SOCIAL IMPACT MARKETS & POLICIES

Building a Social Entrepreneurship and Social Investment Marketplace in Turkey: Landscape, Best practice and Policy Options

Project presentation

1\textsuperscript{st} November 2012

www.socialimpactmarkets.org
Agenda

1. Background
2. Relevance for Turkey
3. The project
Why does social innovation matter in our societies?

- Socio-economic challenges in housing, education or health in many countries at unacceptable levels – including Turkey
- Climate change, environmental degradation deepening
- For emerging economies such as Turkey: poverty and fast growth of new wealth next to each other
- Limitation of existing approaches of governments, civil society => need to do things differently and work across traditional boundaries
This field is about blurred boundaries & in-between worlds and no agreed definitions

Social entrepreneurship: Primarily social or environmental objective, both for profit and non-profit, innovative and entrepreneurial in their approach, generating revenues

Social investment: Various forms of financing between ‘financial returns only’ and ‘impact only’

Social innovation: Innovations (=making new ideas work) that are both social in their ends and their means.

Sustainability entrepreneurship: Moving from ‘either …or ‘ to ‘and’! Too good to be true?

Important elements of a social entrepreneurship definition:

- Creating a social AND/OR environmental impact intentionally
- Innovative (=making new ideas work) in terms of process, products or services
- Involved in trading/revenue generating activities
- Ideally combining economic, green and social dimensions = sustainability entrepreneurship

Focus: sustainable & innovative for profit and non-profit organisations that intentionally aim at generating a social/environmental impact

Charities
- Non profit
- Relies entirely on grants, subsidies, fundraising

Enterprising NGO
- Non profit
- Financially sustainable
- Strategic partnerships

Hybrid
- Organisation with social mission
- Financially sustainable through own income generation

Social business
- For profit company with social mission
- Reinvests x% or more of its profits back into its core social activities

Commercial Corporations
- Full profit (with some CSR activities)

Social returns → Financial returns

Based on: Wolfensohn Centre for Development at Brookings (2011): Social Entrepreneurship in the Middle East
So what is the role of government, what can they do to grow this emerging field?

Options for policy interventions range from direct interventions to enabling action, including: (co-) financing; legal regulations; building market infrastructure; public procurement; tax incentives.

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<thead>
<tr>
<th></th>
<th>Supply development</th>
<th>Directing capital</th>
<th>Demand development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government influence</td>
<td>Investment rules and requirements</td>
<td>Taxes, subsidies, reporting requirements, intermediation</td>
<td>Enabling ‘corporate’ structure</td>
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<tr>
<td>Government participation</td>
<td>Co-investment</td>
<td>Procurement</td>
<td>Capacity building</td>
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Thornley et al (2011): Impact investing – a framework for policy design and analysis
There is a lot going on in this areas outside Turkey.....
## A few global examples of social innovation at government, investment and enterprise level

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Social Impact Bonds (UK)/Pay for Success Bonds (USA)</td>
<td>Pay-out to social investors is linked to the government savings achieved by delivery of certain social outcomes (e.g. reoffending rate amongst prisoners) with support by social organisations</td>
</tr>
<tr>
<td>Bonventure (Germany)</td>
<td>Social Investment Fund investing in social enterprises in Germany (equity, loan, grants) in education, environment, democracy projects</td>
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<tr>
<td>Kiva (USA)</td>
<td>Non profit that allows individuals to lend small amounts of money to people in developing countries via field partners (incl. Turkey)</td>
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<tr>
<td>Skoll Foundation (UK)</td>
<td>Investor in SE worldwide; established Skoll Center for SE at Oxford University; Skoll World Forum; socialedge.co.uk online community</td>
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<tr>
<td>Ciudad Saludable (Mexiko)</td>
<td>Less expensive garbage systems, organized more than 1,500 waste collectors, created jobs, improving living conditions for &gt; 6 mio, replicated around the world.</td>
</tr>
</tbody>
</table>
And what is happening in Turkey?

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Turkey’s economy has been on the rise in the last decade.

- The world's 15th largest economy
- Fastest growing amongst OECD countries in 2011 (8.9%)
- GDP/capita: $14k (Brazil $11k, India $3k, Russia $16k)
- 50% of 72 mio pop below 28y
- Anatolian Tigers contribute much of the boom (textile and furniture)
- 35 mio internet users, second fastest growing e-commerce market
- A regional and global player with increasingly self confident international diplomacy
However, Turkey is often placed at the bottom in social, environmental rankings.

<table>
<thead>
<tr>
<th>Issue</th>
<th>Rank/%</th>
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<tbody>
<tr>
<td>UN Development Index 2011</td>
<td>92nd/187</td>
</tr>
<tr>
<td>Legatum Prosperity Index 2012</td>
<td>75th/110</td>
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<tr>
<td>Year of school attendance 2009 (ERI data)</td>
<td>115th/173</td>
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<tr>
<td>Adult literacy rate 2009 (ERI data)</td>
<td>73rd/141</td>
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<tr>
<td>Freedom of press index 2011-12</td>
<td>148th/179</td>
</tr>
<tr>
<td>Yale University Environmental Performance Index</td>
<td>109th/132</td>
</tr>
<tr>
<td>World Economic Forum Gender Equality Gap Index 2012</td>
<td>122nd/135</td>
</tr>
<tr>
<td>% of female mayors in Turkey</td>
<td>0.8</td>
</tr>
<tr>
<td>% of women facing violence</td>
<td>42</td>
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</tbody>
</table>
There are some amazing Turkish social entrepreneurs and new initiatives that have emerged in the past two years.
B-Fit offers women the space to gain fitness combined with a franchise system => scaling up and women become entrepreneurs themselves.
Cop(m)adam*, a for-profit venture, addresses waste problem in cooperation with Unilever while creating income-generating opportunities for local women

* Started as a project out of Sabanci University
Zumbara: ‘time bank’ for individuals to exchange services without money emphasizing the value of reciprocity, time and personal relationships
Ashoka re-launched their operations in Turkey in 2011

Ibrahim Betil
TOG
Youth development

Omer Madra
Acik Radio
IPC Senior Fellow 2012/13

Nasuh Maruki
AKUT
Rescue Service

And many others…..
http://www.ashoka.org/country/turkey
What are elements that play a role in the Turkish ecosystem for social entrepreneurship and impact investing?
Entrepreneurship climate: (Social) entrepreneurship is a new concept - and a unusual career path for many Turks.

“When I told my parents I wanted to work on social and environmental issues instead of joining the family firm, they told me I was crazy”

Z. T., owner of a sustainability consulting firm, Istanbul

- Jobs with Governments or multinationals preferred
- Only 6 out of 100 are entrepreneurs and most ‘by necessity’
- Entrepreneurs ‘by choice’ often discouraged by their families
- Turkey one of the most difficult countries to do business (143rd/184)*
- Combining the notion of ‘business’ and ‘social’ would seem as a misfit to many Turks

*WB Doing Business Indicators 2011
Social capital markets and finance: Developing – slowly.

- Family and friends still main source of finance
- Turkey not included in the geographical coverage of most impact investing funds
- Development Finance (IFC, KFW/DEG, EIB) main providers of sustainable debt and equity finance
- Kiva partnership since 2011, but generally microfinance industry surprisingly underdeveloped
- Foundations started with grant making in 2008
- Some incubation, seed financing for entrepreneurs (youth, IT, women)
Social cohesion: Strong friend & family networks, but other connections not always easy

- Turkey ranks 136th/153 in the World Giving Index 2011
- Low level of trust in others (8%), i.e. in people outside the family and friends network*
- Access to opportunities (education, jobs and economic status) strongly correlated with socio-economic background and personal connections*
- Little tolerance for minorities and immigrants*
- Polarisation (e.g. constitutional referendum voting patterns)

*I didn’t want to discuss my business with other start up 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."

M.N., IT and social media entrepreneur, Istanbul

*Legatum Proseperity Index 2011
State & Partnerships: There is (still) a high confidence in the State as a provider of social welfare

- The State (together with mosques and religious institutions) traditional seen as the main provider of social welfare
- Traditionally centralised, top down approach in politics and business, little local management and participation
- Civil society historically weak

BUT:
- Increased participation and engagement by civil society
- PPP legislation introduced recently (2011)
- Strong separation between public, private and civil society
Despite challenges there are significant opportunities to grow this field in Turkey

- Young, social media and tech-savvy population
- Increased recognition of high profile social entrepreneurs in society
- Big corporations: potential for intra-preneurship and JV/social business
- Potential for innovative financing mechanism (both public and private)
- Turkish family foundations and Turkish diaspora
- Capacity of civil society and grass root movements is increasing
- Increased awareness of international developments in Turkey – and international attention on Turkey
- Government interested in SE
What does it take for this ‘market’ to develop in Turkey?

- **Uncoordinated innovation**
  - Sporadic entrepreneurial activities
  - Disruptive innovators pursue new business models

- **Marketplace building**
  - Market infrastructure (intermediaries) built
  - => lower transaction costs higher scale

- **Growth**
  - Mainstream players enter a functioning market
  - Organisations become more specialised, professional
  - Impact at scale

- **Maturity**
  - Activities reach relatively steady state and growth rates slow
  - Consolidation
  - New disruptions

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What are our main research questions?

1. Who are these new social entrepreneurs, what are their strategies and constraints?
2. What is the perception of funders and investors in Turkey and internationally? What is keeping them away from engagement and investment in value driven organisations in Turkey?
3. What are specific issues with regard to green entrepreneurship compared to ‘normal’ social entrepreneurship?
4. What can the Turkish Government do to promote this emerging field?

Building a marketplace for social entrepreneurship & social investment in Turkey
Project objective: strengthen the eco-system for Social Entrepreneurship and Social Investment in Turkey

Input

Task 1 – 5
(More details see below)

Output

Data
Briefing documents
Blogs
Reports
Policy recommendations

Outcome

Outcome 1: Key player’s awareness, interest increased
Outcome 2: Better policies developed
Outcome 3: Lessons learned prepared, contributed to international debates

Impact

Eco-system for social, environmental innovation in Turkey strengthened
Social and environmental challenges reduced
The work benefits from support and collaboration with various partners.

**Focus:**
- IPC: Social entrepreneurship and the role of Government in Turkey: best practice and policy options in the climate change sector

**Additional task**
- Survey data
- Cross-sectoral
- Legal & regulatory work
- Focus on impact investing

**Collaboration:**
- TEPAV
- Thomson Reuters Foundation
- Sabanci University
- Turkish Government Sector stakeholder (TUSEV, Ashoka)

**Rockefeller Foundation (PCV/IRI at Harvard University):**
- Building a marketplace for impact investing in Turkey: landscape and policy options
An outline of the building blocks of the ecosystem – and the project design

Task 2 & 4

Policy, regulatory & legal framework
- Government

Task 3

Market
- **Demand**
  - Social and green entrepreneurs
- **Supply**
  - PE&VC funds, DFI, banks, foundations, government, business
- **Intermediaries**
  - Investment advisors, SE trainers, rating and evaluation agencies, private business

Task 3&4

International Context
- Perception by potential investors and support organisations
- Social venture models
- Development of marketplaces
- Best practice policy interventions
The work will be implemented in five steps

1. **Preparation**
   - Conceptual background
   - Questionnaires
   - Interview guidelines
   - Lawyers ToR

2. **Framework review**
   - Relevant policies
   - Legal & regulatory framework
   - Socio-economic & cultural context

3. **Market Review**
   - Demand side
   - Supply side
   - Intermediaries

4. **Policy options**
   - International experience
   - Policy options for Turkey
   - Legal Financing
   - Other

5. **Outreach**
   - Briefing sessions
   - Blog
   - Working group meetings
   - Liaison with internat
   - Experts/Practicioners
   - Workshops
   - IIPC annual conference
The core of the work will be implemented in the next 8 months

| Task 1: Mobilize and refine research methodology |
| Task 2: Review policy, legal and regulatory framework |
| Task 3: Carry out market review |
| Task 4: Identify policy options |
| Task 5: Consult and disseminate findings |

| Work schedule |
|---|---|---|---|---|---|---|---|---|
| Project duration |
| Month 1 | Month 2 | Month 3 | Month 4 | Month 5 | Month 6 | Month 7 | Month 8-10 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 |
Outputs: briefing documents, blogs, project reports, project workshop (IST), international conference (LON)

<table>
<thead>
<tr>
<th>Outputs and meetings</th>
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<tbody>
<tr>
<td>Output 1: Introductory material</td>
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<tr>
<td>Output 2: Methodology refinement</td>
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<td>Output 3: Social media presence</td>
</tr>
<tr>
<td>Output 4: Legal and regulatory review briefing</td>
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<tr>
<td>Output 5: Social enterprise survey results</td>
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<tr>
<td>Output 6: Market briefing</td>
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<td>Output 7: Policy options briefing</td>
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<td>Output 8: Project report for publication</td>
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<td>▲ Output</td>
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<td>▪ Meeting</td>
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<th>Milestones</th>
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<tr>
<td>Project Conference Istanbul</td>
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<td>IIPC Annual Conference</td>
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<th>Project duration</th>
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<td>Month 8-10</td>
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<td>21 22 23 24 25 26 27 28</td>
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Outreach: listening, gathering data, conceptualising ideas, identifying best practice, connecting, raising awareness, facilitating policy change

- Project website and presentation
- Social media presence: LinkedIn group, LinqTo; Facebook
- Collaborative approach
- 2-3 workshops during the project
- Participation at international conferences
- Project workshop in Istanbul
- Presentation at international conference IIPC London 2013

http://www.socialimpactmarkets.org
Please get in touch!

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