



Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 19-Sep-2018 | Report No: PIDC168804

BASIC INFORMATION

A. Basic Project Data

Project ID	Parent Project ID (if any)	Environmental Assessment Category	Project Name
		B - Partial Assessment (B)	Development of Businesses and Entrepreneurship for Syrians under Temporary Protection and Turkish Citizens
Region	Country	Date PID Prepared	Estimated Date of Approval
EUROPE AND CENTRAL ASIA	Turkey	19-Sep-2018	
Financing Instrument	Borrower(s)	Implementing Agency	Initiation Note Review Decision
Investment Project Financing	Ministry of Industry and Technology	Small and Medium Industries Development Organization (KOSGEB)	The review did authorize the preparation to continue

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PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	2.15
Total Financing	2.15
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	2.15
Free-standing TFs for ECA ECCTR Country Unit	2.15

B. Introduction and Context

Country Context

Turkey has achieved commendable economic and social development results since the early 2000s, raising it to the world's 17th largest economy, nevertheless these achievements have recently been challenged by

economic and political developments that have contributed to persisting domestic and external imbalances. Turkey is one of the largest countries in ECA, with per-capita GDP on the verge of reaching high-income. After a financial crisis in 2001, the country embarked on a path of structural reforms supported by strong fiscal consolidation, strengthened banking supervision, and a shift to a flexible exchange rate regime with an independent central bank responsible for inflation targeting. The prospect of EU membership and the process of accession negotiations provided an important anchor for reform efforts. All these reform efforts resulted in higher incomes as well as increasing convergence of social indicators to OECD norms. Per-capita income and the incomes of the bottom 40 percent tripled since the start of the century.

Since early 2015, Turkey has experienced increased political volatility, including tensions with major trading partners, a long election cycle (with two parliamentary elections in 2015, and constitution referendum in 2017, parliamentary and presidential elections in 2018). Turkey's GDP growth declined to 3.2 percent in 2016. In 2017, Turkey experienced a cyclical recovery with 7.4 percent growth, supported by a substantial fiscal stimulus, Credit Guarantee Fund for SME financing and accelerating external demand and recovered from the shock of 2016. However, strong growth came at a cost with widening current account deficit, high inflation and currency volatility. Growth in Turkey is projected to moderate to 4.7 percent in 2018 with heightened risks.

Turkey has become the world's largest refugee-hosting country. According to UNHCR figures, Turkey has been hosting around 3.9 million people including Syrians, Afghan, Iraqi, Iranian, and Somalian as of June 2018. About 90 percent of these migrants are from Syria. Since the Syrian crisis began in 2011, there have been large influx from Syria to Turkey. Indeed, as of July 19, 2018, there are 3.54 million Syrians under Temporary Protection (SuTP), that is, Syrians who have been granted legal protection. Only 6 percent reside in refugee camps, while mostly in urban areas. The arrival of Syrians places a strain on social services, but Turkey has shown exemplary openness to Syrians and facilitated their access to critical public services.

Sectoral and Institutional Context

Improvements in employment outcomes have been the conduit between economic growth and social inclusion results. The period of strong economic growth was accompanied by robust employment growth and an expansion of the formal sector. While between 2009 and 2013, employment growth has averaged around 6 percent per annum, the same rate is approximately 3 percent for 2014-2017 period. To stimulate further the creation of more and better jobs, the Turkish government introduced several ambitious reforms since the mid-2000s.

In July 2018, the number of SuTP reached 3.54 million, making Turkey one of the countries with the largest refugee population in the world. The influx of SuTP creates social and political pressure, especially in bordering provinces, where the incidence of Syrian communities is particularly high. Further, provinces with high incidence of SuTP, are in general disadvantaged from the labor market standpoint, with high informality and low employment rates, and offer poorer opportunities to access good jobs or to start up new firms. In this context, the Project aims develop new programs and strengthen current programs in place to enhance

entrepreneurship and foster formal job creation in areas which have been most affected by the influx of Syrian refugees.

At the beginning of the Syrian crisis in 2011, Syrian businesses constituted only two per cent of companies with foreign investment and one per cent of total foreign capital in Turkey. By 2018, over 7,000 enterprises with Syrian capital established formally across Turkey, and now Syrian businesses constitute around 20 per cent of all foreign-owned companies. The Syrian businesses hold nearly 7 per cent of all foreign capital, estimated over US\$ 350 million.

As Syrian businesses are new to the Turkish market, they face with significant challenges (i.e. access to finance, difficulties understanding Turkish laws, banking regulations, and market dynamics).

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Relationship to CPF

The project focuses on supporting development of businesses and new entrepreneurs in pilot provinces. The beneficiaries will be Small and Medium Enterprises (SME) of SuTP and Turkish Citizens, and SuTP entrepreneurs. The project is part of a coordinated donor effort to support self-employed and employers, as well as SuTP and host community jobseekers. The proposed project is part of a total of EUR 50 million Special Measure of the European Commission for a Facility for Refugee Integration in Turkey (EU FRIT), to be implemented with Small and Medium Industry Development Organization (KOSGEB).

The proposed activities are aligned with Turkey's National Development Plan and one of its objectives to promote qualified individuals and a strong society through: (i) healthy life and mobility; (ii) development of basic and occupational skills; and (iii) improving the effectiveness of the labor market.

The project also aligns with the Systematic Country Diagnostic (SCD) and Country Policy Framework (CPF) objectives of promoting inclusion and productive individuals by creating good jobs for increasing numbers of people of working age through (i) greater inclusion of women, youth, and SuTP in the labor market, and (ii) better education and skills development outcomes.

C. Project Development Objective(s)

Proposed Development Objective(s)

The development objective of the project is to support the growth of SMEs and increase employment and entrepreneurship opportunities for SuTP and Turkish Citizens in a pilot province characterized by high incidence of SuTPs.

Key Results

Achievement of the Project Development Objective (PDO) will be measured by the following indicators:

1. Number of newly established firms

2. Number of new formal SuTP employees in beneficiary firms
3. Number of jobs created in beneficiary firms.

D. Preliminary Description

Activities/Components

The recipient of this Grant is the Ministry of Industry and Technology of the Republic of Turkey (MoIT). MoIT will sign a subsidiary agreement with the Small and Medium Enterprises Development Organization (KOSGEB) to implement the Project.

The Project has two components. Component 1 will support KOSGEB to implement a pilot small-grant scheme in a pilot province (Gaziantep) to support existing businesses of SuTP and Turkish citizens, and new SuTP entrepreneurs.

Component 2 will strengthen institutional capacity of KOSGEB. Under Component 1:

1. KOSGEB will support 30 SuTP and host community SME. Participating SME will be selected from those operating in manufacturing sector or using medium/high technologies. The SME owned by Turkish citizens will be eligible if they commit employing new SuTP employees. There will be no employment obligation for SuTP SME.
2. 30 new entrepreneurs will be supported by KOSGEB and selected entrepreneurs will receive start-up advances, machinery, equipment and software funding as well as performance support.

Component 2 will finance activities that support the KOSGEB to deliver, monitor, and evaluate services and programs to be provided to SMEs of SuTP and Turkish citizens in Gaziantep. Under Component 2:

1. KOSGEB's capacity for designing, delivering and monitoring of services implemented under Component 1 will be strengthened. This will include translation of KOSGEB's existing training modules into Arabic and English, field visits to countries having similar experiences with refugees (i.e. Germany, Lebanon), and training for relevant KOSGEB staff in business mentorship, migration policies, and project management.
2. KOSGEB will establish a project implementation unit (PIU) in headquarters that will be responsible for overall project coordination, and a liaison office in the field for day-to-day implementation. The costs of human resources to be contracted out for the PIU and liaison office, and the relevant operating costs and cost of equipment will be financed under this sub-component.

SAFEGUARDS

E. Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	X		
Natural Habitats OP/BP 4.04		X	
Forests OP/BP 4.36		X	
Pest Management OP 4.09		X	
Physical Cultural Resources OP/BP 4.11		X	
Indigenous Peoples OP/BP 4.10		X	
Involuntary Resettlement OP/BP 4.12		X	
Safety of Dams OP/BP 4.37		X	
Projects on International Waterways OP/BP 7.50		X	
Projects in Disputed Areas OP/BP 7.60		X	

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