level of technology covering production industry products and listed in ISIC Rev.3 classification are published with “Foreign Trade Statistics” new bulletin by TÜİK every month. Accordingly, there are exports of 4.8 billion USD in the period of January to December in 2013, and 5 billion USD of high technology product exports in 2014. There is no information based on scale in the mentioned bulletin. The change of share of exports of high technology products within production industry products by months are given in Figure 9. Accordingly, both in 2013 and in 2014, it is observed that exports of high technology products started with 2.5% in January while this ratio increases to 4% towards the end of the year. On the other hand, increasing the share of medium-high technology and high technology products within the share of exports is listed within the key elements listed in the 10th Development Plan.

**Figure9–Share of High Technology Products by Months**

Jan Feb March Apr May June July August Sept Oct Nov Dec

Source: TÜİK, GDTİ 2013

In order to increase the share of medium-high and high technology menifacturing sector products, first of all these products have to be produced within the country. Thus, this subject shall be detailed within the scope of fourth strategic area. As a result, within the scope of the policy of *“internationalization levels of SMEs shall be increased by developing R&D, innovation and export capacities”* specified in 10th Development Plan, the targets identified within the scope of the second strategic plan are listed below.

*Targets*

1. Increasing the access of SMEs that are willing to make exports to international markets
2. Fostering the access of exporting SMEs to the new markets increasing market diversification and ensuring sustainability in exports
3. Increasing the share of medium-high and high technological domestic products within the share of SMEs.

## Strategic Area 3–Safeguard SMEs in the Process of Improving Business and Investment

*Current Situation*

**When the speed of globalization increased the borders between the international markets weakened and the process for the world to turn into a single and huge market got started. In this economic order related to this new world some of the multinational big companies have become economic actors more powerful than many of the countries. In such an environment and under an extensive pressure of international competition, the policies towards protecting and increasing competitive strength of SMEs both in the domestic and foreign companies gain importance. In order to add maximum value to national economies by SMEs, SME ecosystem must be very well organized in terms of legal, administrative and financial perspectives. Also, it is required to put various measures forward to ease the business environment. A similar approach gained life with one of the 10 key principles identified within the scope of Small Business Act of Europe by the EU.**

In turkey action plans are created to improve environment of investment within the cooperation between the public and private sector via 10 technical committees established within the scope of YOIKK studies. The developments within the plans are evaluated and it is focused to produce solutions for the problems that may arise.[[11]](#footnote-11)

The purpose of World Bank Doing Business Index covering 189 countries puts the specifications of the legislation, which the enterprises are subject to, in easing and causing difficulties in doing business. In Ease of Doing Business Report published by the World Bank to measure arrangements related to business environment and their implementations as well as making comparisons between the countries, Turkey increased its rank to the 55th in 2015 compared to the 65th rank in 2011.

In the list of Ease of Doing Business Index and the 10th Development Plan, the target to be listed within the first 50 countries is identified in national level. In terms of some selected parameters for ease of doing business, the position of Turkey compared to other various countries is given in Table 20.

**Table20**-**Turkey In Terms of Ease of Doing Business**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Evaluation Parameter**  | **TR** | **USA** | **IND** | **JP** | **KR** | **INS** | **UK** | **GER** | **BRS** |
| Rank for ease of doing business  | 55 | 7 | 142 | 29 | 5 | 18 | 8 | 14 | 120 |
| Rank at starting business  | 79 | 46 | 158 | 83 | 17 | 13 | 45 | 114 | 167 |
| Starting business (Number of transactions)  | 7 | 6 | 11.9 | 8 | 3 | 3 | 6 | 9 | 11.6 |
| Term for Starting Business (Days) | 6.5 | 5.6 | 28.4 | 10.7 | 4 | 5.5 | 6 | 14.5 | 83.6 |
| Cost of Starting Business (percentage of income per person)  | 16,4 | 1.2 | 12.2 | 7.5 | 14.5 | 7.2 | 0.3 | 8.8 | 4.3 |
| Minimum Paid Capital for Starting Business (percentage of income per person) | 12,1 | 0.0 | 111.2 | 0.0 | 0.0 | 0.0 | 0.0 | 35.8 | 0.0 |

Source: World Bank, Report on Ease of Doing Business

IND: India, JP: Japan, KR: Korea, INS: Indonesia, UK: United Kingdom, GER: Germany, BRS: Brasil

For the rank on starting business, Turkey has the 79th place among 189 countries. The main reason for taking this rank is mainly because of “Foundation Cost” and “Minimum Paid Capital” instead of other two factors.

Besides, the environment ensures opportunities of easier methods for establishment of more of the enterprises in number, improvements in the business environments of currently available SMEs are also other subjects that needs to be examined with great attention to reach the national development levels. For this reason, systematic data flow from SMEs related to the administrative arrangements needs to be ensured as well as passing those data to decision makers forming policies related to SMEs. The ones, who address mentioned decision mechanisms, may need SME statistics as well as SME expectations in the policy identification processes.

International position of Turkey in regards of SME Statistics is better than most of the other developing countries. Majority of surveys conducted by TÜİK and produced statistics comply with European methodologies. On the other hand, various SME statistics needed by policy makers are not published. Within this context, first of all analysis of requirements has to be conducted and possible improvements have to be made gradually. This shall ensure design of policies to be implemented towards SMEs based on evidences.

Within the scope of TÜİK and Official Statistics Program (RIP), another feature for achieving improvements in this area is making administrative registry systems of entire institutions producing statistics, which are the cheapest and most qualified sources of data supporting statistics producing process, compatible to each other. Today, direct data collection methods like complete inventory and sampling are not in use in most of the developed countries and statistics are produced from maximum use of administrative registry data.[[12]](#footnote-12)

Today, in many of the countries like the USA, Canada, UK, Germany, Austria, the Netherlands, Korea, Japan, China and Switzerland SME research institutions are active. Some of those institutions conduct studies within the universities while some conduct studies towards SMEs in national level. It is also needed to establish think-tanks that shall conduct detailed site surveys and develop draft policy recommendations.

As you may also see in the Attachment many of the public institutions and organizations in Turkey provide grants and incentives towards SMEs. Yet, it is difficult to talk about coordination of a general policy in design and implementation stage of these incentives. On the other hand, lack of coordination for sharing data and duties between these related institutions and insufficient monitoring activities may also prevent SMEs from use of incentives extensively. Within this framework, one of the policies identified within the scope of the 10th Development Plan is completing data collection and monitoring infrastructure related to state incentives and commissioning the program. Also, SMEs may require different support elements in different stages of their development. This situation also requires state incentives to ensure integrity.

When the support mechanisms implemented in Turkey are classified according to the areas of needs, it is observed that some of the areas similar supports are provided by more than one institution while in some of the areas there is insufficiency in supports. For this reason, to prevent possible duplications due to intensity of supports it is needed to execute a detailed Turkey SME Support System evaluation survey. To avoid duplications that may arise due to the results of this survey, at the point of identification of which support programs are successful the need for disseminating evaluation programs may arise. Within this framework there is need for establishing program assessment system in Turkey. Mentioned integrated policy design and the need for the assessment of incentives are emphasized in the 10th Development Program limited with the need for incentives for R&D.[[13]](#footnote-13)

The same need is emphasized in “SME Policy Index: Western Balkans and Turkey 2012 Report” where progress in the implementation of Small Business Act of Europe is examined and it is stated “*Considering significant number of sources and variety of incentive programs in force related to supporting SME sector, it is needed to have a regular monitoring system and most importantly have a systematic execution of independent impact evaluations”.*

In ecosystems of developed countries, the presence of institutions responsible for ensuring cooperation, interaction and communication among actors of the system in policy identification and design of program and implementation with authority to enforce the execution of the system and harmonization. For example, national institution of the USA responsible for SMEs is Small Business Administration (SBA) is an independent organization of the federal government and Chairman of the SBA is a direct member of the board of ministers under the President of the USA.[[14]](#footnote-14) The case whether such as system may be successful in Turkey or not has to be evaluated.

Due to the explained reasons determined targets within the scope of the third strategic areas are listed below.

*Targets*

1. Increasing sensitivity towards needs of SMEs in arrangements affecting the business and investment environment as well as presentation of public services. Having SME statistics complying with international standards.
2. Ensuring integrity in state statistics granted to SMEs.

## Strategic Area 4– Improve the R&D and innovation capacity of SMEs

*Current Situation*

In the world of the 20th century, production capacity was the main issue of concern by the 1960s, cost and price concepts in the 1970s, quality concept in 1980s and product diversity in the 1990s was the means of gaining competitive advantage. As a result of the implications of globalization process on markets, today there is virtually no product or service which are not readily available to customers. In the 21st century, customers can choose from product options with the lowest price, the highest quality, the best delivery, payment and post-sale service facilities. For this reason, importance of information is increasing each and every day and the enterprises which can differ from their competitors with their products or services, i.e. which can innovate, can have competitive advantages today.

In today’s world, where innovation and creating difference are most important features of competition, development in science and technology along with production based on information shall continue to be key factors of sustainable growth. At this point, R&D and innovation activities shall have sustainability and ideas shall be transformed into economic values by product/process development methods, and strengthening the economy by commercializing those produced values. Another importance of increasing R&D and innovation activities for developing countries is related to their positions in global value chains. Turkey, desiring to take position in higher steps of the global value chains, has to improve R&D and innovation capacity.

Key indicators used in international level for comparing R&D performance of countries are ratio of R&D expenses to national income, share of high technology products in total products and exports, and patent applications.

*Ratio of R&D Expenditures to National Income*

OECD Main Science and Technology Indicators Database is used in the comparison of R&D expenditures to national income. Accordingly, the average of the EU and OECD members and the rate of R&D expenditures of Turkey to national income for the years 1990-2013 are provided in Figure 10. Accordingly, the ratio of R&D expenditures to national income in 1990 was 0.24% while this ratio increased to 0.95% in 2013. On the other hand, Turkey is still behind the levels of the EU and the OECD.

**Figure10–Ratio of R&D Expenses in Domestic Income**



EU

Source: OECD

R&D expenditures made in an economy are mainly executed via three channels. These channels are Business Enterprise Sector, Government Sector and Higher Education Sector.

Breakdown of R&D expenditures of the EU and Turkey by sectors in 2013 is given in Figure 11. Accordingly, there is no considerable difference between the EU and Turkey in terms of Higher Education yet this ratio is 5.3 in the EU in Business Enterprises/Government Sector while it is only 1.8 in Turkey.

**Figure11–Breakdown of Gross Domestic R&D Expenses in Terms of Finance Sources**



EU-28

Other

Higher Education

Trade Sector

Public

Source: TÜİK, R&D Activities Survey 2013, Eurostat News Bulletin (17 November 2014)

The comparison of Turkey and some selected countries for the share of R&D expenses in Business Enterprise Sector is given in Table 21. Accordingly, the share of Turkish SMEs in R&D expenditures in Business Enterprises is higher when compared with developed countries.

**Table21**–**Share Received from R&D Expenses for SMEs**

|  |  |
| --- | --- |
| **Company** | **Share of SMEs** |
| Turkey\*  | %35,7 |
| Germany | %11,0 |
| France | %22,1 |
| Polond | %29,2 |
| Spain | %50,2 |
| USA | %16,8 |
| Korea | %23,1 |
| Japan | %6,5 |

Source: Science, Technology and Innovation Report of Europe 2013 Report;\* TÜİK, R&D Activities Survey 2013

*Share of High Technology Products in Total Production and Exports*

According to the technology intensive product classification used in NACE Rev.2 by the EU[[15]](#footnote-15) TÜİK Labor Statistics by Numbers of Entrepreneurs 2013, the breakdown of menifacturing sector by technology intensiveness is given in Figure 12.

**Figure12–Breakdown of Menifacturing sector by Technology Intensiveness**



High technology

MEdium- High technology

MEdium- Low technology

Low technology

Big

Medium

Small

Micro

Source: TÜİK, Number of Enterprises by Labor Statistics 2013

Accordingly, 2,771 of menifacturing sector enterprises among 426,781 enterprises in total are active in high technology classification (6.5‰) and 98.4% of those enterprises are SMEs. In terms of scale based ratios, we can say that 1.5% of medium scaled menifacturing sector SMEs can be considered to be listed in acting high technology class sectors.

According to Annual Report of European SMEs 2013/2014;

* In 2013, 2% of SMEs in the menifacturing sector in the EU acted in sectors classified as high technology sectors. The same ratio was 7% for the big enterprises.
* While high-tech SMEs produced 6% of added value the share of big enterprises with high technology is 13% in added value.
* Share of high-tech SMEs in employment in manifacturing sector is approximately 4%.
* In most of the EU28 countries high-tech SMEs produce 1% to 10% of added value in manifacturing sector. The same ratio in countries like Malta and Ireland is 18% and 30% respectively.

According to the data set of World Development Indicators 2012 of the World Bank the share of high-technology productions within exports of productions sector by countries is given in Table 22.

**Table22**–**Export of High Technology**

|  |  |
| --- | --- |
| **Country** | **Share of High Technology Exports**  |
| Turkey | %1,83 |
| Germany | %15,8 |
| France | %25,4 |
| Poland | %6,95 |
| Spain | %6,99 |
| USA | %17,8 |
| Korea | %26,2 |
| Japan | %17,4 |

Source: World Bank

According to TÜİK Statistics for Foreign Trade February 2015 News Bulletin, the share of high technology products within exports of manifacturing sector products for the first two months is 2.8%. There is no information based on scale in the mentioned bulletin.

*Patent Applications*

According to IP Facts and Figures 2014 of World Intellectual Property Rights Organization WIPO, in 2013;

* China was ranked at the 1st place with 825,136 applications in terms of patent applications. Turkey takes the 27th rank with 4,661applications.
* In terms of beneficial model applications China takes the first place with 892,362 applications while Turkey has the 7thrank with 3553 applications.
* China was ranked at first place with 1,880,000 applications in terms of brand applications. Turkey has the 6th place with 223,816 applications.
* China takes the first place with 659,563 design applications in terms of industrial design applications while Turkey takes the 5th place with 51,097 design applications.

There is no information based on scales either in statistics published by WIPO or TPE.

Regarding this strategic area, R&D and innovation incentive programs are carried by TÜBİTAK, BSTB, KOSGEB, Ministry of Economy and TTGV. Also, SME projects are supported via Industry Application Subsidy Program by KOSGEB and for commercialization of the products obtained as a result of R&D activities.

Within the scope of Law No. 5746 on Supporting Research and Development Activities, which was prepared to regulate the incentives provided in the field of R&D and innovation activities, it has been decided to issue R&D Center Certificates for 216 enterprises as of June 2015 September 2010 and 193 of these enterprises are active. Besides, the number of minimum Full Time Equivalent R&D personnel needed to be employed in R&D centers has been decreased from 50 to 30 with the Resolution of Council of Ministers on 18.06.2014 to ease establishment of R&D centers considering the needs of the sector.

In Technology Development Centers (TGB), which are established to ensure coordination between universities, research institutions/organizations and manifacturing sectors, ensures compliance of SMEs to new and high technologies. TGB are academic, social and cultural sites established to give opportunities to entrepreneurs, researchers and academicians to execute their industrial and commercial activities near universities or with universities.

Within the scope of Code on Technology Development Centers numbered 4691 and published on the Official Gazette dated 06 July 2001 and numbered 24454, various incentives and exemptions are granted to SMEs acting in TGBs. 59 Technology Development Centers have been established as of April 2015. 44 of those centers are active while 15 are not activated due to ongoing infrastructure works. The number of the enterprises acting in TGBs as of September 2014 is 2,947.

The number of KOSGEB Technology Development Centers (TEKMER), the first of which was established in 1991, has reached 41 as of 2014. TEKMERs have been established to support the technology-oriented small enterprises, enable the existing small enterprises to develop new production methods and offer new products to the market, support the R&D and innovation activities of enterprises, and contribute to the strengthening of university-industry cooperation. Apart from TEKMER, the number of R&D and innovation cooperation initiatives developed between KOSGEB and universities with the same incubator rationale but without buildings has reached 75.

Within the framework of the targets specified in the fourth strategic area to support innovative SMEs in terms of product, service and business model as well as fast growing enterprises and enterprises with growth potential are listed below.

*Targets*

1. Encouraging a production structure based on information in SMEs and ensuring patent and commercialization issues
2. Primarily supporting innovative SMEs in terms of product, service and business model
3. Increasing cooperation between SMEs and big enterprises, domestic/foreign enterprises and universities.

## Strategic Area 5– Facilitate the Access of SMEs to Finance

*Current Situation*

Today, SMEs are almost all countries have problems in providing finance to adequately fulfill their potentials of innovation, growth and business creation. On the other hand, the enterprises need to be facilitated to access finances to create a business environment that is dynamic and alive.

Turkish SMEs acting in a highly competitive environment within national and international markets mainly choose to benefit banking system and prefer to carry their activities based on their equity capital other than banking system. However, competitiveness requires new and technologic investments causing additional need for sources. Thus, the need of SMEs carrying business based on equity capital increases for long-term finances.

According to “Turkish Banking Sector Key Indicators-March 2015 Report” published by Banking Regulation and Supervision Authority (BDDK), the share of SMEs within overall credits is 26%. The amount of credits by years is given in Figure 13.

**Figure13–Development of Credit Types by Years (Billion TL)**



Consumer Credits and Corporate Credits

Commercial and Industrial Credits

SME Credits

March. 2015

Dec. 2014

Sept. 2014

Source: BDDK, Key Indicators of Turkish Banking Sector - March 2015

Accordingly, it is observed that the credits received by SMEs increased constantly for the term of 2009 to 2014. On the other hand, the share of SME credits within overall credits remains the interval of 23% to 27%.

One of the important problems of SMEs for access to bank credits is not being able to give credits to enterprises due to financial statements that do not reflect the real situation. For this reason, it is expected that the more the compliance levels of SMEs to international financial reports the more the SMEs receive shares from bank credits.

The study of “Capital Measurement and Compatibility of Capital Standards With International Levels”, also publicly known as Basel-II, has been carried by BDDK complying with the EU regulations in a process starting from 1 July 2011 and ending on 30 June 2012. When this process is completed, “final” implementation process got started as of 1 July 2012. Final Basel-II regulations were published on Official Gazette dated 28 June 2012 and numbered 28337. Within this scope, receivables from SMEs have been evaluated within retail risk class on condition that the receivable meets some pre-defined criteria and they were subject to 75% risk weigh instead of 100% risk weigh. With this method, banking systems contribute more in providing sources to real sector.

Another problem SMEs have to face in access to bank credits is collateral problems. Credit guarantee organizations that are considered to be solutions to SMEs facing this problem ensures SMEs to use more bank credits with the credit guarantee services they provide and the risks they take and they facilitate SMEs to use long-term credits with reasonable costs. The capital of KGF A.Ş. that is established to provide credit guarantees to SMEs has been increased from TL 60 million to TL 240 million in October 2009. KOSGEB and TOBB are partners of the company with 33% of share each. KOSGEB and TOBB have 33% shares each in the company. Within the framework of the arrangement allowing the Undersecretariate of Treasury to provide up to 1 billion TL support to credit guarantee institutions, through the Council of Ministers Decree no. 2009/15197 dated 15 July 2009, KGF A.Ş. started Treasury-supported guarantee transactions as of early 2010. By enabling KGF A.Ş. to become a party to bank protocols for KOSGEB-supported loans, and the increase of its branches to 36, the number of enterprises and the amount of credits used reached a considerable increase. Within this scope, within the period of 2010-2014the number of enterprises provided with credit guarantee reached 16,137 with the amount of TL 5.7 billion. The volume of credit created within the scope of the mentioned credits is 8 billion TL.

In addition, the “Protocol of Direct Guarantee of KGF A.Ş. to SMEs that Benefit From Subsidies with Return of KOSGEB” was signed in 2014 between KOSGEB and KGF A.Ş. to enable SMEs that have problems to access to subsidies with return granted with the scope of KOSGEB incentive programs due to inadequate guarantees. Within this scope, SMEs were provided with the opportunity to request guarantee directly from KGF A.Ş. regarding the subsidies with return granted within the scope of KOSGEB subsidy programs. Similar protocols have been signed between KGF A.Ş. and TÜBİTAK as well as TTGV.

In Financing SMEs and Entrepreneurs 2014: An OECD Scoreboard, where national and international tendencies are analyzed regarding SMEs and entrepreneurs’ finances and annual rational changes of SME credits of some selected countries are given in Figure 14.

**Figure 14–Annual Percentage Change in SME Credits in Various Countries**



Portugal

Greece

Ireland

Slovenia

UK

USA

Serbia

Canada

Italy

Israel

Korea

France

Hungary

Switzerland

New Zelland

Colombia

Chile

Russia

Belgium

Thailand

Turkey

Mexico

Source: OECD

In the period of 2010-2012, when the change in the credits used by SMEs are considered compared to previous year, decreases are observed in many countries like the USA, UK, Greece and Portugal. Yet, increases of 15% and more are faced in countries primarily like Mexico and Turkey as well as Thailand, Belgium, Russia, Chile and Colombia.

There is the statement of “*start-up capital, individual participation capital, credit guarantee fund, micro credit applications and capital market opportunities shall be improved to enable access of new enterprises and SMEs to finances”* in the 10th Development Plan under the title of SMEs and Entrepreneurship. Within this framework, different studies are conducted by various public institutions and organizations to effectively and efficiently facilitate many incentive mechanisms used in the world to overcome finance problems of SMEs in Turkey.

Credits granted to SMEs by Halkbank in 2014 made 39.5% of the total credits. Total of the credits granted to craftsmen and artisans with Treasury incentive interest rates was 6.93 billion TL at the end of 2012 while this number reached to 9.62 billion TL at the end of 2013 with an increase of 38.9%, and reached 12.52 billion TL at the end of 2014 with an increase of 30.2%. The number of the craftsmen and artisans granted with credits has reached 317,710. As of end of 2014, the amount of credit with interest subsidy by Treasury without having guarantee of Craftsmen and artisans Credit and Collateral Cooperation and directly given by Halkbank is 444.2 million TL.[[16]](#footnote-16)

Many studies are conducted by public institutions and organizations to benefit SMEs from alternative financing sources other than bank credits. One of these studies is GIP SME Incentive Program that enables SMEs to receive up to 100 thousand TL of the cost of first public offer by KOSGEB. The SMEs that have improvement and growth potential in enterprises that shall be offered to public in BIST-GIP are supported by KOSGEB since 2012.

Venture capital companies invest the resources in their funds in promising companies with business ideas and aim at ensuring their growth through guidance provided at every stage and thus benefiting from the value added created by these companies. SME Venture Capital and Trust Inc. Co. (SME Inc. Co.) was established in 1999 in order to assist SMEs in their economic activities; share their risks by contributing capital to their existing facilities or new investments and by becoming partner to them; and to provide consulting and training services. Partners of the company are TOBB 48.12%; Halk Bank 31.47% and KOSGEB 12.33%. Being active since October 2004 to meet the financing needs of Turkish SMEs, SME Inc. Co. has been working in venture capital areas for almost 10 years with the “Portfolio Management Activity Authorization Certificate” received from Capital Market Board at that time.

SME Inc. Co. aims to use sources in supply of finances, identify new markets and create strategy and aims to ensure growth of the partnerships entered by playing a leading role. In 2011, organization of business angels, who are investors that provide capital to entrepreneurs at start-up and core level, and “business angle” networks to match finances with correct enterprises have been included within the purposes of the company as well as providing BIST GIP market consultancy services. The company invested almost 30 million TL to 9 different companies since the day it started its activities in 2004 and achieved a successful story in two of those companies.

In order to develop the venture capital system in our country, Istanbul Venture Capital Initiative (IVCI) was established in 2007 through the cooperation of European Investment Fund, KOSGEB, TTGV and Turkish Development Bank. Later, Garanti Bank and NBG (National Bank of Greece) also became partners to the Fund. IVCI has been working as the fund of the funds by investing in experiencing funds that invest as venture capital funds as well as already established venture capital funds. IVCI has so far taken investment decisions amounting to approximately 152.7 million Euros for 9 funds in total one of which is equivalent investment.

G-43 Anatolian Venture Capital Funds Project developed within the scope of AB IPA is a project of the EU. In the project, where the program authority is BSTB, the European Investment Fund is the institution executing the establishment of the funds and KOSGEB is the final beneficiary of the support. The project aims to increase access of the SMEs to finances via venture capital fund in regions where the income per capita is less than 75% of the national income average (43 provinces) based on NUTS II scales and, the project was activated in 2011. Within the scope of the project, IVCI is used as a platform for finding a fund manager to establish G-43 Anatolian Venture Capital Funds Project, its examination, creating of the fund structure and for the process of investing in funds. One of the main participants of IVCI is KOSGEB. Investment stage of the fund shall continue in the period of 2013-2017 and the activities within the scope of the fund are planned to be completed in 2022.

Widely known as business angles are natural entities providing finances to enterprises at start up stage and growing stage that face problems for accessing finances due to high risks they have. In order to activate the mentioned system in Turkey, Undersecretariate of Treasury was authorized in 2012 to support and improve individual participation capital, and the system was commissioned when the “Regulation on Individual Participation Capital” was published on 15 February 2013. Complying with article 4 of this regulation, within the scope of R&D and innovation programs identified by BSTB, TÜBİTAK and KOSGEB, the tax incentive ratio provided for Individual Participation Investors, who participate in venture companies in the last five years as of the day application is made to the Undersecretarite of Treasury.

The targets specified within the scope of the fifth strategic area are listed below due to the reasons explained.

*Targets*

1. Improve the access of SMEs to bank loans
2. Ensuring SMEs to benefit more from alternative finance sources.

# IMPLEMENTATION, COORDINATION, MONITORING AND EVALUATION

## Establishment of SSAP Monitoring and Steering Committee and Working Principles

SSEP MSC is formed of one of the representatives in the level of General Manager/Chairman/ Secretary General/Member of the Board of Ministry of Finance, Ministry of Education (MEB), ÇSGB, Ministry of Environment and Urbanization (ÇSB), Ministry of Development, GTB, Ministry of Finance, Ministry of EU, Undersecretariate of Treasury, Board of Higher Education (YÖK), TÜBİTAK, TÜİK, KOSGEB, TOBB and TESK, and chaired by Undersecretary of BSTB. Representatives of the institutions and organizations within the committee are informed to SSAP Secretaritate in writing and they execute their duties unless they are changed by related institution/organizations.

SSAP gathers on the request of the chairman of the committee. IT is essential to have representatives informed to SSAP secretariat in person. If the representative cannot attend the meeting, another representative with the title of at least director may attend the meeting and they may vote. However, communication related to the studies of SSEP MSC is provided via the main representative informed. In meetings, where required decisions are taken by majority of votes, the decision is made towards the vote of the chairman if the votes are even. Members, who do not support the decision, may request their views to be included in the meeting minutes or in its attachment. Meeting minutes may be sent to the institutions/organizations represented as an attachment and to other related institution and organizations represented in the committee if required.

Also, if needed, sub monitoring committees and working groups may be formed via appointments made by SSAP MSC. Those committees or groups that come together upon the invitation of the SSAP secretariat may develop recommendations required to be taken within the developments of the actions/projects in the SSAP and they can present the actions ans projects to SSAP MSC.

## Coordination of SSAP

SSAP Steering Committee will be responsible for monitoring and coordinating SSAP, and taking overall steering decisions. As deemed necessary by SSAP Steering Committee, existing actions/projects may be amended, new actions/projects may be added, it may be decided to extend the period of SSAP such that it will not exceed 1 year in total, and decisions may be taken for the preparation of a new plan. The new plan shall take effect when it is approved by HPC.

General coordination and implementation of secretariat is executed by KOSGEB which is the institution directly responsible for implementations of the policies regarding SMEs. KOSGEC may invite people to the committee meetings other than the institutions represented within the committee. These participants may not vote.

## Implementation of SSAP

The actions/projects to be executed within the framework of the goals and strategies included in SSAP are presented in Section 8 (Action Plan). Actions/projects will be executed by the “responsible agencies” stipulated in the Action Plan. If any “cooperating agency” has been stipulated for the action/project, “responsible agency” shall ensure coordination with the cooperating agencies.

## Monitoring and Evaluation of SSAP

*Monitoring and Interim Evaluations*

Agencies responsible for actions/projects shall prepare a Goal Progress Report for each action/project in the format to be established by KOSGEB, and shall submit it to KOSGEB, which is in charge of the overall implementation coordination and secretariat services of SSAP, by the end of the 1st and 7th months every year.KOSGEB shall consolidate Goal Progress Reports and shall submit the consolidated report to the committee members in the SSAP Steering Committee Meetings, by receiving assessments from the SSAP Technical Committee as necessary. Developments regarding the actions/projects included in SSAP and general cyclical developments shall be evaluated and necessary steering decisions shall be taken in meetings.

KOSGEB, responsible for SSAP secretariat, may KSEP benefit from BSTB GBS within the activities of monitoring and evaluation activities if deemed necessary.

*Final Evaluation*

Final evaluation of SSAP is made to a public institution or an independent private sector institution that shall be approved a sub-committee to be established with the approval of the MSC. “Final Evaluation Report” that shall be prepared by the institution/organization to carry the evaluation has to comply with international evaluation criteria and include evaluation questions. The studies for determining selection of the institution/organization to conduct evaluation and evaluation questions shall start with the formation of sub-committee in May 2017. Findings listed in the “Final Evaluation Report” that shall be prepared regarding SSAP 2015-2018 shall form an output for the documents to be prepared in the following periods.

# LINKAGES OF SSAP WITH BASIC POLICY DOCUMENTS

The linkages of higher or equivalent level basic national policy documents with the goals in SSAP 2015-2018 are presented in Table 23. Since there are detailed action plans related to prioritized conversion programs based on policies listed in Section 2 of the Development Plan, Verdict of the related programs are not listed within this section.

**Table23**–**Relation of SSAP 2015- 2018 with Key Policy Documents**

| **Reference Policy Document**  | **Related Policy/Plan Statement**  | **Related target in SSAP**  |
| --- | --- | --- |
| 62nd Government Program- Livable Places and Environment  | Supporting regional groupings with SMEs shall speed up development and transformation of production industry within the framework of the priorities of the country. | 1.2 |
| 62nd Government Program- Livable Places and Environment | It shall disseminate credit guarantee system, venture capital, angle investors and similar new financial instruments and systems according to regional differences and priorities in a method capable of capability and flexibility within local level.  | 5.1, 5.2 |
| 62nd Government Program- Livable Places and Environment | Strengthening main-subsidiary industry ties ensuring R&D and innovation culture used at the main level.  | 4.3 |
| 62nd Government Program-Strong Economy  | SMEs shall be supported.  | 1,2,3,4,5 |
| 62nd Government Program-Strong Economy | Intellectual property rights shall be developed.  | 4.1 |
| 62nd Government Program-Strong Economy | It is aimed to increase employment.. | 1.4 |
| 62nd Government Program-Strong Economy | Production of high technology- high added value products based on information and supporting investments ensuring the share of high technology products in exports from 4% to 15%. | 2.3, 4.2 |
| 62nd Government Program-Strong Economy | Studies and supports towards increasing the share of the products based on R&D, innovation, design and brand in exports shall continue.  | 2.1, 4.1 |
| 62nd Government Program-Strong Economy | Bilateral and multilateral negotiations shall be carried with new commercial establishments and cooperation that shall foster easy access of put companies to international markets.  | 2.1 |
| 62nd Government Program-Strong Economy | In order to increase power of global competitiveness of companies in exports, production and marketing processes of high added value brand products based on innovation and R&D shall be supported.  | 2.3 |
| 62nd Government Program-Strong Economy | SME stock exchange activities shall be supported regarding SMEs, the number of SMEs granted with Credit Guarantee Fund shall be increased, venture capital funds shall be disseminated.  | 5.1, 5.2 |
| 62nd Government Program-Strong Economy | R&D and innovation projects shall be encouraged; conversion of research results into commercial products and services shall be prioritized.  | 4.1, 4.2 |
| 10th Development Plan 2014- 2018 Art. 251  | It shall be ensured for women to take part more in decision making mechanisms; and it shall be ensured to increase the number of employment of women, and their education and capability levels. | 1.4 |
| 10th Development Plan 2014- 2018 Art. 477 | … increasing the share of medium-high and high technology manifacturing sector products within the exports; increasing services exports and their diversification is targeted.  | 2.3 |
| 10th Development Plan 2014- 2018 Art. 478 | Currently available opportunities towards access to new markets for exporters shall be improved.  | 2.2 |
| 10th Development Plan 2014- 2018 Art. 485 | Required mechanisms shall be improved to use e-commerce as an effective means of increasing exports.  | 2.1, 2.2 |
| 10th Development Plan 2014- 2018 Art. 609 | Data collection and monitoring infrastructure studies related to state incentives shall be completed and implemented.  | 3.2 |
| 10th Development Plan 2014- 2018 Art. 630 | Coordination shall be ensured in R&D incentives and response analysis studies shall be conducted for currently used incentive programs and they shall be reviewed. R&D activities shall be supported in an integrated approach considering market conditions including commercialization within the framework of common targets to be identified in priority areas.  | 4.1, 3.2 |
| 10th Development Plan 2014- 2018 Art. 638 | In coordination with private sector public institutions capacity to address R&D activities and activating their results shall be empowered.  | 4.3 |
| 10th Development Plan 2014- 2018 Art. 644 | .. in order to benefit maximum from the production capacities of the industry and increase the share of the domestic production within total value created, it is also needed to ensure cooperation among production manifacturing sectors.  | 1.2, 1.5 |
| 10th Development Plan 2014- 2018 Art. 661 | In sectors like food, textile, metal goods, furniture, where there is huge efficiency difference between big enterprises and small sized enterprises, increasing efficiency of small enterprises must be prioritized.  | 1.1 |
| 10th Development Plan 2014- 2018 Art. 662 | Pre-competition cooperation of enterprises, networking, common R&D and design, and development of common procurement and marketing activities must be encouraged.  | 1.2 |
| 10th Development Plan 2014- 2018 Art. 692 | Quality and quantity of nesting, business development centers and facilitators shall be increased to let them serve efficiently. Within this scope, incentive models may be developed in coordination with the public, NGOs and private sector.  | 1.2, 4.3 |
| 10th Development Plan 2014- 2018 Art. 693 | In ensuring entrepreneurship and SME incentives criteria as innovation, efficiency and increase in employment, growth, and doing common business shall be prioritized as well as entrepreneurship of women, youngsters and social entrepreneurs. Monitoring and evaluation processes shall be improved in implementation, and added value to economy shall be measured by using impact analysis.  | 1.1, 1.2, 1.4, 3.2 |
| 10th Development Plan 2014- 2018 Art. 694 | Venture capital, individual participation capital, credit guarantee fund, micro credit implementations and capital market opportunities shall be developed and access of new enterprises and SMEs to finances shall be facilitated.  | 5.1, 5.2 |
| 10th Development Plan 2014- 2018 Art. 695 | R&D, innovation and export capacities of SMEs shall be developed to increase internationalization levels.  | 4.1, 2.1 |
| 10th Development Plan 2014- 2018 Art. 696 | SMEs shall be supported to act in a more organized method and groupings among themselves as well as big enterprises, universities and research centers.  | 1.2, 4.3 |
| 10th Development Plan 2014- 2018 Art. 697 | SMEs shall be ensured to develop branding, institutionalization and innovative business models. | 1.1, 4.2 |
| 10th Development Plan 2014- 2018 Art. 924 | Value chain relations shall be considered in regional level, innovative and high added value groups shall be encouraged, cooperation within currently available groups shall be increased, integration of the groups within international markets shall be empowered, and central and regional level competence shall be considered.  | 1.2 |
| Medium-term program Art. 93 | SMEs’ capacities to R&D, innovate and export shall be developed, improvements branding, institutionalization and innovative business models shall be encouraged effectively.  | 1.1, 2.1,2.2,2.3, 4.1,4.2 |
| Medium-term program Art.234 | SMEs and entrepreneurs access to finance shall be fostered and alternative financing methods shall be developed.  | 5.1, 5.2 |
| Medium-term program Art.80 | In order to decrease the deficiency of energy, special measurements shall be taken in terms of energy efficiency.  | 1.3 |
| Medium-term program Art.83 | Bureaucratic and legislative processes towards investors and enterprises shall be improved; legislation shall be updated according to the international standards and the best practices.  | 3.1 |
| Medium-term program Art.180 | While exports are increased towards traditional markets, targeted and prioritized countries in exports shall be identified and market diversification shall be ensured.  | 2.1, 2.2 |
| Medium-term program Art.182 | Domestic products or products made of domestics inputs shall be preferred in public procurements.  | 3.1 |
| Medium-term program Art.95 | OSB, TGB, KSS and industrial zone implementations shall be improved; qualifications and quantities of nesting and business development centers shall be increased and they shall be ensured to provide efficient services; groupings shall be supported.  | 1.2, 4.3 |
| Medium-term program Art.237 | Effective and integrated employment policy shall be followed; rates for participation to employments shall be increased mainly employment of women, youth and disabled shall continue to be increased.  | 1.4 |
| Medium-term program Art.188 | Increasing standards, qualities and technological level of interim commodities produced within the country shall be supported.  | 4.2 |
| Medium-term program Art.201 | Required mechanisms for e-commerce to add value to exports and to prevent increase of imports of consumption commodities shall be developed.  | 1.1 |
| National Science, Technology and Innovation Strategy 2011-2016 | Strategic Aim Y4- empowering the role of SMEs within the innovative system.  | 4.1, 4.2, 4.3 |
| National Science, Technology and Innovation Strategy 2011-2016 | Y4.1.2. Increasing the capacity of producing common projects with universities and research institutions with SMES executing R&D and innovative activities within its body.  | 4.3 |
| National Science, Technology and Innovation Strategy 2011-2016 | Y4.1.4. Easing access to information related to R&D and innovative supports as well as intellectual property rights, disseminating information activities and diversification of them.  | 4.1 |
| National Science, Technology and Innovation Strategy 2011-2016 | Y4.1.5. Imprving mechanisms towards increasing employment in R&D and innovative human resources in SMEs.  | 4.1 |

# ACTION PLAN

Under this strategy paper which sets out the policies for SMEs, an Action Plan has been developed to clearly specify the tasks falling on the part of related institutions and organizations, and ensure the implementation of actions and projects deemed necessary within the framework of strategic areas, goals, key issues and strategies to be followed. In the Action Plan, “Responsible Agency” and “Cooperating Agencies” have been identified for each action / project. Responsible Agencies will undertake the following in relation to the actions / projects falling under their responsibility:

* execute the action / project, and ensure coordination with the coordinating agencies, if any;
* prepare a Goal Progress Report in the format to be established by KOSGEB, and submit it to KOSGEB, by the end of the 1st and 7th months of every year;
* provide KOSGEB with any additional information that may be requested for the purposes of monitoring the activities executed and following up the related international developments;
* take necessary measures in line with the notices of SSAP Steering Committee, SSAP Technical Committee and KOSGEB regarding the failures in the execution of actions / projects;
* develop new action / project proposals that may be needed to achieve goals, and submit them to KOSGEB.

While actions listed within the Action Plan are established; main indicators related to SMEs among national macro targets determined within the scope of the 10th Development Plan are taken as a base. It is assumed that execution of mentioned actions successfully shall contribute directly or indirectly to achieve macro targets specified.

* Increasing the exports made by SMEs to 150 billion Dollars,
* Increasing the number of exporting SMEs to 60 thousands,
* Keeping the share of R&D expenditures of business section SMEs in the level of 33%,
* Employing 3 million people in SMEs during the planning term.

**SME STRATEGY AND ACTION PLAN**

**STRATEGIC AREAS, TARGETS AND ACTIONS/PROJECTS TO BE EXECUTED**

**STRATEGIC AREA 1: INCRESING COMPETITIVE POWERS OF SMES AND ENSURING THEIR GROWTH**

**StrategicTarget 1:** Ensuring institutionalization and branding and increasing efficiency levels.

| **A/PNo**  | **Action/Project** | **Responsible and Related Institutions**  | **Beginning-Completion Day** | **Explanation** | **Performance Indicators**  |
| --- | --- | --- | --- | --- | --- |
| **1.1.1.** | Entrance of SMEs to virtual markets and trade made to those markets shall be increased.  | KOSGEB (S), GTB, Ministry of Transportation, Maritime and Communication (UDHB), Information Technology and Communication Institution, Mail and Telegraph Organization Inc. Corp. | 2015-2018 | Finding new buyers, new markets or commercial partners for SMEs; creating additional sales channels; reaching directly to the buyer without needing intermediaries; being able to use marketing tools with fewer costs; an incentive program shall be developed to support SMEs access to virtual market places for removing problems and limitations due to different working hours caused by regional differences and monitoring competitors and products and e-commerce volume shall be increased.  | Virtual market place provided with support with its establishment  |
| Number of SMEs that are supported for e-commerce activities in virtual market places.  |
| Amount of e-commerce executed within the scope of supported projects  |
| **1.1.2.** | Use of BIT in SMEs and dissemination of e-commerce.  | KOSGEB (S), Ministry of Development, Ministry of Development, Ministry of Economy, GTB, BSTB, TÜİK, TOBB, TESK | 2015-2018 | Training and consultancy services provided to SMEs towards BIT use and e-commerce shall be supported. Also, use of BIT and e-commerce shall be disseminated via electronic trainings. Progress ensured within the scope of action shall be monitored within the scope of Survey on Use of Information Activities in Enterprises conducted by TÜİK.  | Number of SMEs receiving trainings and consultancy towards BIT usage.  |
| Amount of training and consultancy incentives provided to SMEs for BIT use  |
| Number of SMEs receiving training and consultancy towards e-commerce  |
| Amount of incentive of training and consultancy to SMEs towards e-commerce.  |
| Number of SMEs benefiting from electronic trainings on BIT use and e-commerce.  |
| **1.1.3.** | A research project shall be executed to produce solution recommendations to increase efficiency levels of SMEs.  | BSTB (S), Ministry of Development, KOSGEB, TÜİK | 2015-2018 | A research project shall be executed for widening efficiency awareness of SMEs and closing the gap in efficiency between SMEs and big enterprises. Also, a survey shall be conducted to measure efficiency perception and institutionalization of SMEs. With the project to get started in 2015, a program shall be created indicating how efficiency booster projects shall be supported. Starting with 2016, efficiency booster projects for SMEs shall be supported by KOSGEB.  | Arrangements to be made within the precautions to be produced with the project  |
| Number of SMEs receiving incentives for the projects  |
| **1.1.4.** | Projects under the subject of institutionalization and branding prepared by SMEs shall be supported; institutionalization and branding levels of SMEs shall be identified.  | KOSGEB (S), TPE, TSE, Turkish Accreditation Institution  | 2015-2018 | Projects under the subject of institutionalization and branding prepared by SMEs shall be supported by KOSGEB. Also, towards identification of institutionalization and branding levels of SMEs, a site survey shall be conducted in 2016. The same research shall be repeated in the second half of 2018 to identify the progress achieved as a result of the activities carried within the action.  | Number of Brand Registry Certificates obtained by supported SMEs’ projects  |
| Number of constitution of family companies enforced by SMEs with supported projects  |
| Number of organization charts enforced by SMEs with supported projects |
| **1.1.5.** | Professional management employment in medium-sized SMEs shall be increased. | KOSGEB (S), TOBB, TESK, related NGOs  | 2015-2018 | Within the scope of meeting the needs for professional managers, need analysis study shall be conducted towards medium scaled SMEs. Incentive legislation shall be prepared parallel with the findings obtained.  | Number of professional managers employed in medium scaled SMEs within the scope of the support.  |
| **1.1.6.** | Via required arrangements in legislation to be executed by incentive providing institutions, primarily SMEs recording systematic progress in efficiency area shall be supported. | BSTB(S), KOSGEB,TÜBİTAK, Ministry of Development, Ministry of Economy, GTB, Undersecretariate of Treasury, Development Agencies, TÜİK, TOBB, TESK | 2015-2018 | Legislative arrangements shall be made for SMEs to benefit from public incentives and subsidies as well as other financing opportunities with advantages and priorities. All supporting institutions shall keep their incentive statistics under SMEs and monitoring performance indicators related to the action shall be executed by General Directorate of State Incentives (DDGM).  | Share of SMEs in terms of the value of received to the SMEs that may document progress achieved in efficiency in overall value of the incentives provided to all SMEs.  |
| **1.1.7.** | Research project shall be conducted towards increasing SMEs’ competitive strength. | KOSGEB (S), BSTB, Ministry of Economy, GTB, TÜİK, TOBB, TESK, TİM | 2015-2018 | The project to be executed within the scope of the action shall include 3 modules: - Identification of “Legal, Administrative and Socio-Cultural” problems preventing doing common business, - Achieving sustainability in exports, - Identification of needs of SMEs acting in sectors classified as medium-high and high technologies and developing recommendations for solutions to meet the needs  | Arrangements made within the scope of measurements to be produced with he project.  |
| **1.1.8.** | Conversion of inefficient electric motors used in industry shall be ensured.  | KOSGEB (S), BSTB, Ministry of Economy, Ministry of Energy and Natural Resources (ETKB), Ministry of Development, GTB, Ministry of EU, TSE, Ministry of Development, Organized Industrial Zone Supervising Institutions  | 2015-2018 | Creating required inventory list for conversion of inefficient electricity motors used in the industry, activities related to legislation arrangements, audit and dissemination, and access to finances shall be executed. For conversion of inefficient electricity motors used in the enterprises an incentive program shall be made and it shall be implemented.  | Number of motors to be converted  |

**Strategic Target 2:** Widening doing common business and project development culture in SMEs

| **A/PNo**  | **Action/Project** | **Responsible and Related Institutions**  | **Beginning-Completion Day** | **Explanation** | **Performance Indicators**  |
| --- | --- | --- | --- | --- | --- |
| **1.2.1.** | SMEs shall be ensured to form cooperation networks within the term of industrial symbiosis. | TTGV(S),BSTB, ÇŞB, Ministry of Development, KOSGEB, Development Agencies, TÜBİTAK, Universities  | 2015-2018 | Industrial Symbiosis means two or more economic enterprises, working independently from each other, preferably close to each other physically, establishing long term partnerships to increase both environmental and competitive strengths. In SMEs that shall be included in the industrial symbiosis it is aimed to get improvements in diminishing waste, decrease in water consumption, substitution of natural sources, land acquisition, decrease in CO2, energy and labor, creation of new employments and new products. For each implementation year within the scope of the action, an industrial symbiosis shall be created.  | Number of SMEs taking part in the program  |
| **1.2.2.** | SMEs shall be encouraged to establish partnerships via project market activities to be organized  | Ministry of Development (Development Agencies) (S), KOSGEB, TOBB, TESK  | 2015-2018 | Within the scope of project market activities to be organized by Development Agencies, trainings shall be given to SMEs in public support and project preparation. As a result of the trainings discussions between SME representatives shall be ensured and partnerships shall be encouraged.  | Number of SMEs attending project markets  |
| Number of projects commonly developed by SMES in the organization  |
| **1.2.3.** | SMEs shall be ensured to produce “common solutions to common problems” coming together in the understanding of cooperation- power union.  | KOSGEB (S), TOBB, TESK | 2015-2018 | With Cooperation- Power Force Incentive Program to be applied by KOSGEB, commonly prepared projects of SMEs for producing common solutions to common problems those were difficult to solve for procurement, marketing, low capacity usage, weaknesses in competition and finances.  | Number of SMEs in partnerships  |
| Amount of incentives granted to partnerships  |
| Life term of the established partnerships  |
| **1.2.4.** | SME activities towards increasing competitive strength in regional level shall be encouraged.  | Ministry of Development (Development Agencies) (S) (S), BSTB, Ministry of Economy KOSGEB | 2015-2018 | To increase competitive power of SMEs in regional level, Development Agencies shall identify groups and groupings and they shall be supported in a method adding value to regional development strategies.  | Number of groups supported  |
| Number of SMEs acting in supported groups  |

**Strategic Target 3:**Increasing compatibility of SMEs to national and international legislation for a sustainable development and growth

| **A/PNo**  | **Action/Project** | **Responsible and Related Institutions**  | **Beginning-Completion Day** | **Explanation** | **Performance Indicators**  |
| --- | --- | --- | --- | --- | --- |
| **1.3.1.** | SMEs shall be informed in energy efficiency and energy efficiency implementations in SMEs shall be disseminated.  | KOSGEB (S), ETKB, BSTB, TSE, TOBB, TESK, TTGV | 2015-2018 | Implementation of energy efficiency of SMEs, usage of low carbon energy, shall be contributed. It is aimed to increase compliance to energy efficiency and environmental standards and support sustainable development. Within the scope of the action an incentive program shall be designed and implemented by KOSGEB in 2015. In addition, organized activities, prepared presentation materials and program papers as well as SMEs shall be informed in energy efficiency. A survey study shall be conducted in 2015 to identify current level of awareness in energy efficiency issues. The same survey shall be re-conducted to identify to progress achieved with the activities within the scope of the action.  | Number of activities organized  |
| Number of SMEs taking part in organized activities  |
| Number of SMEs taking support for projects  |
| Number of SMEs receiving Energy Label  |
| **1.3.2.** | Quality and quantity of service providers for energy efficiency shall be increased.  | ETKB (S), BSTB, KOSGEB | 2015-2018 | Studies to increase capacity and numbers of Energy Efficiency Consultancy (EVD) companies acting to provide consultancy services in energy efficiency to enterprises, and required arrangements shall be made. Thus, more EVD companies shall benefit from services provided by EVD companies. | Number of authorized EVD companies  |
| Number of SMEs benefiting from the services provided by EVD companies.  |
| **1.3.3.** | Incentive instruments will be developed and executed for the implementation International Financial Reporting Standards reporting standards by SMEs. | Public Oversight Accounting and Auditing Standards Authority (S),KOSGEB, GTB, Ministry of Finance, Turkey Chamber of CMAs and Accountants  | 2015-2018 | SMEs shall be informed in letter of credits that have a considerable place in exports. Education and presentation meetings shall be organized for SMEs in UFRS issue. It is aimed to facilitate SMEs access to finances via international funds in reporting in compliance with UFRS.  | Number of SMEs taking part in trainings and meetings  |
| Number of SMEs carrying financial reporting activities in compliance with UFRS  |
| **1.3.4.** | Guiding documents shall be prepared to widen energy efficiency technologies and best practices in SMEs  | BSTB (S), ETKB, TÜBİTAK, KOSGEB | 2015 | In order to present and announce related technologies and best practices in energy efficiency guiding documents shall be prepared and presented for the use of SMEs.  | Number of guiding documents prepared  |
| Number of SMEs guiding papers are delivered  |
| **1.3.5.** | Currently Available Best Practices (MET) and Currently Available Best Reference Techniques Papers (BREF) shall be harmonized to prepare National MET Guidance and Mets shall be disseminated in SMEs  | BSTB (S), ÇŞB, ETKB, TSE, KOSGEB, TÜBİTAK, Universities, Sector Unions  | 2015-2018 | BREFs shall be reviewed and guiding documents shall be prepared for implementation of METs in SMEs and their dissemination  | Number of BREFs published  |
| Number of SMEs guiding papers are delivered  |
| **1.3.6.** | Compliance capacities of SMEs to statements of the Directive numbered 2010/75/AB related to Industrial Emissions of SMEs related to integrated contamination prevention and control  | ÇŞB (S), KOSGEB, BSTB | 2015-2017 | Primarily, selection of sectors to be projected within the scope of the action shall be made. Reference Paper and National MET Sector Guidance shall be translated into Turkish. Analysis of the current situation in the compliance of METs to the facilities shall be conducted and technology and financing need for compliance shall be analyzed. Benefits to be gained by implementation of METs shall be analyzed (source, raw material usage, environmental and direct or indirect monetary gains to be achieved by waste management and decrease in emissions). Financial mechanisms that can be benefited in compliance stage (incentives, supports, and etc.) shall be identified. Transition stage that may be needed in sector based and the day full compliance is made shall be identified. Drillings towards SMEs shall be organized.  | Administrative arrangements towards METs  |
| Identification of the dates full compliance shall be made  |
| **1.3.7.** | Capacity of Energy Management Units (EYB) established in OSBs shall be empowered and it shall be ensured to establish EYBs in OSB. Support shall be given to information and awareness activities to be conducted by EYBs. | ETKB (S), BSTB, TSE, KOSGEB, OSB Supervisory Board  | 2015-2016 | Increasing capacity of EYBs completed in OSBs and studies in creation of EYBs in other OSBs shall be conducted. In addition, studies shall be made to widen OSBs holding TS ISO 50001 Energy Management System-Manual Book and Standards of Conditions Certificate. Personnel system certification activities realized within the scope of this standard, awareness and management system drillings shall be given. | Number of EYBs established in OSBs  |

**Strategic Target 4:**Increasing qualifications of SME employees and employers to develop human capital in SMEs

| **A/PNo**  | **Action/Project** | **Responsible and Related Institutions**  | **Beginning-Completion Day** | **Explanation** | **Performance Indicators**  |
| --- | --- | --- | --- | --- | --- |
| **1.4.1.** | Number of employees holding “Vocational Competence Paper” in SMEs shall be increased  | ÇSGB (S), BSTB, KOSGEB, Development Agencies, SGK, MYK, TOBB, TESK | 2015-2018 | Studies shall be conducted to inform and cluster SMEs for increasing the number of employees holding “Occupational Competence Certificate”. Also, towards Vocational Competence Certificates to be received in certification institutions KOSGEB shall provide support. By publishing total number of documents by ÇSGB in national vocational standard, progress achieved within the action shall be monitored. | Number of SMEs attending information meetings  |
| Amount of certification incentives granted  |
| Number of “Vocational Competence Certificates” issued  |
| **1.4.2.** | It shall be ensured for SMEs to meet qualified mid-level employees of SMEs | KOSGEB (S), BSTB, ÇSGB, MYK, İŞKUR,TOBB, TESK | 2015-2018 | An analysis of needs shall be conducted to meet the needs of SMEs in terms of mid-level employees. Within the findings obtained currently available incentive legislation shall be reviewed and improved.  | Number of mid level employees employed within the scope of incentive program  |
| Amount of incentives provided to SMEs within the scope of the incentive program  |
| **1.4.3.** | Towards increasing qualifications of SME employers and employee qualifications drillings and consultancy services shall be disseminated  | KOSGEB (S), Ministry of Economy, ÇSGB,GTB, Development Agencies, TSE, TOBB, TESK | 2015-2018 | Trainings and consultancy services received by SMEs shall be supported. Also, more SMEs in number shall benefit from trainings via electronic trainings prepared.  | Number of SMEs receiving training incentives  |
| Amount of training incentives ranted to SMEs  |
| Number of SMEs receiving consultancy incentives  |
| Amount of consultancy incentives granted to SMEs  |
| Number of SME employees benefited from e-trainings |
| **1.4.4.** | IT shall be ensured to increase the number of female employees in SMEs  | KOSGEB (S), BSTB, ÇSGB, Ministry of Family and Social Policies, Ministry of Finance, TÜBİTAK, Ministry of Development, SSI, İŞKUR | 2015-2018 | Arrangements shall be made to increase employment of females in incentives and subsidies to be implemented directly and indirectly. In SMEs benefiting from “”Qualified Employee Incentive” applied within the scope of General Incentive Program by KOSGEB, the incentive shall be increased if employed personnel are women. | Carrying legislation arrangements  |
| Number of females employed in supported SMEs  |
| Increase in the ratio of female employment  |
| **1.4.5.** | “ADAPTESK-Increasing Capabilities of Craftsmen and artisans” project shall be implemented  | İŞKUR (S), ÇSGB, KOSGEB,TESK | 2015-2017 | Human resources of craftsmen and artisans shall be supported via training and consultancy services and the capacity they add to work life and employment shall be increased. In addition, based on learning through life cycle, SMEs and investments in the human resources working in these SMEs shall be encouraged; compliance competencies of workers and enterprises shall be increased.  | Number of organizations (workshops, meetings, an etc.) |
| Number of people attending organizations (workshops, meetings, an etc.)  |
| **1.4.6.** | Education programs shall be developed complying with national occupational standards, national competencies and needs of labor force market  | MEB (S), YÖK, MYK, İŞKUR, TESK | 2015-2018 | National Vocational standards shall be reflected to education programs. Compliance to international standards in program studies (ISCED, ISCO, FOET) shall be considered. Programs to be developed shall be harmonized with eight main competences and they shall be ensured to be considered in measurement and evaluation process. Program continuity and integrity shall be ensured between secondary to higher education. Any kind of material shall be prepared by schools to be used in achieving competences identified in national level and identification of previous learning and their usage shall be encouraged. According to occupation analyses, diploma abd certificate programs shall be separated in occupational and technical trainings. Diploma and certificate annexes shall be prepared showing the gains identified. Vocational and technical trainings in each level shall be ensured to be received in labor and occupational morality.  | Number of reviewed programs based on national vocational standards, competencies and needs of labot force markets  |
| Number of programs prepared in Level 3 and 4.  |

**Strategic Target 5:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **A/PNo**  | **Action/Project** | **Responsible and Related Institutions**  | **Beginning-Completion Day** | **Explanation** | **Performance Indicators**  |
| **1.5.1.** | Via required arrangements in legislations by incentive providing institutions incentives for manifacturing sector SMES shall be provided in priority  | KOSGEB (S), BSTB, TÜBİTAK, Ministry of Development, Ministry of Economy GTB, Undersecretariate of Treasury, TÜİK, TOBB, TESK | 2015-2018 | Required amendments in legislation towards supporting manifacturing sector SMEs shall be made. All incentive providing institutions shall keep their incentive statistics in terms of SMEs and monitoring performance indicators towards action shall be made by DDGM.  | Share of incentives granted to SMEs in manifacturing sector within all SMEs  |
| **1.5.2.** | Needs of SMEs in service sectors having importance in terms of development of industry shall be identified and required measurements shall be taken to meet the needs  | KOSGEB (S), BSTB, Ministry of Development  | 2015-2018 | Service sectors important for developing the industry (engineering, architecture, consultancy, marketing and advertisement, exhibitions, employment bureaus, independent external financial audit services, laboratory services, software, after sales services, transportation and distribution services and etc. shall be identified and recommendations for solutions towards meeting the needs of SMEs shall be identified by a research project.  | Arrangements made within the scope of measurements to be produced  |

**STRATEGIC AREA 2:FOSTERING EXPORT CAPACITIES OF SMES TO INCREASE THEIR INTERNATIONALIZATION LEVELS**

**Strategic Target 1:** Access of SMEs, willing to make export, to international markets

| **A/PNo**  | **Action/Project** | **Responsible and Related Institutions**  | **Beginning-Completion Day** | **Explanation** | **Performance Indicators**  |
| --- | --- | --- | --- | --- | --- |
| **2.1.1.** | Via SME Campus and TIMTV portals information and training services shall be provided to SMEs  | KOSGEB (S), Development Agencies, Turkey Council of Exporters (TİM), Turkish Foreign Trade Foundation (TDV), TOBB, TESK | 2015-2018 | Via “SME Campus” and TİM TV portals target market profiles especially to the SMEs that do not make exports yet or irregular exporting SMEs in targeted market profiles, exporting planning and similar issues trainings shall be provided.  | Number of visitors accessing to portals  |
| Number of SMEs receiving trainings via portals  |
| **2.1.2.** | Incentive programs towards internationalization of SMEs shall be carried  | KOSGEB (S), Ministry of Economy, Undersecretariate of Treasury, GTB, Development Agencies, TOBB,TİM, TDV, Istanbul Chamber of Commerce (İTO), Eximbank | 2015-2018 | It is targeted to provide specialized incentives suitable to each SMEs’ conditions and needs with this program. Performance indicators related to incentive programs covering the product and market matches shall be identified in design stage. Monitoring 2. Performance indicators related to the action shall be made within the scope of GBS.  | Number of exporting SMEs benefiting incentive programs  |
| Amount of exports made by SMEs benefiting incentive programs  |
| **2.1.3.** | Information level of SMEs in the EU domestic market shall be increased  | Economic Development Foundation (S), Ministry of EU, TOBB, KOSGEB, Istanbul Chamber of Industry İTO | 2015-2017 | Within the scope of “SMEs Towards EU” program training seminars in 12 cities shall be arranged towards SMEs. In these seminars participants shall be informed in economic structure in domestic market and legal legislation. In inquiries conducted before and after the training the change in the information level shall be measured.  | Number of SME representatives in training seminars  |
| **2.1.4.** | Qualified foreign trade personnel shall be employed in SMEs  | KOSGEB (S), BSTB, Ministry of Economy, TOBB, TİM, TDV, İTO | 2015-2018 | With qualified personnel support within the scope of KOSGEB General Incentive Program, it is aimed to achieve potential of human resources that may facilitate foreign trade activities. Monitoring 3. Performance indicators related to the action is executed within the scope of GBS. | Number of foreign trade personnel employed in SMEs within the scope of incentives  |
| Number of exporting SMEs benefiting incentives  |
| Amount of export made by SMEs benefiting incentives programs  |
| **2.1.5.** | Credit incentive programs shall be executed towards Exporting SMEs  | KOSGEB (S), Ministry of Economy, Ministry, Development Agencies, Eximbank | 2015-2018 | An incentive program parallel to the export amounts of the SMEs not exporting yet or making very few exports shall be provided by KOSGEB in 2016.  | Number of SMEs benefiting from credit programs  |
| Amount of exports made by SMEs benefiting from credit programs  |
| **2.1.6.** | Number of deliveries with insurance shall be increased in SMEs  | Eximbank (S), Ministry of Economy, KOSGEB, TOBB, Unions of Exporters TİM | 2015-2018 | Information, guarantee and finance functions of export credit insurance towards SMEs within Export Credit Insurance Program and possibility of SMEs doing business in foreign markets shall be increased. Also, activities shall be organized towards presentation of the program in coordination with the related institutions.  | Number of SMEs with insurance  |
| Amount of insurance delivery made by SMEs  |
| **2.1.7.** | Increasing opportunity to increase value-date sales of exporting SMEs, meeting financing needs after delivery stage, removing country risks, opening to targeted markets. | Eximbank (S), Ministry of Economy, KOSGEB, Development Agencies, BSTB Provincial Directorate  | 2015-2018 | With “Specific Export credit Insurance Program” to be executed towards SMEs it is targeted to achieve medium/long term business and trade execution opportunities. Also, activities shall be organized towards presentation of the program in coordination with the related institutions. | Number of SMEs in organized presentation activities  |
| Number of supported SMEs  |
| Amount of exports by supported SMES  |
| **2.1.8.** | Arrangements for removing visa problems of SMEs shall be carried.  | Ministry of Interior (S), GTB, Ministry of Foreign Affairs  | 2015-2018 | Amendments shall be made in the legislation regarding the passports and temporary service passports shall be given on condition that documents showing that the person is working as craftsmen and artisans and the registry of chamber as well as the reason for the trip.  | Number of SMEs’ representatives temporarily holding service passport |

**Strategic Target 2:** By fostering exporting SMEs’ access to new markets increasing market variability and ensuring sustainability in exports

| **A/PNo**  | **Action/Project** | **Responsible and Related Institutions**  | **Beginning-Completion Day** | **Explanation** | **Performance Indicators**  |
| --- | --- | --- | --- | --- | --- |
| **2.2.1.** | Matching Centers shall be opened in target markets and activities of SMEs towards internationalization shall be supported  | KOSGEB (S), Ministry of Economy, Development Agencies, TOBB, TİM | 2015-2018 | In order to ensure empowering export connections of SMEs and sustainability in the exports SMEs shall give consultancy services in foreign trade in targeted markets and Matching Centers shall be opened.  | Number of matching centers opened  |
| Number of SMEs benefiting EŞMERs  |
| **2.2.2.** | Via European Enterprises Network, access of SMEs to foreign markets shall be fostered  | KOSGEB (S), Ministry of AB, TOBB, Chambers of Commerce and Industry, Universities, Technology Development Regions  | 2015-2018 | Via AIA consortiums within the scope of COSME, qualified consultancy services shall be provided to SMEs, trainings and seminars shall be organized, studies towards cooperation shall be made, matching activities shall be made, H2020 SME Instrument project winner companies shall be ensured to benefit from coaching services, and innovation capacities of companies shall be measured. Also, a new AIA consortium shall be established within the scope of the action. In the intervals of 2 years working programs towards AIAs shall be prepared and the reporting for actions shall be made in annual basis.  | Number of SMEs receiving qualified consultancy services  |
| Number of SMEs in Trainings-Seminars  |
| Number of SMEs benefiting studies towards cooperation  |
| Number of SMEs benefiting coaching services and innovation capacity  |
| Number of SMEs benefiting matching activities  |

**Strategic Target:** Increasing share of domestic products with medium-high and high technology products in SMEs’ exports

| **A/PNo**  | **Action/Project** | **Responsible and Related Institutions**  | **Beginning-Completion Day** | **Explanation** | **Performance Indicators**  |
| --- | --- | --- | --- | --- | --- |
| **2.3.1.** | National legislation shall be enforced related to technological classifications in manifacturing sector.  | TÜİK (S), BSTB, KOSGEB, TÜBİTAK, TOBB | 2015-2016 | Using the definition of classification of technology incentive towards OECD and the EU a definition of technology incentive classification by national level shall be made with the participation of all related stakeholders.  | Enforcement of definition of manifacturing sector technology incentive classification.  |
| **2.3.2.** | Medium-high and high technology domestic products within the scope of exporting SMEs shall be supported.  | KOSGEB (S),BSTB, Ministry of Economy, ,TÜBİTAK, TOBB, TİM, Universities | 2017-2018 | Within the scope of the list of domestic products of medium-high and high technology products exporting SMEs shall be supported via the findings obtained by action numbered 1.1.7. Monitoring the performance indicator towards the action shall be made within the scope of GBS. | The amount of exports to be made by supported SMEs  |

**STRATEGIC AREA 3. SAFEGUARD SMES IN THE PROCESS OF IMPROVING BUSINESS AND INVESTMENT CLIMATE.**

**Strategic Target 1:** Increase responsiveness to the needs of SMEs in regulations affecting the business and investment climate and in the provision of public services.

| **A/PNo**  | **Action/Project** | **Responsible and Related Institutions**  | **Beginning-Completion Day** | **Explanation** | **Performance Indicators**  |
| --- | --- | --- | --- | --- | --- |
| **3.1.1.** | In order to fully comply with 2011/7/EU Directive of Late Payments in Commercial Transactions required studies shall be made and drafted legislation shall be prepared.  | GTB (S), Ministry of Finance, BSTB, Ministry of EU, Public Tender Authority (KİK), KOSGEB, Turkish Entrepreneurship and Labor Confederation (TÜRKONFED) | 2015-2018 | Since the SMEs receive their payments with delays due to their fragile financial structures, the life term of the enterprises is short. In order to fully comply with 2011/7/AB Directive of Late Payments in Commercial Transactions (especially public institutions and commercial transactions in SMES, and payments of compensation) currently available legislation shall be analyzed; required studies shall be made to ensure compliance with the directive and drafted legislation shall be prepared.  | Making legislation arrangements  |
| **3.1.2.** | To ensure that Private courses and Private On-the-Job Training Centers to act under the Code of Private Education Institutions numbered 5580 for organizing courses towards SMEs an education program for SMEs shall be prepared.  | MEB (S), KOSGEB | 2015-2016 | Related programs provided to SMEs shall be developed and these trainings shall be ensured to be given in Private Courses and Private On-the-Job Training Centers acting under the trainings  | Number of programs prepared  |
| **3.1.3.** | In order to raise the quality of consultancy services towards SMEs, national infrastructure shall be developed.. | MYK (S), KOSGEB, TOBB, Universities, related NGOs  | 2015-2018 | SME consultants, Management Consultancies and consultancy services shall be made related to standards, competencies and certification processes and value shall be added to the development of the economy.  | Number of national competencies published  |
| Number of certification organizations  |
| Number of certified people (consultants)  |
| **3.1.4.** | For trainings related to SMEs and entrepreneurs procurement legislation shall be reviewed. | KİK (S), Ministry of Finance, BSTB,KOSGEB | 2015-2016 | Primarily the obstacles on reaching wider SMEs in terms of educations provided to SMEs and entrepreneurs shall be identified. It shall be ensured to carry arrangements in the legislation to ease the tender legislation  | Making legislation arrangements  |
| Number of SMEs reached within the scope of the trainings exempted from the public tender legislation  |
| **3.1.5.** | In order to increase attendance of SMEs in public side required changes shall be made in the tender legislation.  | KİK (S), Ministry of Finance, Ministry of EU, BSTB, KOSGEB, TOBB, TESK, | 2015-2018 | Within the scope of Small Business Act of Europe primarily the problems faced by SMEs in the attendance to the procurement and services shall be identified and the related legislation towards the solutions shall be made until the end of 2016.  | Making legislation arrangements  |
| Share of SMEs received from public procurement  |
| **3.1.6.** | Measure shall be taken to increase share of SMEs in public tenders  | DMO (S), BSTB, Ministry of Finance, KOSGEB | 2015-2016 | Increasing the share of SMEs in the public sector, especially in order to include public institutions and organizations within the procurement processes made via DMO, the studies to make them DMO procurers shall be conducted and it shall be ensured the parties to share the information systems mutually.  | The share of SMEs from DMO procurements  |
| **3.1.7.** | “Support Services to SMEs” shall be activated  | KOSGEB (S), Ministry of EU, BSTB, TOBB, TESK | 2015-2016 | Consultancy mechanisms like SME Panel and SME Reverse Feeding Mechanism active in the EU shall be activated in Turkey in 2016 and the system shall be opened to institutions and organizations conducting policies towards the SMEs  | Number of consultancy given to SMEs towards policies to be implemented  |
| **3.1.8.** | It shall be ensured to complete registry of SME addresses to National Address Data Base (UAVT). | Ministry of Interior (S), GTB, TÜİK, KOSGEB | 2015-2018 | In business and transactions conducted with the public institutions and organizations within this action it is aimed to decrease bureaucratic transactions via address inquiries by a single number.  | In administrative registries kept by public institutions the addresses of SMEs shall be received from UAVT.  |
| **3.1.9.** | Fast Growing SME, Globally Born SME, Innovative SME criteria shall be identified and required legislation arrangements shall be made to foster incentives of supporting institutions to primarily to Fast Growing SMEs and Innovative SMEs  | KOSGEB (S), Undersecretariate of Treasury, BSTB, Ministry of Economy, GTB, Ministry of EU, Ministry of Development, TUİK, TUBİTAK, , TTGV, TOBB, TESK | 2015-2018 | All legislation that shall put the legislation on Fast Growing, Globally Born and Innovative SME criteria shall be created in 2016 with the participation of all stakeholders. Following the enforcement of the Fast Growing and Innovative SME criteria, related amendments in the legislation shall be made to support primarily Fast Growing and Innovative SMEs. All supporting institutions shall keep incentive statistics in SME separation and monitoring performance indicators towards action shall be made by DDGM.  | Making current arrangements  |
| The share of incentives in the amount of incentives transferred to Fast growing SMEs  |
| The amount of incentives transferred to Innovative SMES in overall incentives granted to the SMEs  |
| **3.1.10.** | SME statistics and administrative registry to support the decision making processes of policy makers and they shall comply with the standards  | TÜİK (S), Ministry of EU, GTB, KOSGEB, BSTB, GİB, SGK | 2015-2018 | Expanding the scope of the SME statistics published by TÜİK and compliance to the legislation of the EU shall be ensured. Within the scope of the action, a report comparing the EU SME statistics with currently available statistics of SMEs in Turkey shall be written. Within the scope of the report to be submitted, required improvements possible to change shall be activated by TÜİK.  | Number of statistics of SMEs published for the first time.  |
| **3.1.11.** | All stages regarding company establishment shall be moved to electronic environment via MERSIS  | GTB (S), KOSGEB, TOBB, TESK | 2015-2018 | Without needing to go to the bank for making the payments related to pre-registry in establishment stage, to reduce bureaucratic transactions, studies shall be conducted to carry the activities via MERSİS to realize all stages electronically.  | The rank of Turkey in Starting Business Index  |

**Strategic Target 2:**Ensuring integrity in state incentives towards SMEs

| **A/PNo**  | **Action/Project** | **Responsible and Related Institutions**  | **Beginning-Completion Day** | **Explanation** | **Performance Indicators**  |
| --- | --- | --- | --- | --- | --- |
| **3.2.1.** | SME Information Site portal shall be reviewed and awareness of SMES shall be increased  | TOBB (S), BSTB, GTB, Ministry of Development, Ministry of Economy, Undersecretariate of Treasury, KOSGEB, TÜBİTAK,TESK | 2015-2016 | Regular Updates in content of “http://kobi.org.tr” address shall be ensured and presentation activities shall be carried to ensure SMEs’ access to the information needed on the site. | Number of thick of SME information site  |
| **3.2.2.** | Studies in evaluation of state incentives provided to SMEs shall be disseminated  | BSTB (S), Ministry of Development, Ministry of Economy, Undersecretariate of Treasury, KOSGEB, TÜBİTAK, TOBB, TESK | 2015-2018 | In the subject of Evaluation studies of incentives granted by institutions providing incentives, the capacity of the mentioned national and international levels shall be developed with coordination. An evaluation guide shall be prepared including how the design shall be implemented in design stage and it shall be used by incentive providing institutions.  | Number of institutions implementing Evaluation Guide for SME incentives  |
| **3.2.3.** | SME Research Institute shall be established aiming to present alternative strategies towards policy makers for national SME policy design and implementation processes  | KOSGEB (S), Ministry of Development, Ministry of Finance  | 2015-2018 | In order to ensure producing alternative strategies towards activating policies that shall increase the competitive strength of SMES in international scales, all researches shall be conducted related to SMEs and an SME Research Institute shall be established by the end of 2017. The institute is also planned to take over incentive programs in the medium term towards SMEs.  | Founding the institute  |
| Number of research reports prepared  |

**STRATEGIC AREA 4: IMPROVING R&D AND INNOVATION CAPACITIES OF SMES**

**Strategic Target 1:** Production structure based on information in SMEs shall be supported, getting progress in patent and commercialization issues

| **A/PNo**  | **Action/Project** | **Responsible and Related Institutions**  | **Beginning-Completion Day** | **Explanation** | **Performance Indicators**  |
| --- | --- | --- | --- | --- | --- |
| **4.1.1.** | Need analysis study shall be conducted to protect intellectual property rights  | TPE (S), KOSGEB, TÜBİTAK, TÜRKONFED | 2015-2018 | The process of an innovation that needs long researches and important financial investments are mainly not considered by individual innovators and the innovation processes are conducted by the employees within the companies. Thus, most of innovations are made by workers. Also, a great majority of the employees carry their lives in a dependent business relation with the wages they earn. This is why the innovation comes out by the efforts of the experts, tools and instruments provided by the enterprise. For this reason, it is essentially important to provide required environment for innovations and implement the innovation with best practices and live the joy of being an innovator. IT is aimed to summarize the current situation of the intellectual property rights with this action and to put the framework related to the measures to be taken, if necessary.  | Measures to be taken as a result of the need analysis surey  |
| **4.1.2.** | Commercialization projects of SMEs towards high technology and environment technology issues shall be supported. | TTGV (S), BSTB, Ministry of Development KOSGEB, TÜBİTAK | 2015-2018 | By fastening the dissemination of technologies related to TTGV Programs, it is aimed to support projects that may create a sample. Via High Technology Projects supported within the framework of “Technological Product” and “Technological Process Innovation” R&D and commercialization activities shall be supported in the level technology development for the products. With Environment Technologies Projects with eco-efficiency understanding (clean production/sustainable production) implementation projects by using less energy, water, raw materials, and waste production including innovations in industry and providing clean production technologies. 32 projects shal be supported within the action.  | Number of organizations/institutions attending high technology program  |
| Number of organizations/institutions that ensure participation to environment technology programs  |
| **4.1.3.** | Need analysis and coaching services shall be ensured to increase SMEs’ innovation capacity  | TTGV (S), Ministry of Development KOSGEB, TÜBİTAK | 2015-2018 | Within the scope of Program for Developing International Competitiveness executed by Ministry of Economy, the supported groups shall analyze the competitiveness capacities based on innovation capacities of the groups. Within the scope of the action shall execute need analysis of SMEs  | Number of SMEs provided with need analysis services  |
| **4.1.4.** | Support of mentors shall be provided to SMEs to increase R&D and innovation capacities  | TÜBİTAK (S), BSTB, KOSGEB, TİM, TÜRKONFED | 2015-2018 | Mentor supports shall be provided to SMEs benefiting from TÜBİTAK incentive programs  | Number of SMEs receiving mentor support  |
| The case of successfully completing R&D and innovation projects that receive mentor services for SMEs. |
| **4.1.5.** | Commercialization of R&D works in SMESs via public procurements. | BSTB (S), Ministry of Finance, KOSGEB, KİK | 2015-2018 | Coordination among Tenth Development Plan- Technology Development via Public Procurements, Action Plan for Domestic Production shall be ensured by a board or coordination mechanisms to be created.  | The value of public procurements realized within the scope of finalized R&D studies of SMEs  |
| **4.1.6.** | Commercialization activities of SMEs those R&D innovation studies are finalized  | KOSGEB (S) | 2015-2018 | With KOSGEB Industrial Implementation program, R&D and innovations projects shall be supported successfully with public sources and/or producing new products/services provided by patent certificates or PhD thesis, rising the quality or standards, or using new techniques to reduce costs, commercializing product or processes according to the markets.  | Supported project number  |
| Total value of supported budgets  |
| **4.1.7.** | It shall be ensured to increase the number of SMEs acting in TGBs  | BSTB (S), KOSGEB, TÜBİTAK, TGB Administrations, TGB Foundations  | 2015-2018 | Within the scope of the action, it shall be ensured to continue studies of SMEs towards production those are ongoing in TGBs.  | Number of SMEs acting in TGBs  |
| **4.1.8.** | It shall be ensured to increase human resources capacity towards commercialization in SMEs  | KOSGEB (S), BSTB, MEB, Ministry of Economy, ÇSGB, İŞKUR, TÜBİTAK, TİM, TOBB | 2015-2018 | In order to increase capabilities of commercialization of technologic products conducting R&D trainings, consultancy and personnel incentives shall be provided throughout the term. | Number of participants attended to the trainings  |
| Number of SMEs consultancy services are provided  |
| Number of R&D personnel supported  |
| **4.1.9.** | In order to increase the capacity of commercialization of the companies, mentor mechanisms shall be developed and implemented. | KOSGEB (S), BSTB, GTB, TÜBİTAK, TÜRKONFED | 2015-2018 | Starting with the companies in prioritized sectors mentor services shall be provided to private sector in commercialization issues and it shall be applied throughout the term. In the selection of companies where mentor service shall be completed and the ones completed R&D projects shall be prioritized. | Number of SMEs receiving mentor supports  |
| Condition of successfully completion of R&D and innovation projects of SMEs receiving mentor incentives  |
| **4.1.10.** | Level of information on chamber of commerce/industry, tradesmen chambers/chamber unions and the intellectual property rights of personnel of supporting institutions shall be increased via trainings to be organized in cities  | TPE (S), BSTB, KOSGEB, TÜBİTAK, Development Agencies, TOBB, TESK | 2015-2018 | Trainings shall be organized in cities for improving awareness in intellectual property rights in SMEs, protecting the rights efficiently, and registry procedure. Also, via trainings to be provided to KOSGEB, TOBB and TESK personnel, competencies of the experts of the institutions shall be increased to fulfill the needs of the SMEs. Before the mentioned trainings and later on an inquiry shall be made with participants to measure the changes in awareness levels. | Number of participants in trainings on intellectual property rights.  |
| Before trainings in the rights of intellectual property rights and later on the observed change in level observed in the participants  |
| **4.1.11.** | Consultancy services shall be provided to selected SMEs in regards to intellectual property rights  | TPE (S), KOSGEB, TOBB,TESK | 2015-2018 | Within the scope of R&D and innovation activities conducted it shall be ensured SMEs to benefit more from intellectual property rights.  | Number of SMEs receiving consultancy in intellectual property rights.  |
| Number of applications on intellectual property rights conducted by SMEs receiving consultancy services.  |
| **4.1.12.** | A research study shall be executed towards analysis of the activities related to R&D in companies in TGB. | BSTB (S), Ministry of Development  | 2015-2018 | Shall be analyzed within the framework of number of patents of companies acting in TGBs in terms of R&D activities, number of R&D personnel, and R&D expenses and other similar criteria. | Arrangements to be conducted within the scope of the measures to be produced with the project.  |

**Strategic Target 2:**Supporting innovative SMEs in terms of services, product and business model.

| **A/PNo**  | **Action/Project** | **Responsible and Related Institutions**  | **Beginning-Completion Day** | **Explanation** | **Performance Indicators**  |
| --- | --- | --- | --- | --- | --- |
| **4.2.1.** | Marketing and presentation activities of the SMEs of which R&D and innovation projects are completed, shall be supported. | BSTB(S), KOSGEB | 2015-2018 | Subsidies shall be provided for presentation and marketing of high added value, new and innovative products within the country and abroad produced after R&D and innovation projects | Number of SMEs subsidized  |
| Change in revenues of the subsidized SMEs  |
| **4.2.2.** | Training and consultancy services shall be provided to SMEs to let them develop innovative business models  | KOSGEB (S), TÜBİTAK, TTGV | 2015-2018 | In order to achieve innovative production, services and marketing models in SMEs, trainings and steering services shall be provided  | Number of SMEs benefiting trainings  |
| Number of SMEs receiving consultancy services  |
| **4.2.3.** | By supporting R&D and innovation activities of SMEs, R&D expenses spent by SMEs shall be increased.  | KOSGEB (S), TÜBİTAK, BSTB, TTGV, TÜİK | 2015-2018 | R&D and innovation projects of SMEs shall be supported by public institutions. Within the scope of subsidized projects, realizations towards R&D expenses made by SMEs shall be consolidated by KOSGEB. The number of R&D personnel hired in all SMEs shall be monitored by TÜİK within the scope of R&D Activities Survey.  | Number of SMEs subsidized |
| Number of R&D projects of SMEs subsidized  |
| Budget of R&D projects of SMEs subsidized |
| Number of R&D personnel subsidized |
| **4.2.4.** | Vocational training opportunities shall be increased to increase the potential of R&D human resources.  | İŞKUR (S), KOSGEB | 2015-2018 | The studies towards the qualified personnel needed by SMEs shall be executed within the scope of active labor market programs and vocational training courses and on-the-job training programs shall be organized. Also, vocational training shall be provided to employees.  | Number of courses organized and attendants  |
| Number of people attended vocational courses and employed as R&D personnel  |
| **4.2.5.** | SMES acting in medium-high and high technologies shall be supported in priority  | BSTB (S), Ministry of Development, ETKB, UDHB, Undersecretarite of Treasury, KOSGEB, TÜBİTAK,  | 2015-2018 | Incentive systems of public institutions supporting R&D, innovation and design activities shall be reviewed in terms of technological classification. Required amendments in the legislation shall be made to support SMEs in the class of medium-high and high technology sectors in priority. All institutions granting incentives shall be separated from SME separation and the performance indicator of the related action shall be executed by DDGM.  | Number of projects subsidized in medium-high and high technology areas.  |
| Share of incentives provided to SMEs in the class of medium-high and high technology sectors in the support provided to entire SMEs.  |

**Strategic Target 3:** Increasing cooperation between big scaled domestic/foreign enterprises and SMEs as well as universities.

| **A/PNo**  | **Action/Project** | **Responsible and Related Institutions**  | **Beginning-Completion Day** | **Explanation** | **Performance Indicators**  |
| --- | --- | --- | --- | --- | --- |
| **4.3.1.** | Cooperation of SMEs with big enterprises within the scope of studies of R&D studies  | KOSGEB (S), BSTB, Ministry of Development, TÜBİTAK, TOBB, Industry Businessmen Associations, OSB Administrations  | 2015-2018 | Similar programs applied in developed countries towards SMEs shall be reviewed. Towards dissemination of R&D and innovation focused cooperation culture, sharing experience between big enterprises with higher R&D capacity and SMES and creation of value chains shall be endured in a program to be created.  | Number of SMEs visited big enterprises  |
| Number of SMES having business connections at big enterprises  |
| **4.3.2.** | A culture of working together shall be empowered between the research centers and SMEs  | KOSGEB (S), Universities, BSTB, YÖK,TOBB | 2015-2018 | With is action it is targeted to execute studies towards the needs of SMEs in research centers and currently available studies shall be met for commercialization. Within this aim, it shall be ensured that SME representatives to visit research centers in the universities. Studies of the centers conducting applied researches shall be presented to the SMES via various activities.  | Number of SMEs taken to Research Center visits  |
| Number of SMEs benefiting Research Center Services  |
| **4.3.3.** | Innovation culture shall be disseminated among university students  | KOSGEB (S), YÖK, Universities | 2015-2018 | Innovation courses shall be given in the universities and innovation camps shall be organized.  | Number of students received innovation courses  |
| Number of universities organizing innovation camps  |
| Number of students attending innovation camps  |
| **4.3.4.** | It will be ensured to increase the capacity of SMEs in common R&D and innovation activities  | KOSGEB (S), BSTB, Ministry of Development, TÜBİTAK, TOBB, TESK | 2015-2018 | In order to increase R&D and innovation activities to be carried among SMEs a module shall be included in the Cooperation-Power Union Incentive Program.  | Number of SMES establishing partnerships  |
| Amount of incentives provided to partnerships  |
| Number of product/services commercialized via partnerships  |
| **4.3.5.** | On condition that workers shall not leave R&D centers the related legislation shall be reviewed.  | BSTB (S), ÇSGB, TÜRKONFED | 2015-2016 | Within the scope of Code of Technology Development Regions numbered 4691, R&D personnel employed among “Entrepreneurs” in TGBs or to monitor common project studies and the arrangements shall be monitored to follow up the time to be spent in the universities.  | Arranging legislations  |
| **4.3.6.** | SMEs shall be ensured to attend projects related to Horizon 2020, EUREKA, Eurostar Programs and multi and bilateral cooperation.  | TÜBİTAK (S), BSTB, Ministry of EU, Ministry of Foreign Affairs, KOSGEB, TOBB | 2015-2018 | Information, steering and training activities shall be conducted towards SMES. Also, SME visits shall be made. If required, incentive mechanisms shall be created and executed.  | Number of participants attending information, steering and training activities.  |
| **4.3.7.** | System shall be restructured to increase efficiency og TEKMERs  | KOSGEB (S), BSTB, TOBB | 2015-2016 | Structuring TEKMERs and provided incentives shall be reviewed and TEKMERs shall be activated and disseminated.  | Measures taken  |
| Number of SMES acting in TEKMERs  |

**STRATEGIC AREA 5: FOSTERING SMES’ ACCESS TO FINANCES**

**Strategic Target 1:** Fostering access of SMEs to ban credits

| **A/PNo**  | **Action/Project** | **Responsible and Related Institutions**  | **Beginning-Completion Day** | **Explanation** | **Performance Indicators**  |
| --- | --- | --- | --- | --- | --- |
| **5.1.1.** | Credit interest incentives shall be applied for SMEs to receive bank credits in appropriate terms  | KOSGEB (S), GTB, Turkey Union of Banks (TBB), Development Agencies  | 2015-2018 | In order to meet the needs of SMEs problems faced in specific periods and meeting the SMEs needs harmed from natural disasters financially, credit interest incentive programs shall be executed.  | Number of programs interest incentive is applied  |
| Credit volume created via applied programs  |
| **5.1.2.** | More of the SMEs shall be ensured to receive credit opportunities of credit guarantee fund.  | KOSGEB (S), Undersecretariate of Treasury, TOBB, TESK, TBB | 2015-2018 | Via increasing the opportunities of KGF A.Ş., more SMEs shall benefit from this system. With this aim, cooperation shall be ensured with domestic and foreign incentive institutions to provide source/contra-guarantee and products of guarantees shall be diversified to facilitate more SMEs to reach finances. Source/contra-guarantees to be provided via establishing national and international cooperation shall be used for SMEs  | Amount of guarantee granted by KGF  |
| Credit volume created by KGF  |
| **5.1.3.** | Qualifications of collateral shall be empowered in credit guarantee institutions  | BDDK (S), KOSGEB, TBB, Union of Turkey Participation Banks (TKBB) | 2015-2016 | The ratio of the guarantee granted by KGF A.Ş. shall be increased. A Directive shall be prepared on Identification of Credits and Other Receivables by the banks and Principles and Methods Related to the Reserves for Them | Making legislation arrangements  |
| **5.1.4.** | In OSBs branch fees shall be reduced to ensure dissemination in SME banking  | Ministry of Finance, (S), BSTB, Undersecretariate of Treasury, TBB, TKBB | 2015-2017 | In order to ensure dissemination of branches of financial institutions and banks focused on problems of finances of SMEs in OSBs, legislation shall be amended to ease the establishment of branches in these regions.  | Making legislation arrangements  |
| Number of financial institutions acting in OSBs.  |
| **5.1.5.** | Security guarantee registry shall be created  | Undersecretariate of Treasury, (S), KOSGEB, Ministry of Justice TBB, TKBB, TOBB | 2015-2016 | Since banks request more real estate guarantees from SMEs and the current assets of SMEs do not let it, in order to prevent difficulties in front of the access to finances, a registry shall be made for real estate and current assets of SMEs shall be empowered in terms of guarantee.  | Amendments in legislation  |
| **5.1.6.** | It shall be ensured to use receivable insurance policies in the credits of SMEs as collateral. | BDDK (S), Undersecretariate of Treasury KOSGEB, TOBB,TBB | 2015 - 2018 | Studies in legislation towards acceptance of commercial receivables policies as guarantee shall be completed in 2015. After the enforcement of legislation, information and awareness activities towards SMEs shall be executed.  | Amendments in legislation  |
| Number of SMEs showing receivable insurance policies as guarantee  |
| Volume of credit created as a result of the use of receivable insurance policies  |
| **5.1.7.** | Effectiveness of TBB Risk Centers shall be increased  | TBB Risk Center (S), Ministry of Finance KOSGEB, SGK,TKBB | 2015-2016 | Collecting SME info is important for SME evaluation and finances of SMEs. This action and end of year data of business enterprises shall be collected by Risk Center and they shall be classified as in SME definition and distributed to SMEs systematically. Along with the standardization achieved, risk evaluation also shall be made accurately. Also, SMEs shall be able to clearly monitored and more funds shall be allocated faster to SMEs according to their credibility. Within this framework Ministry of Finance and SSI registries related to SMEs shall be open and SME credit supply shall be thought to be affected positively.  | Amendments in legislation  |
| **5.1.8.** | Commercial receivable insurance product shall be created towards SMEs  | Undersecretarite of Treasury, (S), KOSGEB, Turkey Union for Insurance, Reassurance and Retirement Companies, TOBB,TKBB, TBB | 2015 - 2018 | The losses shall be guaranteed depending on the situation that SMEs commercial receivables are not paid and receivable insurance product shall be created and activities for dissemination shall be executed. | Amendments in legislation  |
| Number of SMEs executing receivable insurance policies  |
| **5.1.9** | In order to achieve long term financing of SMEs individual retirement funds shall be benefited.  | SPK (S), Undersecretariete of Treasury, BBDK, KOSGEB, TBB | 2015 - 2018 | It is aimed to divert individual retirement funds to long term Collateral Pledged Securities (İTMK) issued by banks in long-term (5-10 years) and it is aimed to provide an innovative choice for long term finances in sMES  | Amendments in legislation  |
| Funds invested by Individual Retirement Funds  |

**Strategic Target 2:** Ensuring SMEs to benefit more from alternative financing sources

| **A/PNo**  | **Action/Project** | **Responsible and Related Institutions**  | **Beginning-Completion Day** | **Explanation** | **Performance Indicators**  |
| --- | --- | --- | --- | --- | --- |
| **5.2.1.** | Investment made by Individual Participation Investors shall be increased towards SMEs  | Undersecretariete of Treasury (S),KOSGEB, TOBB, TESK, TÜRKONFED | 2015-2018 | Individual Participation Capital System is an important alternative finance source in terms of success of SMEs to finances. Mainly information meetings shall be organized to disseminate the use of system among SMEs. The final aim of the action is to increase SME number benefiting from Individual Participation capital System and the amount of funds received by SMEs via the system.  | Number of SMEs attending the information meetings  |
| Total number of applicants in the system  |
| Number of applications resulted successfully.  |
| Total value of the successful applications  |
| **5.2.2.** | Awareness levels of SMEs in regards to BİST GİP and Private Market shall be increased and the number of SMEs being the member of Private Market traded in BIST GIO shall be increased.  | KOSGEB (S), BİST A.Ş. Development Agencies, SPK, TOBB | 2015-2018 | With sectoral and regiponal meetings to be arranged awareness of SMEs in BİSTGİP and Private Markets shall be increased. Towards identification of current awareness levels of SMEs a site survey shall be conducted in 2015. The same survey shall be repeated at th end of 2018 to observe the difference. Also, incentives without return shall be provided to SMEs acting in Special Markets.  | Number of sMEs attending trainings and meetings.  |
| Number of SMEs supported  |
| Value of the incentives provided to SMEs  |
| Number of SMEs having access to finances  |
| Amount of finances achieved by SMEs in GİP |
| Number of SMEs being a member of Private Market  |
| Number of SMEs accredited at Private Market with the investors.  |
| **5.2.3.** | Legal base shall be created for public funding platform and SMEs shall be ensured to benefit from this platform.  | Undersecretariate of Treasury, (S), Ministry of Finance, BSTB, KOSGEB, TÜBİTAK | 2015-2018 | With the contribution of representatives of public and private sector representatives providing capital via internet to new entrepreneurs, a legislation shall be completed in 2015 and implementation shell get started. | Amount of finances transferred to SMEs from Public Funding Platform  |
| **5.2.4.** | Ability of financial literacy of SMEs shall be increased  | KOSGEB (S), SPK, BDDK, TOBB, TESK, TBB, TKBB | 2015-2018 | In regards to increasing capability of SMEs in financial literacy, an electronic training shall be designed by KOSGEB with the contribution of related institutions in 2016 and shall be opened to the use of SMEs. | Number of SMEs benefiting from financial literacy electronic trainings.  |
| Number of electronic training participants  |
| **5.2.5.** | In order to ensure additional share issuance by partners not listed in BİST A.Ş. GİP List amendment in legislation shall be made  | BİST A.Ş. (S), SPK, KOSGEB | 2015-2016 | Arrangements shall be made for investors holding individual participation invest certificates in BİST GİP, capital investment partnerships, venture capital investment funds and managing partners share sales  | Amending the legislation  |
| **5.2.6.** | Financial leasing towards SMEs and services provided by factoring and finance companies shall be disseminated and activities shall be carried for presentation. | Union of Financial Institutions (S), BDDK,BTSB, KOSGEB | 2015-2018 | In order to present services provided for financial leasing, factoring and finance companies, trainings shall be executed. In order to disseminate factoring services and presentation meetings shall be organized.  | Number of SMEs participating in trainings  |
| **5.2.7.** | Site surveys shall be executed for identification of SME finance problems  | KOSGEB (S), BDDK, Central Bank, TBB, TKBB, Union of Financial Institutions | 2015-2016 | A site survey shall be organized to identify financing problems SMEs face and new policies shall be developed within the framework of obtained results and findings shall be shared with all stakeholders.  | Within the scope of the measures to be produced with research arrangements shall be made  |
| **5.2.8.** | Incentives shall be provided to SMEs within the scope of CISOP.  | BSTB (S), KOSGEB, TUBİTAK | 2015-2018 | In priority areas and sectors determined within the scope of CISOP grants shall be provided to SMEs  | Number of SMEs provided with grants  |
| Amount of Fund provided to SMEs  |

# ANNEX – Programs, Incentives and Subsidies towards SMEs

There are programs for subsidies and incentives applied by various institutions serving different aims towards SMEs in Turkey. Within the scope of these programs grants, incentives with return payment, tax advantages, direct credit and incentives to use credits and incentives alike are used. Support group of the applied support and subsidy programs and the distribution by related institution are provided in table 24.

Table24-Supports and Incentives Towards SMEs

| **Support Group** | **Support** | **Related Institution** |
| --- | --- | --- |
| Supporting R&D and Innovation  | Assumption-Thesis Project Incentives | BSTB |
| Techno initiatives capital incentive  | BSTB |
| Technologic Product Presentation and Marketing Incentive Program  | BSTB |
| Technologic Product Investment Incentive Program  | BSTB |
| Development of International Competitiveness Incentive  | Ministry of Economy |
| Energy Sector Research-Development Projects Incentives Program  | ETKB |
| Diract Financing Incentives  | Development Agencies  |
| Within the scope of the Code on Incentives for Research and Development Activities numbered 5746;- R&D discount - Incentive on income tax withholdings - Insurance premium incentive - Stamp tax exemption  | Ministry of Finance, SSI  |
| Within the scope of the Code of Technology Development Regions numbered 4691;- Income exemption towards income tax - Income exemption towards corporate tax  | BSTB/Ministry of Finance  |
| Electronic Communication, Space and Aviation Sector Research and Development Project Incentives  | UDHB |
| Industry R&D Projects Incentive Program  | TÜBİTAK |
| R&D Project Markets Incentive Program  | TÜBİTAK |
| University-Industry Cooperation Incentive Program  | TÜBİTAK |
| SME R&D Start-up Incentive Program  | TÜBİTAK |
| International Industry R&D Projects Incentive Program  | TÜBİTAK |
| Priority Areas Research Technology Development and Innovation Incentive Program  | TÜBİTAK |
| Incentive Programs for Increasing Capacity in Innovation Entrepreneurship Areas  | TÜBİTAK |
| TÜBİTAK Patent Incentive Program  | TÜBİTAK |
| Incentive Programs for Initiatives for Foundations of Scientific and Technological Cooperation Networks and Platforms  | TÜBİTAK |
| Industrial Property Rights Incentive  | KOSGEB |
| R&D/Innovation Program  | KOSGEB |
| Industrial Implementation Program  | KOSGEB |
| Technology Development Projects Incentives  | TTGV |
| Commercialization Projects Incentive  | TTGV |
| Future Technology Projects Incentives  | TTGV |
| Supporting Entrepreneurship  | Direct Financing Incentive  | Development Agencies |
| Managed Project Incentives  | Development Agencies |
| UGE | KOSGEB |
| New Entrepreneurship Incentive  | KOSGEB |
| İŞGEM Incentive | KOSGEB |
| Business Plan Award  | KOSGEB |
| Incentives for strategic development and cooperation | Groping Incentive Program  | BSTB |
| Direct Financing Incentive  | Development Agencies |
| Targeted Project Incentives  | Development Agencies |
| Cooperation- Power Union Incentive Program  | KOSGEB |
| Thematic Project Support Program  | KOSGEB |
| Incentives for Marketing Activities  | Incentives for Exhibitions Abroad  | Ministry of Economy  |
| Incentive for Attending Domestic Exhibitions that have International Classification  | Ministry of Economy |
| Incentives for Branding of Turkish Products Abroad, Replacement of the Image of Turkish Products and TURQUALITY® | Ministry of Economy |
| Incentives on Brand Units and Presentation Activities Abroad  | Ministry of Economy |
| Incentives on Market Research and Market Entrance Subsidy- Incentive on Market Research Abroad  | Ministry of Economy |
| Market Research and Market Entrance Subsidy- Support of Membership in Trade Sites | Ministry of Economy |
| Design Incentive  | Ministry of Economy |
| Incentive on Return of Exports in Agricultural Products  | Ministry of Economy |
| State Incentives to be Granted to Technical Consultancy Services  | Ministry of Economy |
| Employment Incentive  | Ministry of Economy |
| Support for Service Trade that Gains Foreign Currency  | Ministry of Economy |
| Direct Financing Incentives  | Development Agencies  |
| Focused Project Incentives  | Development Agencies  |
| Incentive on Participation at Exhibitions Abroad and Tourism Presentation and Marketing Activities  | Ministry of Culture and Tourism  |
| Incentive in Domestic Exhibitions  | KOSGEB |
| Incentive in Business Visit Abroad  | KOSGEB |
| Presentation Incentive  | KOSGEB |
| Matching Incentive  | KOSGEB |
| Design Incentive  | KOSGEB |
| Providing Consultancy, Supporting System and Capacity Development  | Incentive for Improving International Competition- Training Programs to be Organized by Trainers  | Ministry of Economy |
| Market Research and Market Entrance Incentive- Consultancy Services Support for Report and Foreign Company Procurement  | Ministry of Economy |
| Direct Financing Incentives  | Development Agencies |
| Focused Project Incentives  | Development Agencies |
| Consultancy Incentive  | KOSGEB |
| Education Incentive  | KOSGEB |
| Incentive in Employment of Qualified Personnel  | KOSGEB |
| Certification Incentive  | KOSGEB |
| Test, Analysis and Calibration Incentive  | KOSGEB |
| Independent Audit Incentive  | KOSGEB |
| SME Project Incentive Program  | KOSGEB |
| Incentives for Environment and Energy | Supporting Efficiency Raising Projects in Industrial Enterprises  | ETKB |
| Signing Volunteer Agreements  | ETKB |
| Energy Incentives to Enterprises and Holders of Tourism Investment Certificates  | ETKB/ Ministry of Culture and Tourism  |
| Incentive on Energy Efficiency  | KOSGEB |
| Environment Technologies Incentive  | TTGV |
| Energy Efficiency Incentive  | TTGV |
| Incentives for Investments  | State Incentives in Investments- Exemption for Value Added Tax  | Ministry of Finance  |
| State Incentives in Investments- Exemption on Custom Tax  | GTB |
| State Incentives in Investment – Tax Reduction  | Ministry of Economy/Finance  |
| State Incentives in Investment - Insurance Premium Employee Share  | Ministry of Economy  |
| State Incentives in Investment – Investment place Allocation  | Ministry of Finance  |
| State Incentives in Investment- Interest Incentive  | Ministry of Economy  |
| State Incentives in Investment – Income Tax Withholding Incentive  | Ministry of Economy/Finance |
| State Incentives in Investment – Insurance Premium  | Ministry of Economy  |
| Direct Financing Incentive  | Development Agencies  |
| Focused Project Incentives  | Development Agencies  |
| Exemptions on Corporate Tax, Real Estate Tax, Electricity and Gas Consumption Tax, Value Added Tax, Building Charge and Building Usage Permit Fee, Amalgamation and Parceling Transaction Expenses  | BSTB (through OSB Management)  |
| Incentive on Access to Finances  | Entrepreneur Capital Incentive Program  | TÜBİTAK |
| GİP SME Incentive Program  | KOSGEB |
| SME Credit Interest Incentive  | KOSGEB |
| Credit Interest Incentive Towards Craftsmen and artisans  | Halkbank |
| Credit Guarantee Service  | KGF/TESKOMB |
| Individual Participation Capital System  | Undersecretariate of Treasury  |
| Interest Subsidy, Incentive on Credits without Interest  | Development Agencies  |

1. Detailed information on creation and working principles of SSAP Monitoring and Steering Committee (IYK) is provided in Section 6. [↑](#footnote-ref-1)
2. According to a study conducted by KOSGEB using the data of Revenue Administration, total number of employees exceeding 40 Million TL in terms of balance sheet value in 2013 with less then 250 employees is 7,799. [↑](#footnote-ref-2)
3. Since of the data related to some sectors are kept private due to TÜİK privacy principle in some of the published statistics, average number of employees in mentioned sectors could not be calculated. [↑](#footnote-ref-3)
4. Statistics of Enterprises in Small and Medium Size, 2014 published within the scope of News Bulletin. [↑](#footnote-ref-4)
5. The survey was conducted in enterprises in industry and services, having 10 to 49 employees and the enterprises were identified by sampling method. Since enterprises with 0 to 9 employees are not included within the scope, they are not listed in SME group. SME data is calculated for enterprises with 10 to 249 employees. [↑](#footnote-ref-5)
6. Detailed information can be obtained from KOSGEB webpage. [↑](#footnote-ref-6)
7. Complying with the Mandate of Prime Ministry related to “Principles for Small business Act of Europe” published on the Official Gazette dated 05 June 2011 and numbered 27955. [↑](#footnote-ref-7)
8. A, O, P, Q, R, S, T and U sectors according to NACE Rev. 2 classifications are not included in this number. [↑](#footnote-ref-8)
9. According to Activity Report of Indian Ministry of SMEs 2013-2014 46.7 millions of SMEs were acting in the country while there are 106 million are employed in these enterprises. [↑](#footnote-ref-9)
10. Details are provided in 2.2 Methods and Process section. [↑](#footnote-ref-10)
11. Information related to the studies conducted within the scope of YOİKK can be received via www.yoikk.gov.tr website. [↑](#footnote-ref-11)
12. The countries that may be examined as an example are Canada, Denmark, Finland, Norway, Switzerland and the UK. [↑](#footnote-ref-12)
13. “In R&D incentives coordination shall be ensured and currently available support programs shall be reviewed by conducting impact analysis surveys R&D activities shall be supported in integrity considering commercialization within the framework of common targets composed of areas with priority.” [↑](#footnote-ref-13)
14. <http://www.whitehouse.gov/administration/cabinet>Date of access: 20.01.2015 [↑](#footnote-ref-14)
15. Related link: <http://ec.europa.eu/eurostat/cache/metadata/Annexes/htec\_esms\_an3.pdf>Date of access: 14.04.2015 [↑](#footnote-ref-15)
16. Halkbank Activity Report 2014 [↑](#footnote-ref-16)