



ANOTHER SIDE TO THE STORY

A market assessment of Syrian SMEs in Turkey



executive summary

Syria is experiencing one of the gravest humanitarian crises in modern history. Since 2011, the war has claimed an estimated 400,000 lives, displaced six million Syrians internally, forced five million to seek refuge in neighboring countries, and more than one million have sought asylum in Europe. Together, half of Syria's pre-war population has been left dependent on life-saving assistance, either inside or outside the country.

Alongside this, countries that have welcomed Syrians are now facing the reality of long-term displacement and grappling with their own set of challenges. For Turkey, now home to three million refugees, this includes overburdened infrastructure and social services, income disparity, and labor market distortions.

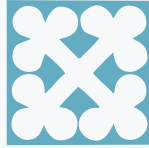
However, there's another side to the story.

In Turkey, as in the rest of the region, Syrians are starting businesses that are creating jobs, livelihoods, and independence for themselves and for other refugees. From restaurants and bakeries to small shops selling daily

necessities, Syrian entrepreneurs “offer refugees tastes of home [or] cater to those who cannot speak Turkish or cannot afford to shop in Turkish stores.”

In addition to first-time refugee business owners, there are seasoned Syrian entrepreneurs who moved, along with their business expertise and capital, from Syria to other countries in the region, including Turkey. In the words of a Syrian business owner in Istanbul, “We are international businessmen. We have also been to Dubai and Riyadh. Syrians in Turkey are not just poor refugees.”

The benefits Syrian entrepreneurs are generating are also critical for local communities affected by the refugee influx, which tend to suffer from long-standing economic problems such as unemployment. A better understanding of these entrepreneurs and their success factors will allow for targeted support and investment that will not only create value for refugees and their host countries, but will also play a critical role in preparing Syrians for the reconstruction and development of Syria.



highlights and key findings

SYRIAN ENTREPRENEURS AND SMEs

✿ Taken together with informal, unregistered businesses, the total number of Syrian-owned companies in Turkey is estimated to be over 10,000.

✿ Since 2011, Syrians have invested nearly \$334 million into 6,033 new formal companies, ranking number one among foreign founders of new companies each year since 2013.

✿ In 2017, Syrians are poised to establish over 2,000 additional new companies in Turkey, with around \$90 million of Syrian capital.

✿ Seventy-four per cent of Syrian SMEs in this sample fall under the “micro” category (less than 10 employees), 24 per cent fall under the “small” category (between 10 and 50 employees), two per cent fall under the “medium” category (between 50 and 250 employees).

✿ On average, Syrian SMEs have been operating in Turkey for 2.5 years, with average annual revenues of \$463,201. Wholesale and retail trade (39 per cent) dominates the sector breakdown of Syrian SMEs, followed by manufacturing (19 per cent), and accommodation and food service (10 per cent).

✿ Syrian business owners are well educated: 67 per cent have a university degree or higher, compared to 10 per cent of the overall Syrian population in Turkey.

CONTRIBUTIONS AND OPPORTUNITIES

✿ Syrian entrepreneurs are creating jobs. On average, they employ 9.4 people and report that most of their employees were previously working in the informal sector. Over half (55 per cent) of SMEs state they will hire additional employees over the coming year (8.2 on average).

✿ Syrian SMEs are optimistic about the future and their business performance. Fifty-five per cent indicated they are stable and another 34 per cent are expanding. Forty-seven per cent plan to make fixed asset purchases in the coming year.

✿ Thirty-nine per cent of Syrian SMEs report regional trade as the primary opportunity in Turkey, followed by serving the Syrian refugee market and the Turkish market, at 23 per cent each.

✿ Syrian entrepreneurs are committed to Turkey: 39 per cent plan to start another business in Turkey, and even after the war ends, 76 per cent intend to keep their businesses in Turkey while also expanding to Syria.

CHALLENGES AND NEEDS

- ⚙️ Forty per cent of Syrian SMEs cite language as the single greatest challenge facing their business.
- ⚙️ Seventy-three per cent report they do not currently bid on procurement opportunities. However, 43 per cent say they are currently looking or interested in looking for procurement opportunities to expand their businesses.
- ⚙️ Syrian SMEs anticipate needing approximately \$300,000 of capital on average within the next 12 months. Twenty-two SMEs reported needing investments of \$500,000 to \$7 million.
- ⚙️ Syrian business owners overwhelmingly identified the need for training in the areas of marketing, customer service, import-export laws, and management.

Building Markets plans to play a key role in assisting SMEs in Turkey and across the region, especially those founded by and employing Syrians. This includes expanding and bringing visibility to its Syrian SME network in Turkey and connecting them to structured business support, working capital, supply chains, and investment.

RECOMMENDATIONS

Based on these findings, Building Markets recommends the following actions be taken by public, private, and development partners:

- ⚙️ Ease regulatory burdens, improve the operating environment, and reduce uncertainties for Syrian SMEs in order to encourage formalization, boost exports and job creation, and enable Syrian entrepreneurs to deploy and retain their capital in Turkey.
- ⚙️ Promote integration of Syrian businesses in the Turkish economy by reducing language barriers and encouraging dialogue, mentorship, and partnership. Communicate Syrian SMEs' success stories and contributions.
- ⚙️ Develop and offer business training that is aligned with Syrian SME growth constraints and offered in Arabic and Turkish.
- ⚙️ Facilitate relationships between Syrian SMEs and buyers by translating and making tenders easily accessible and developing inclusive procurement policies.
- ⚙️ Increase access to working capital and investment through access to better SME data, tailoring products to Syrian SME needs, and by attracting Syrian capital from the region through investment support activities.



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This report was written and produced by Selen Ucak (lead author/researcher and Consultant to Building Markets), Jennifer P. Holt (CEO, Building Markets) and Kavya Raman (Project Director, Building Markets). Building Markets' partner, Syrian Economic Forum, led field research and data collection. Questions and comments about the report can be directed to newyork@buildingmarkets.org

Building Markets, headquartered in New York City, United States, is a nonprofit organization that creates jobs and encourages economic growth in crisis-affected countries by connecting local micro, small and medium-sized enterprises (SMEs) to new business opportunities. Through its approach, the organization has profiled and built a network of more than 23,000 local SMEs, assisted those businesses in winning \$1.3 billion in contracts, and helped create over 69,000 jobs. For more information: www.buildingmarkets.org

Syrian Economic Forum (SEF), established in 2013 and based in Gaziantep, Turkey, is an innovative think and do tank dedicated to building a free, pluralistic, and independent Syria that rests on a strong economy, to ensure a life of freedom and dignity for all Syrians. SEF was a direct local partner to Building Markets on this project and played a lead role developing the survey methodology and administering the in-person interviews and roundtable discussions with Syrian entrepreneurs in Turkey. For more information: www.syrianef.org/En

All dollar figures (\$) in this report refer to United States dollars (USD).

“Clearly there are significant costs and risks shouldered by host countries, but there is another side to the story—the contributions made by refugees as they bring new businesses, markets, and skills to their host communities. To the extent that countries focus on an enabling business environment and a modicum of protection for refugees working illegally, the positive side of the ledger can only grow.”

Omer M. Karasapan, World Bank

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“ Do what you love. Use your knowledge and skills and do what you do best. I’ve seen so many businesses start in fields they were unfamiliar with, and as a result they have failed. We arrived in Turkey with a few hundred dollars and our laptops and are doing well. Now that we are more established and have been working with several clients for a long time, we are doing better – In fact, we now have two new Turkish clients!”

