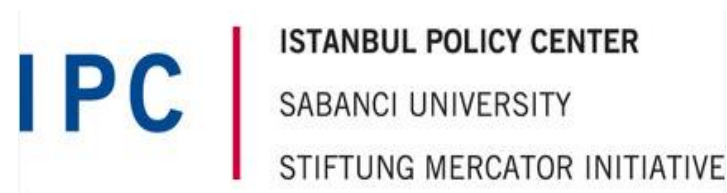


IMPACT INVESTING IN TURKEY: A SNAPSHOT AND STORIES FROM THE FIELD

CLIMBIZ Emerging Europe Impact Day

26th September 2013

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Agenda

1. DEMAND OF CAPITAL: Voices from social and green entrepreneurs in Turkey
2. SUPPLY OF CAPITAL: What do international impact investors think about Turkey?
3. PERSPECTIVES: Where do you want to go?

Focus: Organisations that intentionally pursue a measurable social or/and environmental objective; are innovative; concept of (financial) sustainability

Charities	Enterprising ,NGO‘	Hybrid	Social business	Commercial Corporations
<p>Non profit</p> <p>Relies entirely on ad hoc and short term grants, subsidies, fundraising</p> <p>No market activities</p>	<p>Non profit organisation</p> <p>Own revenue generation (combined with other sources of income)</p>	<p>Organisation with social mission and for profit activities</p> <p>E.g. for profit model to support activities of non-profit</p>	<p>For profit company with social mission</p> <p>Reinvests x% or more of its profits back into its core social activities</p>	<p>Financial first/full profit objective</p> <p>Possibly some CSR activities</p>

Social returns ←

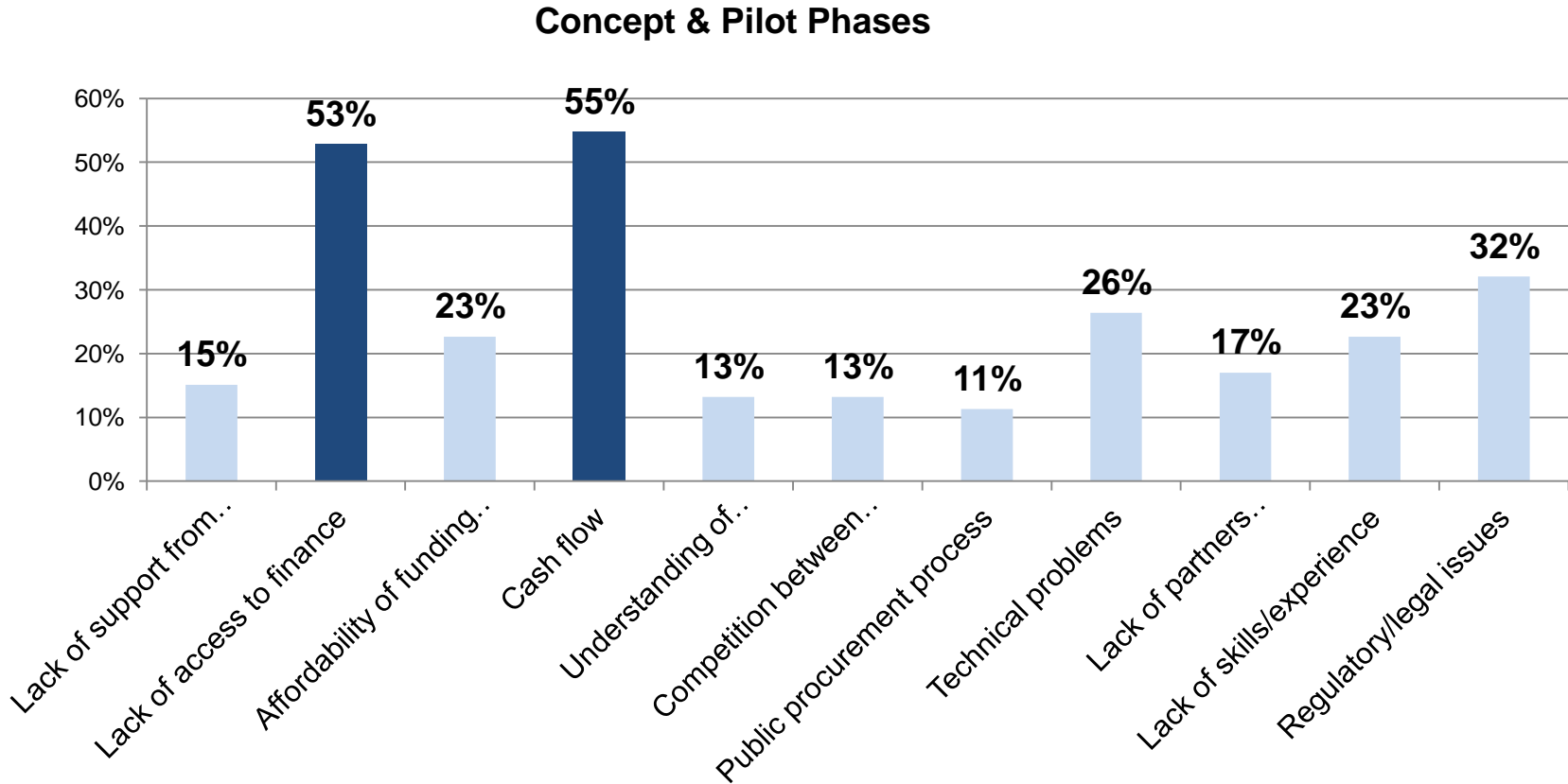
→ Financial returns

Survey responses reflect the diversity of the 'impact entrepreneurship' field in Turkey

- From deep roots in civil society and non-profit versus market driven, technology based social entrepreneurship
- Many organisations are rather **small** (64% < USD 250,000 in annual revenues), but **optimistic about growth**
- **16% are start ups**, 28 % active for more than 10 years
- **52% cover their cost** or expect to break even in the next 1.4 years (on average)



Lack of access to finance and cash flow are particularly challenging during early stage



The conditions for starting up and scaling a social and green venture are difficult in Turkey

“I spent 2 years talking to people having the same conversation over and over again about my idea and everyone has turned their back.

[...] I cant tell you how many aid organisations did not want to support us because we were not a non-profit and how many investors did not want to finance us because we were too socially oriented.”

Interview 4

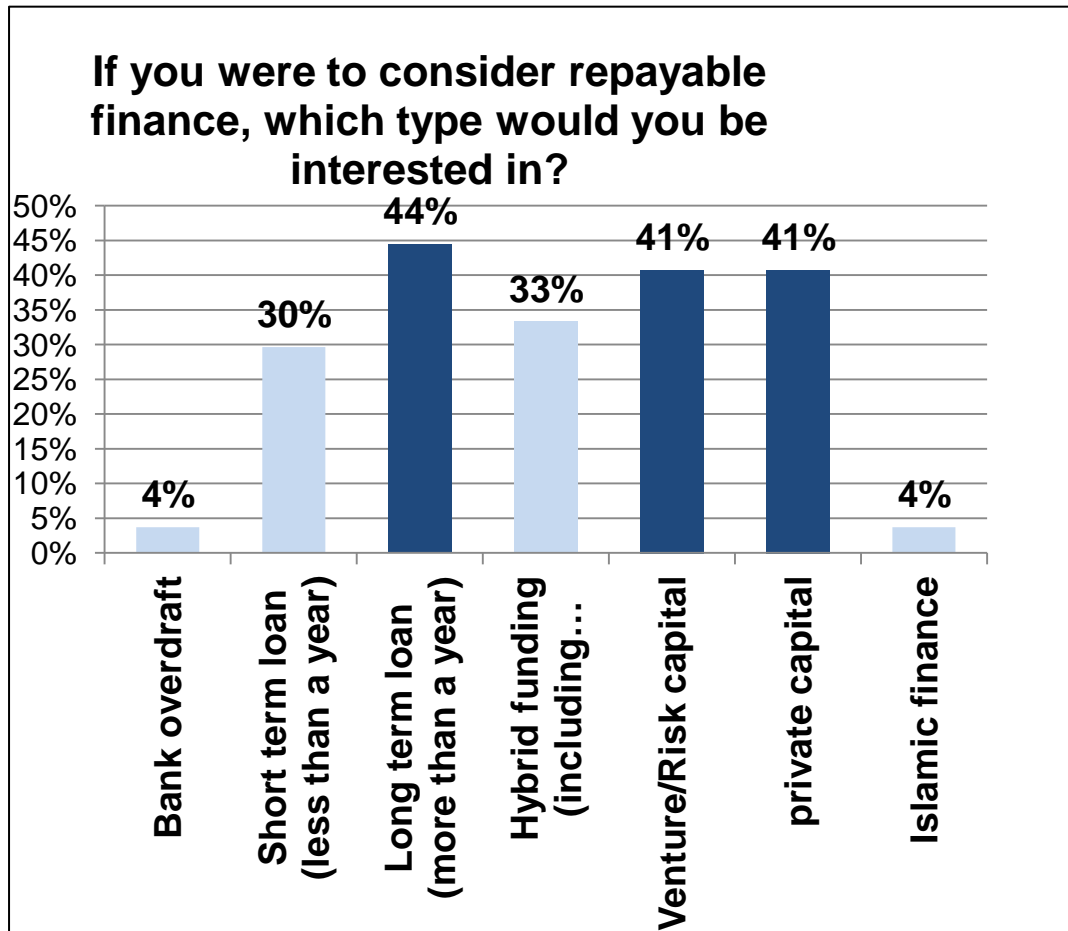
There is significant interest in 'repayable finance' (debt and equity)

34% actively seek repayable finance while only 7% have successfully secured repayable finance. 39% would like to know more about the subject.

Q: Assuming you would need external financing would you be interested in repayable finance? (Please select all that apply)

	SocEnts	Green Ents	Social and Green Ents
Successfully secured repayable finance	3%	18%	7%
Tried but have not yet successfully secured repayable finance	12%	9%	11%
Actively seeking repayable finance	27%	55%	34%
Interested to know more/to see if suitable	42%	27%	39%
Not interested in repayable finance	21%	9%	18%

A large number of those interested in repayable finance would consider long term loans or VC/PE (<USD 250,000)



Financing needs:

- 35% would seek up to USD 50,000
- 43% up to USD 250,000

It needs more than just finance: support for 'opening doors' and accessing networks

“In Turkey there are two tracks: there is the track if you do it like a normal person you get nowhere. And there is the aristocrat track: if you know someone who can vouch for you, everything happens really fast and you get your things done.”

Interview 4

Many (social) entrepreneurs lack strong peer support networks and collaborations

“ I wanted to discuss my business with other entrepreneurs and see where we can collaborate but they think I only want to steal their ideas. There is a huge mistrust even amongst us and everybody works alone.”

Interview 7

Definition, measurement, valuation and accounting for social and environmental impact not widespread

- 48% collect information on their impact at least once a year
- 42% of the respondents publish reports on the organization's social/environmental impact. BUT: only 5 were publicly available from websites
- Often focus on activities and inputs rather than impact

Human resources capacity are one of the most overlooked constraints in this field

“In Turkey, we expect people to volunteer when working for the social good or the environment. There is no such thing as a professional career in this field.

I would love to devote the next two years to bringing my social enterprise up to speed and grow it. But then I would be out [of the corporate sector]!”

Interview 10

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Social capital markets and finance in Turkey: not geared towards social ventures and innovators

- Family & friends
- DFI (IFC, KFW, EBRD, AFD) important providers of sustainable debt and equity finance
- Microfinance industry surprisingly underdeveloped
- Opportunities with regional schemes, innovation funds, SME programmes, guarantee schemes?
- Turkey not included in the geographical coverage of most impact investing funds



What do international impact investors think of Turkey? And where are they?

- Market size estimated at USD 400bn to 1 trillion in assets
- Investors committed USD 9bn for 2013 (focus on US and UK market)*
- Increasing emerging market activities (China, Brazil, South Africa) in addition to developing countries
- *JPMorgan 2013

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What do you think of Turkey?

“Dynamic”, “Entrepreneurial”, “bridge between continents” “spent my honeymoon in Istanbul” ...

“[...] But there are growing inequalities, rural and urban development issues, violation of women rights, religious, ethnic and cultural tensions. In my view, Turkey is ripe for social investment.”

Interview No 14.

A majority of interviewees have not considered an engagement in Turkey. Why?

*LACK OF PERSONAL CONTACTS: “You find out more about what is happening in a certain country when you go to these **conferences**, you meet someone or when **you hear about a successful social entrepreneur** from someone you know. It is a lot **about personal contacts**. I have simply not met anybody from Turkey in this field before you contacted us.”*

Interview No 10.

Or stopped to engage. Why?

*CAPACITY: “We had been in touch with two social enterprises in Turkey during the past months. One did not match our investment criteria. The other one **has been unreliable and did not know where they wanted to go and what they wanted from us.**” Interview No 13*

*HIGH EXPECTATIONS: “We looked for a long time. There are simply only a handful of relevant options and **none was profitable**” Interview 5*

Impact investors see a range of options for their involvement beyond one-off investments

- Use their experience to provide advice to an individual family office or a foundation in Turkey on their engagement strategies;
- Play an advisory role in helping to set up a locally funded and managed social investment vehicle;
- Act as a (temporary) fund manager to share their knowledge and expertise, and train local staff, if a social investment vehicle had been set up in Turkey.

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There are significant opportunities to grow this field in Turkey



- Young, social media and tech-savvy population
- Recognition of high profile social entrepreneurs and interest in topic
- Big corporations: potential for intra-preneurship, scaling and JV/social business
- Wish to align personal values with investment strategies
- Turkish family foundations and Turkish diaspora



What is your vision for a mature 'social impact market' ?



Effective social impact markets have some common characteristics

1. Vulnerable groups not recipient of aid but as partners, owners, clients, suppliers
2. Government leadership matters
3. Don't forget the intermediaries!
4. "Supply of capital creates demand!"
5. Accept the hybrid, in-between world, grey area – and work with it!
6. "Nobody can do it alone" – from ego-system to eco-system

And what can you do?



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