

# FEASIBILITY STUDY FOR TÜRKİYE COMPACT

Stimulating Economic Growth and Employment  
of Refugees and Host Communities in Türkiye  
through International Preferential Trade

**WIN-WIN SOLUTIONS**  
FOR THE TURKISH ECONOMY,  
*SYRIAN REFUGEES &  
HOST COMMUNITIES*





TÜRKIYE COMPACT POLICY BRIEF

Photo: Mustafa Bilge Satkin

## Executive Summary

This policy brief researched by the United Nations Development Programme (UNDP) calls on Turkish policy makers, the international aid community, donor governments and the private sector to establish a new “Türkiye Compact” that will harness trade preferences to stimulate job creation for refugees and host communities while supporting Türkiye in hosting the largest refugee population in the world.

UNDP’s feasibility study shows that special trade agreements between Türkiye and potential

donor governments offer a win-win solution that, by increasing exports of Turkish products in labour-intensive sectors, can contribute to the self-reliance of refugees and host communities while supporting development and inclusive economic growth in Türkiye along with the 2030 Sustainable Development Goals. Such an approach, in the selected scenario and identified sectors, could generate over 284,000 jobs (including for 57,000 refugee men and women, or 20% of the total) while boosting Turkish exports by 3% and GDP by 0.42%.

Trade preferences could generate **284,000 new jobs** while boosting Turkish exports by **3%** and GDP by **0.42%**.

Many actors, including the UN agencies and civil society organizations working through the Regional Refugee and Resilience Plan in Response to the Syria Crisis (3RP) and outside of the 3RP, are committed to supporting the livelihoods of refugees and host community members, but high unemployment and the prevalence of informal labour have left many vulnerable and created frictions. **The need to generate new jobs in the formal economy is urgent.**

The Türkiye Compact is an innovative and complementary



**UNDP is committed to translating the idea of the Türkiye Compact into practice.**

effort to provide one answer to this need, working through partnerships with private-sector employers and major trading countries to leverage trade preferences to expand formal job opportunities for refugees and host communities in line with national economic

priorities.

UNDP is committed to translating the idea of the Türkiye Compact into practice. Working with Government, private-sector and international community partners, UNDP can provide organizational,

coordination, networking and advocacy support. The initiative draws on the experience of other countries; once tested in Türkiye, it holds the promise to offer replicable practices for prolonged displacement elsewhere in the world.

## New Approach to Economic Inclusion: Background and Rationale

For more than a decade, Türkiye has been hosting a huge refugee population, including, as of 2022, some 3.7 million Syrians under Temporary Protection (SuTPs)<sup>1</sup> and 320,000 international protection applicants and status holders from other countries. Recent data show that 46% of the Syrian refugees in Türkiye are women.<sup>2</sup> The policy framework of the Turkish Government, based on the Law No. 6458 of 2013 on Foreigners and International Protection and the Regulation of 2014 on Temporary Protection, has been rightly praised as an inclusive one, granting Syrian refugees access to health, education, and social services as well as to the labour market. In this, Türkiye

applies key recommendations of the 2018 Global Compact on Refugees.

**Despite these inclusive policies, the situation of refugees and host communities remains challenging.** Most refugees still depend on social assistance, and self-reliance through access to sustainable employment remains elusive. Only a small number of Syrians hold the work permits they need for formal employment, while an estimated one million refugees are working informally. 90% of refugee households report not being able to fully cover their monthly expenses and basic household needs. At 18.6% in 2020, the labour force participation rate is

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particularly low among displaced Syrian women in Türkiye.<sup>3</sup> Additionally, social tensions are growing with host community members who also face difficult

<sup>1</sup> Referred as Syrian refugees in the document

<sup>2</sup> Ministry of Interior, Presidency of Migration Management (2022). ‘Temporary Protection Statistics’. <https://en.goc.gov.tr/temporary-protection27>

<sup>3</sup> International Labour Organisation (2021) *Syrian Refugees in Turkey Since 2014*. Ankara: ILO Office for Turkey



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socio-economic conditions in a context where an increasing number of Syrian refugees' plan to stay in Türkiye for the foreseeable future.

**Livelihoods programming by the public sector, international organizations and civil society actors is improving lives, but is not generating new jobs at the needed scale.** The latest estimates on the cumulative results (including refugees and host community members) of past and current internationally funded employment programmes suggest that, by the end of 2024, in all 66,000 new jobs will have been created since 2017; 9,600 enterprises will have been supported; and 316,000 individuals will have received skills training and other employability support.<sup>4</sup> This falls badly short of the needs; new solutions need to be found to magnify and multiply the current approaches of international

actors in supporting the Turkish government.

**Innovative approaches are needed that bolster refugee self-reliance, host community employment and economic growth in Türkiye.** International trade has a critical role to play in seeking durable solutions, as access to new market opportunities remains an indispensable pre-condition to creating sustainable jobs at scale. To assess the potential, UNDP Türkiye conducted a feasibility study on how international trade preferences might be leveraged to expand private-sector employment while promoting economic growth.

**The feasibility study showed that a “Türkiye Compact” forged in a public/private partnership with trade partners willing to offer trade preferences for Turkish exports from sectors that provide formal employment to large numbers of Syrian refugees**

**could provide beneficial new opportunities for refugees and host communities alike.**

Such an agreement is well aligned with the principles of the 2018 Global Compact on Refugees<sup>5</sup>, which, recognizing the need for more equitable responsibility sharing through international cooperation to ease the pressures on host countries and enhance the self-reliance of refugees, recommends that preferential trade arrangements can be explored in compliance with relevant international obligations, especially for goods and sectors with high refugee participation in the labour force. The proposed Türkiye Compact builds on experiences from other countries and mechanisms, which have demonstrated that export-oriented production growth can generate huge employment opportunities for newcomers on the labour market.



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Photo: Mustafa Biçe Satkin

### Drawing on lessons learned from previous compacts

The Feasibility Study for the Türkiye Compact draws on the lessons learned – both positive and negative – from various similar previous mechanisms, including those attempted in Jordan with the EU and Ethiopia with the USA.

In the case of Jordan, via the Special Economic Zones, the Compact faced significant challenges, including: (1) the lack of competitive enterprises able to export the targeted products to the

European Union (EU); (2) the failure of many products to meet EU technical standards for manufactured goods; and (3) difficulties in attracting Syrians to work in the designated industrial zones due to substandard living conditions, long commutes and lack of decent transportation, and low pay.

These challenges can be mitigated in Türkiye thanks to the diversification of businesses, the provision of relevant technical support to

enterprises and appropriate adaptations to employees.

In Ethiopia, via the Qualified Industrial Zones agreements, the Compact faced three main challenges: (1) logistics costs; (2) a limited supply of skilled labour; and (3) low institutional and administrative capacity. In Türkiye, logistics costs are relatively low due to its maritime access and connectivity, while administrative capacities are well established.

4 3RP 2021 Progress Report & 3RP Mapping of IFIs Interventions

5 Signed by 181 countries in the world including Türkiye

6 3RP Inter Agency Protection Need Assessment (IAPNA) Round 6 (September 2022)

# Key Findings:

## *The Türkiye Compact as a Game Changer for the Refugee Response?*

The UNDP feasibility study confirms the potential of a “Türkiye Compact” to deliver important direct and indirect benefits to Turkish enterprises, Syrian refugees, host communities and the Turkish economy. The study has three sections: (1) an analysis of sectors employing refugees: agriculture, food processing and textile-

garment industries (including shoemaking and leather products); (2) an analysis of potential export markets such as the EU, the USA and Canada; and (3) scenarios that show how new trade preferences granted to Türkiye by targeted trade partners could potentially affect job creation in targeted sectors. The impact of customs duty

exemption, quota removal and the elimination of non-tariff barriers is assessed.

Under the most favourable scenario, in which full trade preferences are granted by the EU, the USA and Canada to sectors that adopt a 20% quota for refugee employment, the “Türkiye Compact” could deliver:

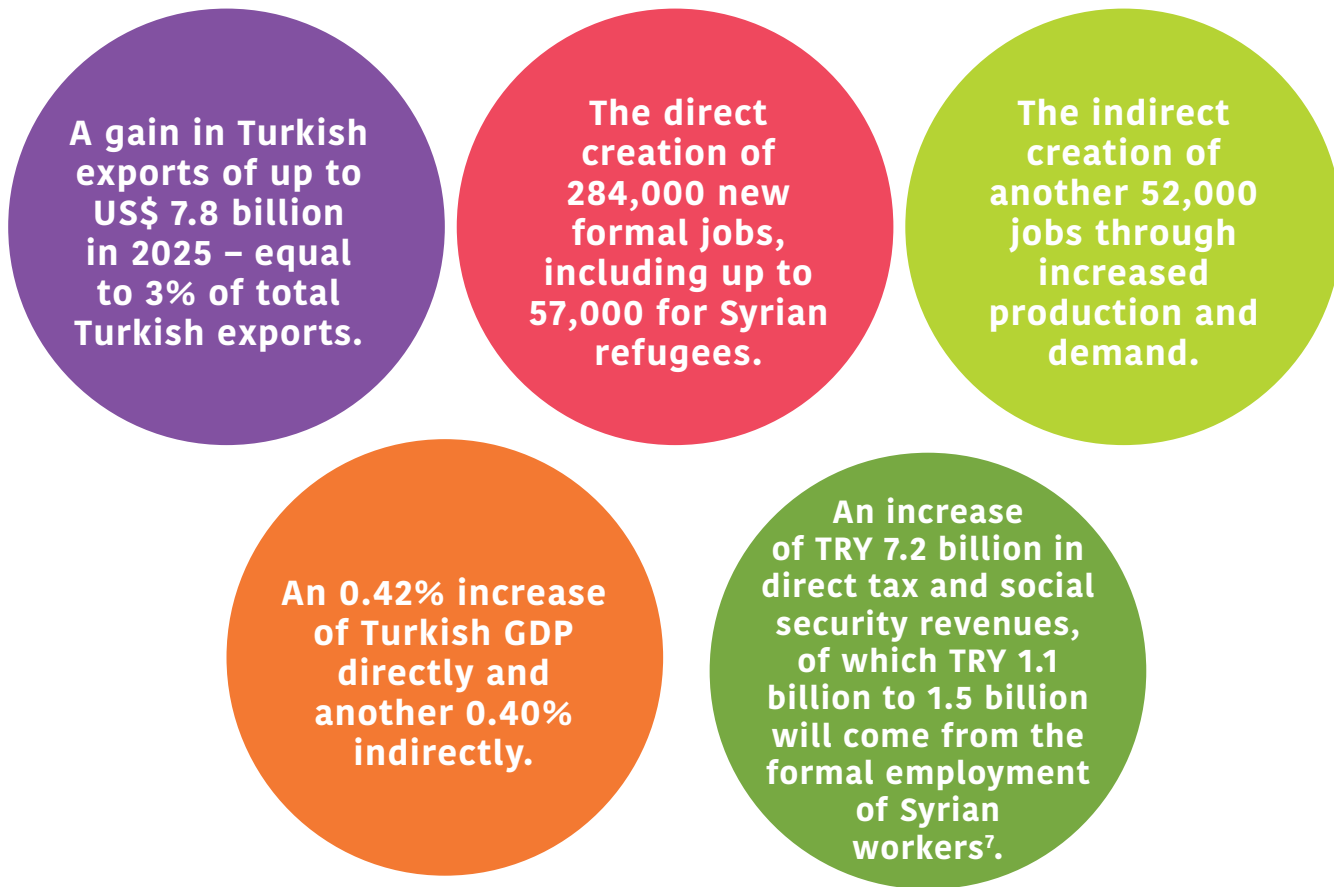


Figure 1: Total estimated job creation in 2025

Market	Scenarios (increase in trade to targeted markets)	
	50% opening of the export market	100% opening of the export market
USA garments	46,048	189,518
Canada garments	14,663	35,870
EU agriculture	16,944	42,871
EU food industries	4,448	15,659
EU total	21,392	58,530
<b>Total jobs created</b>	<b>82,104</b>	<b>283,918</b>

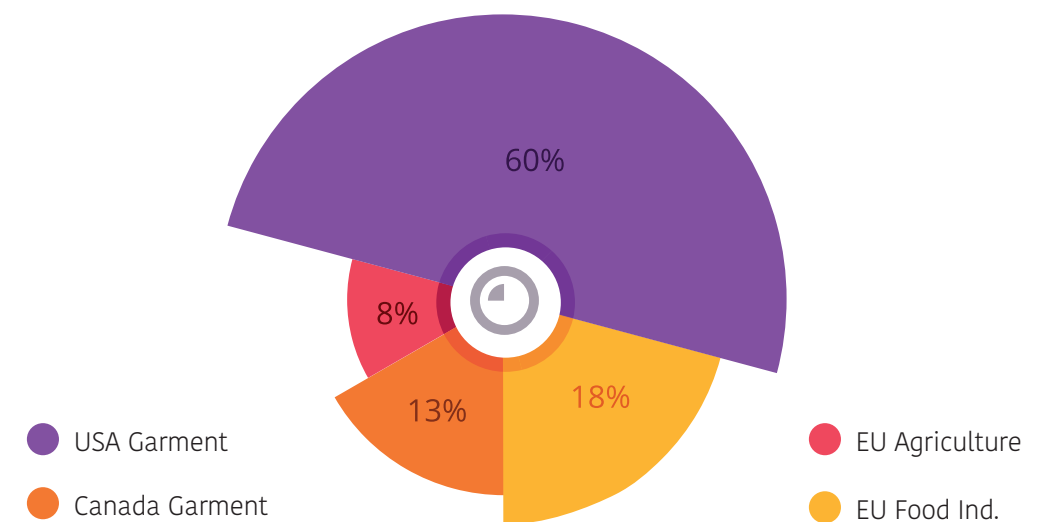
The figures above present an estimation of jobs that can be created, which are based on a partial and full opening of export markets in the targeted sectors in USA, Canada and EU. In order to build on the full impact of the Türkiye Compact, the figures above rely on an increase of the legal quota for the number of refugees per enterprise in the targeted sectors to 20% minimum, from the current maximum 10%. If the

ratio of Syrian workers remains at 10%, the impact on the Syrian formal employment will remain modest.

The major source of additional revenues would come from the growth in the export of garment-related products to the US and Canadian markets. Garments sold to North America would account for three-quarters of the cumulative export gains in the best scenario. Additional

agriculture exports to EU would be important but less impactful. The feasibility study also explores other possible trade partners in various regions, such as the Gulf countries, Latin America, the Maghreb, Asia and the United Kingdom. Yet the analysis shows that the biggest impact on job creation would come from the US, Canadian and EU markets.

Figure 2: Export growth by markets (best scenario)



<sup>7</sup> At the 2022 semester 1 average exchange rate (1USD= 14,8 TRY), TRY 7 236 million would be valued at USD 487 million; TRY 1090 million at USD 74 million, TRY 1450 million at USD 98 million.



## geographic restrictions and quotas on Syrian refugee employment would need to be re-examined

To implement the Türkiye Compact, Türkiye and its economic partners would need to agree on special trade agreements of at least ten years' duration with the explicit aim of promoting employment

## Establishing the Türkiye Compact

of Turkish and Syrian workers. To derive the greatest benefit from these accords, geographic restrictions and quotas on Syrian refugee employment would need to be liberalized to use the full potential of the available work force.<sup>8</sup>

**Trade preferences should focus on labour-intensive sectors such as garments<sup>9</sup>, agriculture and food products.**

**Further research should show how Organized Industrial Zones (OIZs)** in locations with a high density of refugees could form the basis of a regional development approach under the Türkiye Compact. With their developed logistics and infrastructure, OIZs already offer a strong platform for

international trade. The availability of a new set of export-oriented incentives and their integration into a wider local development framework will strengthen the attractiveness of OIZs for both refugees and host community members. OIZs in East Anatolia (e.g. Polateli) could serve as a designated pilot to test the potential of the Türkiye Compact.

**The Türkiye Compact promises to improve compliance with international labour standards, environmental protection rules and the principle of equality of men and women. The focus on formal employment will help combat child labour and other abuses to which workers in the informal economy are exposed.**

## Next Steps for the Türkiye Compact

To successfully implement the Türkiye Compact, UNDP recommends the following next steps and commitments for stakeholders, including Governments, the private sector and development partners

### The Turkish government should:

**Establish a monitoring system to assess the contribution of the refugee workforce to the production of exported goods.** This will also provide a framework of transparency and accountability for Turkish enterprises to formally employ refugees, as a prerequisite to be part of the Compact, that in turn will contribute to improving the working conditions of refugees as well as complying with environmental safeguards.

**Expand the freedom of movement for refugee workers in a targeted way.** In the current context, the restriction that refugees may only work in the province of registration poses a significant barrier to their employment. In the specific context of the Türkiye Compact, lifting such restriction will allow a better match of skills and experience, leading to increased productivity for the private sector.

**Grant work permits that are flexible and applicable across the country allowing employees to apply for permits and transfers between jobs.** The current work permit system relies on the employers' will to make the application to formalize refugee workers. Some employers find the work permit application to be burdensome. Easing the application process – through measures such as reduced documentation, more integrated information systems, allowing potential employees to apply for work permits themselves, and allowing workers to change jobs – would facilitate the formalization of employment.

**Align social assistance programs to complement refugees' transition into the formal labour force.** While it is critical to maintain social assistance programs for the most vulnerable, the Emergency Social Safety Net (ESSN) and other assistance programs should emphasize a transition to employment approach which will preserve some income security for beneficiaries entering the formal labour market.

**Increase the maximum quota for Syrian workers from 10% to 20% per enterprise in the sectors targeted by the Türkiye Compact to ease access to formal jobs for refugees**

**Ensure that wages and working conditions in the sectors covered by the Türkiye Compact are sufficiently attractive to refugees.** A key lesson learned from the Jordan Compact shows that factors such as working hours, pay and commuting time all factor into job acceptance and retention. Refugees should be reassured that their acceptance of formal jobs will not undermine their status, access to services and social protection. Specifically, socio-economic inclusion policies should take into consideration challenges faced by refugee women and need to be tailored to their specific needs.

<sup>8</sup> 3RP-TRC Task Team on Transition and Referrals to Livelihoods, Policy Brief, September 2022.

<sup>9</sup> Notably with HS 61 (Articles of apparel, accessories, knit or crochet); HS 62 (Articles of apparel, accessories, not knit or crochet).



Photo: Levent Kulu

## The Turkish private sector and its chambers of commerce, industry associations and platforms should:

### Conduct specific assessments in collaboration with exporters and industry associations to identify and decide on market targeting for products with the highest export potential.

Trade preferences to increase exports have the greatest potential for labour-intensive goods such as garments, clothing or food products. To identify the needs, targets, and trade barriers of exporters, producer and exporter associations in the textiles and agriculture sectors should be consulted to identify products with the highest export potential for US, Canadian and EU markets. The early involvement of the private sector will be an opportunity to present the advantages of recruiting Syrian workers within the Türkiye Compact.

### Inform employers through awareness-raising campaigns about the opportunities provided by the Türkiye Compact, requirements for inclusion and the rights of workers.

The private sector should be made aware of the advantages if they employ refugees, and of their rights and responsibilities towards refugee workers to prevent exploitation. Negative stereotypes should be dispelled through evidence-based awareness-raising initiatives while measures to favour diversity and inclusion should be promoted.

## Countries prepared to enter into preferential trade agreements should:

### Ensure that trade preferences create a powerful business incentive and generate substantial benefits that can be identified and anticipated by the private sector.

Restrictions on the application of trade benefits – such as limitation on the locations, sectors, or number of products to which benefits apply – can weaken the incentive to invest and create jobs and undermine the impact of trade preferences.

### Develop clear conditions, including the refugee employment component, to allow trade liberalization to be effective and generate sustainable effects.

Trade preferences must be predictable and stable enough to encourage the private sector to plan new investments, marketing projects and exports.

## Development partners including other UN agencies and NGOs should:

### At the operational level, apply mechanisms to ensure that trade preferences translate into job creation for refugees and host communities by designing all training components in partnership with the private sector.

Raise refugee skill levels, including in Turkish language, to match labour market needs.

### Design a communications campaign, together with the Turkish government, to promote the Türkiye Compact.

To mitigate any risk of politicization, the public needs to understand the benefits of the Türkiye Compact for the Turkish economy, private sector and host community members.



## UNDP should:

### Advance the Türkiye Compact by establishing a steering committee of key Government agencies and international partners,

building on the networks already established through the 3RP and other coordination structures. UNDP will work hand-in-hand with Government counterparts, including the Ministries of Trade and Industry and Technology, to engage other key public-sector actors.

### Provide additional technical inputs to advance the Türkiye Compact, including:

- Clarify the geographical scope of the Türkiye Compact privileges and whether the trade privileges apply to all exporters in Türkiye or to specific sectors/regions/areas only,
- Explore the opportunity for subsidies to encourage employers to formalize employment of refugees considering for example the lessons learned from the case of Jordan,
- Strengthen the involvement of local actors such as chambers of commerce and industry as key partners in the Türkiye Compact design, for example through further technical and human resources support.

Photo: Mustafa Bilge Satkin

TÜRKİYE COMPACT POLICY BRIEF



## About UNDP

As the development arm of the United Nations system worldwide, UNDP works with governments, communities and partners in finding innovative development solutions to address acute, protracted forced displacement. UNDP, with its focus on resilience programming and as a convener on the nexus approach in the region,

has generated a wealth of knowledge on development approaches to prevent, respond and support solutions to displacement. The development dimension of protracted displacement requires a more long-term approach that unlocks durable solutions. UNDP's vision consists of promoting and supporting transformative approaches

to ensure that short-term responses have long-term impacts towards solutions that are adaptive and sustainable. In the context of 3RP (Regional Refugee and Resilience Plan), UNDP Türkiye has expanded its engagement with the private sector to better articulate the development dimension of the refugee response in pursuing durable solutions.

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