

ANKARA DEVELOPMENT AGENCY

Social Development Unit

INTERNSHIP REPORT

"Impact Analysis of Financing Models and Measurement Method Evaluation"

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1. Executive Summary

This report explores impact investing as an alternative solution to the inefficiencies and sustainability challenges of traditional grant funding. Impact investing aims to make social impact measurable and quantifiable, enabling investors to realize both financial and social returns. As an alternative to the high risk of venture capital, impact investing will play an important role in the sector in the future with its Impact Management Methods (IMM), analysis methods that will reduce risk and increase efficiency, and will make a significant contribution to achieving sustainable development goals. Especially in Turkey, increasing social needs and demand for innovative solutions increase the growth potential of impact investing.

1.1 Purpose of the Study

- To examine the emergence and development of impact investing in a historical perspective.
- Analyze the inefficiencies of traditional grant funding and the advantages of impact investing.
- Address different financing models and measurement methods of impact investing.
- Evaluate the practices and potential of impact investing in Turkey and globally.

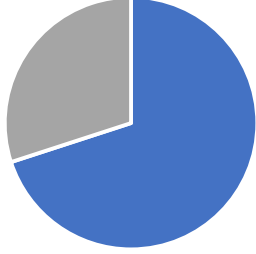
1.2 Management and Methods

- Review of impact investing literature.
- Analyzing different examples of impact investing.
- Examination of the methods used to measure and evaluate impact investing.
- Examination of impact investment projects and initiatives in Turkey.
- Measurement and evaluation of impact investments involves setting objectives, selecting indicators, collecting data, analyzing data, assessing results and reporting. For example, an impact investment fund that supports children's education in poor areas can measure the impact of the investment using indicators such as school enrolment rate, student success rate, dropout rate and life skills development. Analyzing this data helps to determine the level of achievement of the investment's objectives and its positive and negative impacts.

1.3 Main Findings

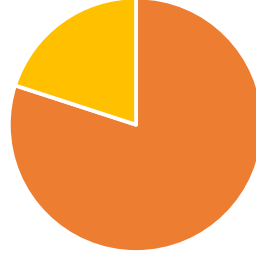
- The market size of impact investing is growing rapidly, reaching USD 550.52 billion in 2024, with a compound annual growth rate (CAGR) of 15.1%. (Research & Markets GM Report. 2024.) There are 240 SIBs (Social Impact Bonds) and 18 DIBs (Development Impact Bonds) (GoLab, 2024).
- Impact investing is an important tool to increase the independence and resilience of social sector organizations, fostering long-term sustainability and innovation.
- Measurement and evaluation of impact investment is carried out through impact measurement and management methodologies, software and sustainability reporting standards. It is an appropriate tool to realize the Sustainable Development Goals.
- While impact investing in Turkey is still in its early stages, there is growing interest and potential. In 2023, ISTKA launched the first social impact bond in Turkey.
- According to the latest report by [KPMG](#) (Klynveld Peat Marwick Goerdeler Tax and advisory services), venture capital investments in Turkey increased by 40% in the first half of 2024, with not only profit but also social impact being considered. With 70% of all GDP provided to the technology sector, "Fintech" became the most funded investment area and started to be supported by public policies.
- Products such as Istanbul Coding Bond, Founder One, Ünlü Portfolio Idacapital Acceleration, Merchant Private, İş Portfolio GDPF will increase, and these investments will be mathematized and monetized through impact analysis and management.
- For example, when we fund one of the bonds with revenue anticipation financing, a predetermined interest rate is paid to investors if the target is met. This creates the impetus to move projects forward and the strategy is improved with post-financing yield checks.

Breakdown of Venture
Capital Investments
(2024 First Half)



- Technology Driven Initiatives
- Other Sectors

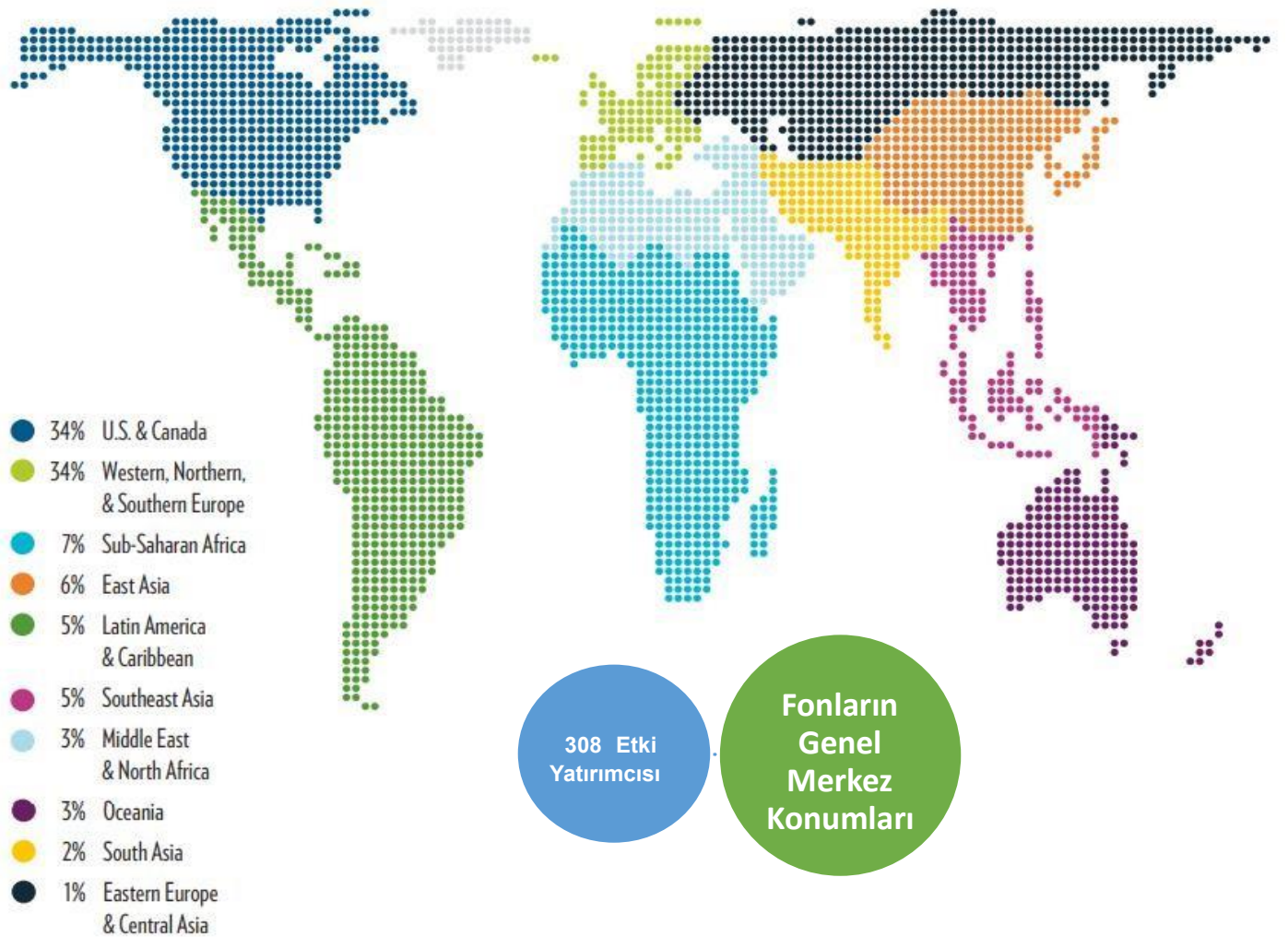
Types of Impact
Mutual Funds (First
Half 2024)



- Available Funds
- Newly Established Funds

Source: E&E Law Firm. (2024). Start-ups and GDP 2024 January-June Report.

n = 308



1.4 Conclusions and Recommendations

- Failure to measure the social impact of grants and subsidies leads to cost overruns and inefficiencies. Impact investing and measurement minimizes this inefficiency through alternative funding rules.
- Impact investing enables more efficient and sustainable investment decisions by considering social and environmental impact in addition to financial return. Globally, \$40 trillion of investment assets are managed by managers, of which \$2 trillion is dedicated to impact investing. The growing importance of fintech, green investing and clean energy is making impact investing more strategic and positively transforming the economy.
- Impact measurement is easier to calculate than risk measurement and will become a standard measurement in 20-30 years as Generation Y and X become capital owners and sustainable investments come to the fore.
- [One study](#) shows that impact investing can play an important role, especially in developing countries, and can provide important insights to entrepreneurs, investors and policy makers (Nigam, N. (2020)). While business experience is of low importance for funding, the size of the entrepreneurial team, their education, and especially their social media networks are important. Technology startups are most important.
- Awareness campaigns should be organized in cooperation with the public and private sectors to increase awareness of impact investing in Turkey.
- The establishment and support of impact investment funds should be encouraged to provide more resources to social entrepreneurs. Policies on alternative investment models (Forgivable Loan, Revenue Shared Funding, Convertible Loan, Blended Funding) should be put in place to reduce the inefficiency and cost of the grant.
- Standards and methodologies for the measurement and evaluation of impact investment projects should be developed and implemented. Methods such as IMM will reduce the risk of high-risk investments such as venture investing and impact investing.
- Research and studies analyzing the risks and returns of impact investing should be supported. Intermediary institutions, universities and NGOs should conduct R&D studies.
- As it is important that data reflects reality in impact measurement, oversight and enforcement mechanisms should be strengthened to ensure the provision of consistent data.

2. The Emergence of Impact Investing

Historically, social sector organizations have typically been funded through donations and grants. With the primary objectives of promoting welfare, reducing inequalities, providing food and achieving the Sustainable Development Goals, these institutions aim to protect vulnerable individuals and populations at the micro level, while optimizing the divergence between developed and undeveloped countries at the macro level. However, the funding methods of these institutions, especially grant-making, are questionable in terms of efficiency.

Traditional grant funding can limit the independence and flexibility of organizations, hindering long-term sustainability and innovation. For this reason, these organizations are now turning to new financing techniques. Foundations have developed the field of venture philanthropy by adopting a venture capital approach. Instead of providing small grants to many organizations, this approach provides active funding to selected organizations. Individuals are also showing interest in impact investing and are using negative and positive screening tools (positive: renewable energy, negative: arms production) when investing in public stock and bond markets. Banks and institutional investors are developing new platforms and programs to meet the demand for social investments, supporting innovative financing methods such as social impact bonds (Cohen, 2011).

The emergence and development of impact investing includes important steps in the 2000s. Acumen, founded in 2001 with support from the Rockefeller Foundation, is one of the pioneers of impact investing. In 2008, at a meeting in Bellagio, Italy, impact investing was discussed between investors and philanthropists and the Impact Reporting and Investment Standards (IRIS) were developed. In 2011, GIIN (Global Impact Investing Network) published IRIS and introduced the GIIRS system.

The market size of impact investing reached USD 248 billion in 2016, rising to USD 352 billion in 2020. GIIN estimated the size of the EY market at US\$715 billion, but the IFC put the figure at US\$2.1 trillion. According to JP Morgan, Rockefeller and GIIN, the market was estimated to reach between USD 400 billion and USD 1 trillion. In 2023, ISTKA launched the first social impact bond in Turkey.

3. Evaluation of Impact-Based Grants

Figures from the Global Philanthropy Report, which shows that the total assets of more than 260,000 foundations in 39 countries worldwide exceed USD 1.5 trillion, demonstrate the necessity of impact investing in solving social problems (Johnson 2018). Traditionally, investment and giving have been considered and managed separately. However, impact investing has emerged as a response to the unmet funding needs of social impact projects.

Grants are often awarded for short-term projects, making it difficult for organizations to focus on long-term strategic goals. Strict reporting, accountability may require social purpose organizations (SPOs) to adapt to funders' expectations and restrict their independent work. This forces social sector organizations to devote resources to bureaucratic tasks rather than service delivery. It may also be insufficient to ensure the financial stability of organizations, as continuity of funding is not guaranteed.

According to one study, more than 80% of US nonprofit organizations receive more than 50% of their funding from grants. However, more than 60% of these grants are awarded for less than a year (National Center for Charitable Statistics, 2023). Another study shows that grants increase the administrative costs of SPOs by 10-20% (The Nonprofit Quarterly, 2022).

Traditional funding methods such as Venture capital (VCF), Angel investing, Crowdfunding do not care about short- and long-term outputs after funding. This leads to corruption, inefficiency and increased public/institutional costs. Return rates ranging from 12.0% to 14.9% in developing countries and 15.0% to 19.9% in industrialized countries show that impact investing is also financially attractive (O'Donohue et al. 2010). Appealing to a wide range of investors through crowdfunding platforms and socially responsible investment funds, impact investing offers sustainable and innovative solutions to social problems. With impact measurement methods, inefficiencies caused by the grant will be minimized.

4. Alternative Financing Methods

Mechanisms such as grants and traditional funding methods, which have low sanctioning rates and lack a post-funding impact audit and strategy, are costly. CSOs, in particular, do not have a system in place to develop the post-grant project and utilize impact management and measurement systems. The inefficiency of this situation has been compensated by alternative methods. While alternative financing models provide a commitment to the investor, they place the onus on the project implementing organization to regularly improve the project, eliminate inefficiencies, act strategically, and cannot do so without measuring impact.

4.1 Revenue Based Funding: Revenue-sharing agreements (or royalty-based funding) are hybrid financial instruments where the impact investor lends money to Social Purpose Organizations (SPOs) in exchange for future revenue streams. **The initial capital plus an additional interest must be repaid** by the company until a predetermined amount is repaid (called a royalty cap) and repayments only start when the company generates positive cash flow. Investors receive returns as soon as the investee company reaches the agreed level of revenue (European Commission, 2017.)

4.2 Convertible loans/ debt: Loans that can be converted into equity under certain conditions. Used to support social purpose organizations with low credit ratings and high growth potential. It provides (limited) security of debt, but if the start-up is successful, it shares in the profits as equity and saves the company from the need to value at a very early stage. ([Impact Europe, EVPA, 2020](#))

4.3 Forgivable Loan (Forgivable Fund): Loans **that do not have to be repaid** if the organization achieves certain objectives. This encourages startups to take risks and develop innovative projects.

4.4 Blended Funding: The OECD defines blended finance as "the strategic use of development finance and philanthropic funds to mobilize **private capital** flows to emerging and frontier markets." (OECD) Private and public capital combine to co-finance and co-own profits and costs.

The characteristics of alternative financing methods are compared below.

4.5 Comparison of Different Funding Models of Impact Investing

Feature	Forgivable Loan	Revenue Shared Funding	Convertible Loan	Blended Funding
Repayment Obligation	Conditional	Proportional to Income	Conditional	Variable (Partial Repayment or Forgiveness)
Payment Method	Conditional Amnesty	Revenue Sharing	Conversion to Equity	Variable
Conditions	Social Benefit	Growth Potential	Specific Targets	Social Benefit
Source	Public/Private Organizations	Special Funds	Private Investors	Public/Private
Risk	Low (for Borrower)	High (for Borrower)	Medium (for Borrower)	Middle
Compliance	Social Projects	Growing Businesses	High Potential Initiatives	Social Projects

Source: Impact Europe (n.d.). Impact glossary.

5. Impact Investing: "Investing for both financial and social returns."

Impact is the social/environmental improvement achieved from an investment. Impact investing is an investment approach that aims to maximize social and environmental benefits. In other words, "creating positive change while making money." The term "impact investing" was first coined by the Rockefeller Foundation in 2007 (Global Impact Investing Network, 2016). Investors look for positive social and environmental impacts as well as financial returns (see [BlindLook](#)). While financial-first investors prefer to seek financial returns, impact-first investors primarily seek social impact.

As is common in the field of social entrepreneurship, the term social is often defined in a rather vague way. However, social impact cannot be an accidental side effect (Brown and Swersky 2012). There are a number of companies that generate enormous social impact over their lifecycle but do not do so as a planned output. Furthermore, social impact must be measurable and quantifiable.

Socially responsible investing (SRI) is distinct from social impact; SRI aims to invest in publicly traded bonds or equities, while impact investing focuses on private equity and borrowing. SRI involves selecting or disqualifying investments based on certain ethical criteria. Impact investing aims to help a business or organization generate social benefits. SRI (socially responsible investing) and impact investors seek returns close to the market rate.

There was a clear distinction between investment and donation and these were evaluated and managed separately. There was therefore no 'return' and this had a negative impact on sustainability. The development of the impact investing market is a response to the previously unmet funding needs of social impact projects, initiatives and organizations.

Individuals have also become interested in impact investing. Today, negative and positive screening is the main tool when investing in the public equity and bond market. According to a study conducted by Goldman Sachs Asset Management, nearly two-thirds of investors in Europe are investing or considering investing in social bonds. Respondents include CEOs, ESG investment managers and portfolio managers of investors from insurance companies, pension funds, banks, charities and family offices. The research found that social impact and a commitment to sustainability are the top motivations for investing in social bonds. 57% of respondents chose underserved people due to lack of quality access to basic goods and services. This was followed by demand for investment in themes such as clean water and food security. ([Future, 2023](#)) Diversifying the content of the fund and bond (stocks, funds, public debt instruments, etc.) will attract investors who expect both social impact and financial returns.

This has also become of interest for banks seeking to meet customer demand for social investments. Institutional investors, such as pension funds or insurance companies, also invest and provide capital to impact investment funds. Impact investments can offer attractive returns, and

these returns are not linked to the equity market. This makes impact investing an alternative when volumes increase.

Governments are also increasingly interested in funding social sector organizations (Cohen 2011). Examples include social impact bonds and financing programs for the creation of special institutions for the social capital market (e.g. Istanbul Codluyor bond, EYDK, etc.).

6. Impact Funds and Impact Bonds

The most well-known impact entrepreneur, Elon Musk, has completely changed the automobile industry with his electric car initiative. Tesla produced 1.3 million electric vehicles in 2022, a 40% increase from 2021, contributing to the proliferation of sustainable transportation (Tesla Impact Report 2023). Revolution Foods, a California-based company, addresses food insecurity and inequality by providing nutritious and culturally diverse meal solutions for schools and communities. As a certified B Corporation and Public Benefit Corporation since 2011, it measures social impact and creates impact by providing 50 million meals annually. In addition, the number of specifically named "impact investments/bonds" has been increasing year by year.

A form of impact investing, the **social impact bond (SIB)** is an innovative financing method and a form of cross-sectoral cooperation that creates new sources of funding by monetizing the benefits of social programs and making them marketable to private investors, while taking the managerial and financial risks of the programs off the public sector (Ministry of Treasury and Finance of the Republic of Turkey). It is a results-oriented contract for services between a "payer for results" and a service provider organization. An investor then provides financing for the delivery of services. If the results do not meet the targets set in the contract, the investor loses his money and has in essence made a charitable donation. On the other hand, if the targets are met, the investor gets his investment back and receives a return that increases according to the extent of the results achieved (ImpactDoIt/Terms).

Known as PFS (pay for success) in the US, SBB (social benefit bond) in Australia, and social impact contracting in France and the UK, SIB differs from a "bond" in the traditional sense in these ways. (EtkiYap)

Sample Social Impact Bond (SIB)

The Skill Mill service is centered around providing employment; young (16-18 years old) high-risk ex-offenders are offered paid employment four days a week from 9 to 5 and encouraged to acquire a Level 2 qualification. Participants are also provided with supervisor-led mentoring on both a day-to-day basis. By 2023, Skill Mill has achieved great success in reducing recidivism. However, there were challenges in achieving the work/ further education targets. These challenges can be attributed to program timing that coincided with the COVID-19 pandemic.

The table below shows the percentage of Skill Mill targets achieved.

Skill Mill Performance Table: 2023 (September)

Target	Success Rate	Description	Important Notes
Recidivism	89% (14 out of 123)	Out of 123 young people in closed groups with verified data of no recidivism over 12 months, only 14 recidivated.	This rate is slightly higher than Skill Mill's overall data, but with a reconviction rate of 11%, it is a huge achievement and staggering when compared to established Youth Justice figures - around 70% for those with multiple previous convictions.
Business/Further Education	24% (43 out of 179)	Of the overall target of 179, only 43 (24%) entered Employment, Training or Full-time Education.	This goal has been difficult to achieve due to the COVID-19 pandemic. However, the good news is that cohort 5 has significantly improved on the performance of previous cohorts.
External Level 2 Qualification	56% (134 out of 240)	134 out of 240 young people (56%) achieved the external Level 2 qualification target.	Skill Mill has tried to ensure that the learning process is an integral part of the Skill Mill experience and not something that is added on to the delivery.

Source: GO Lab. (2023, September). Skill Mill Report.

There are some differences between an impact fund and an impact bond. While an impact fund invests in a variety of companies, an impact bond focuses on the success of a specific project or organization. While an impact fund offers investors a broader portfolio and diversification, an impact bond aims to create a more focused and measurable impact.

Acumen Example: Acumen is a social investment fund that since 2001 has invested \$131 million in 131 companies to address poverty, touching the lives of 309 million people. Operating in Africa, Latin America, South Asia and the United States, Acumen supports entrepreneurs working in areas such as agriculture, clean energy, education, financial inclusion, health and workforce development. The fund supports projects such as d.light, which increases solar energy access in India; Association of Coffee Growers Development, which supports coffee growers in Colombia; and Accion, which provides financial services to low-income families in the US. By prioritizing measuring and sharing the social impact of its investments, Acumen is working towards values-based entrepreneurship and a sustainable future. While the fund aims to generate financial returns, their primary goal is to create social impact. ([Case Study Acumen, 2020](#)) The table compares Investments, Bonds and Funds.

Impact Investments, Bonds and Funds Comparison Table

Concept	Description
Impact Investment	Financial investment that values positive social or environmental impact and conventional financial returns.
Social Impact Bond (SIB)	An arrangement in which investors in a project receive financial returns based on project outcomes, in particular the realization of predetermined social objectives.
Impact Fund	An investment fund that focuses on impact investing. These funds invest in companies or projects that have a social or environmental impact.

Source: EYDK, (2023)

6.1 Bill & Melinda Gates Foundation Strategic Investment Fund (SIF)

The Fund supports many social initiatives through impact analysis methods.

The following compares the Bill & Melinda Gates Foundation Strategic Investment Fund (SIF) with a traditional mutual fund.

SIF and Traditional Mutual Funds Comparison Table:

Feature	SIF (Strategic Investment Fund)	Traditional Mutual Fund
Target	Contributing to the program goals of the Bill & Melinda Gates Foundation (global health, education, development)	Providing financial returns to investors
Feature	SIF (Strategic Investment Fund)	Traditional Mutual Fund
Investment Criteria	Companies with high potential for social impact (including companies overlooked by traditional investors)	Companies with high return potential
Exit Strategy	Maintain investment in companies to continue contributing to program objectives, partial or full exit (in line with program objectives)	Selling company shares to generate returns for investors
Yield	Financial return is not the primary objective, but the impact of the investment on program objectives is measured and reported	Financial return is the primary objective

Source: Bill & Melinda Gates Foundation. (2022). Annual Report 2022.

6.2 The Rockefeller Foundation's Zero Gap Fund (ZGF)

ZGF was established in 2019 to catalyze private sector investment to achieve the sustainable development goals (SDGs). The GIIN method is used. By the end of 2022, ZGF had invested USD 25 million in 10 investments and raised approximately USD 795 million in private sector capital. This corresponds to a leverage ratio of 32x. For example, the Blue Forest project protected 527 acres of terrestrial ecosystems and protected 1,812 acres of water resources.

6.3 The Rise Fund:

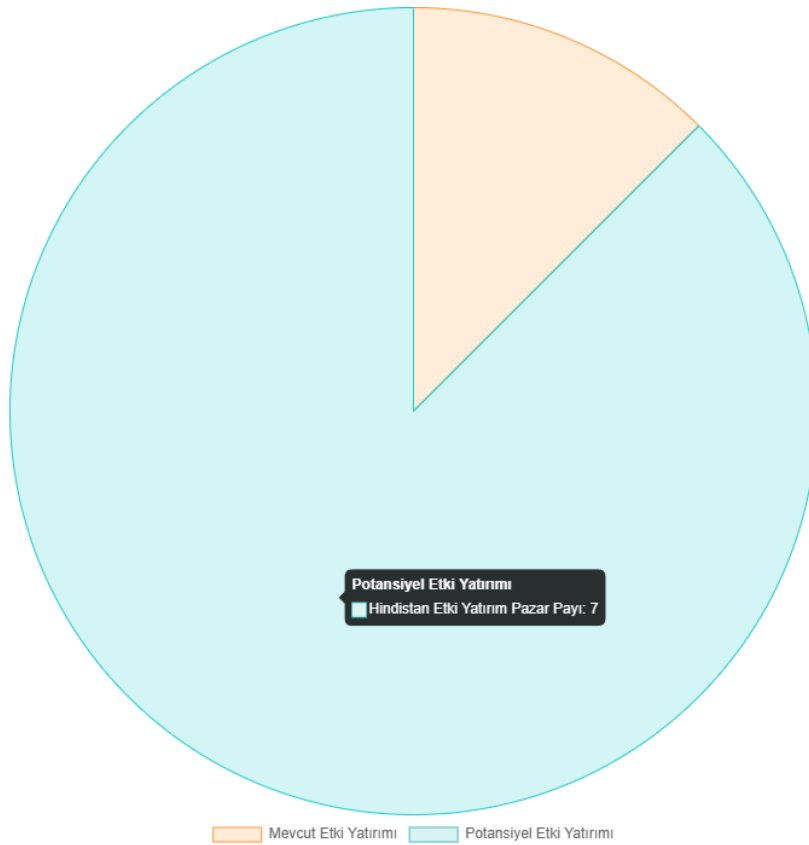
Winner of Environmental Finance's IMPACT Awards 2020. It evaluates the financial performance and returns of the companies it invests in like **traditional private equity funds (PEIFs)**. Therefore, its high return potential stands out. The fund aims to create both financial and social impact by focusing on the growth potential of the companies it invests in. It uses the IMM method.

Rise Fund's Impact on India:

- **Unbanked Population:** 400 million of the world's unbanked live in India.
- **Health Issues:**
 - 65% of the population has no access to sanitation. ○ There are 65 million diabetics.
 - Farmers grow 46% less rice per acre than their Chinese counterparts. □

Education Problems:

- The literacy rate is 20% behind.
- Teacher absenteeism can be as high as 40%.
- **Huge Growth Potential:** Access to mobile connectivity has already reached 70% and smartphone usage will increase by 400% in the coming years.
- **The Potential of Impact Investing:** Expected to grow from \$1 billion to \$6-8 billion between 2015 and 2025 (McKinsey & Co.)



Source: The Rise Fund (2022). Annual Report 2022

The orange share above shows the current impact investment and the blue share shows the potential impact investment that Rise Fund could create in India.

6.4 Acumen Fund

Founded in 2001, Acumen Impact Fund, which uses IMP as its analysis method, works in the fields of health, agriculture, energy, education, water and sanitation. Since 2001, the fund, which focuses on South Asia, Africa and Latin America, has invested 131 million dollars in 131 companies and touched the lives of 309 million people.

Acumen Fund's return rates from its projects are given below.

Acumen Fund (2015-2020)

Year	Total Investment (\$)	Sectors	Featured Projects	Rate of Return on Investment (ROI)
2015	30 million	Health, Agriculture, Energy	D.Light, ZHL	%8
2016	35 million	Education, Water, Sanitation	Edubridge, WaterHealth	%10
2017	40 million	Agriculture, Energy, Health	Esoko, Husk Power Systems	%12
2018	45 million	Education, Health, Energy	Avani Bio Energy, Ignis Careers	%9
2019	50 million	Agriculture, Energy, Water	Sanergy, Kamworks	%11
2020	55 million	Health, Education, Energy	Be Girl, SolarNow	%13

Source: "Impact Investing in India: A Growing Sector" by The Global Impact Investing Network (GIIN)

The table below shows Acumen's impact in various countries.

Acumen Sustainability






Region	Sustainable Agriculture	Clean Energy	Education	Financial Inclusion	Health Services	Labor Force Growth
India	X	X				X
East Africa	X	X	X			
West Africa	X	X				X
Latin America	X	X				X
United States				X	X	X
Pakistan	X			X		X

Source: Acumen (2023). Acumen From Risk to Reward Report 2023

Below is Acumen's portfolio performance ratios across different indicators (2019) and quality of life, daily amount of sunlight, customer utilization, daily work rates, evolving security indicators (2017).

Acumen's social impact indicators based on portfolio performance

Social Indicators	Impact	2019 Total Portfolio Performance
Poverty Orientation Rate Below 3.1 USD a Day		%40
Poverty Orientation Rate Below 5.5 USD a Day		%65
Changes in Quality of Life		%45
Access to Alternatives		%68

Indicators	Acumen 2017 Benchmark
 Improvements in quality of life	60%
 Increased hours of daily light	1.2 hours
 Proportion of customers using product or service for income generation	20%
 Change in hours of daily study	0.7 hours
 Improved safety (perception)	50%

Source: Acumen (2023). Acumen From Risk to Reward Report 2023

6.5 An Example of a Bond with Different Contents: MyDestination 2015 Fund (GuideStone)

It stands out in the MorningStar app for its high yield. Below are the returns earned by the Institutional and Investor class. An example of a diversified portfolio of impact investing.

Average Annual Total Returns (as of 31/12/2023)

Classroom	One Year	Five Years	Ten Years	Since Establishment
Institutional Class*	%11.17	%5.51	N/A	%4.62
Investor Class*	%10.86**	%5.25	%4.23	%4.28

Source: GuideStone Performance. (July 26, 2024).

Below is a breakdown of bonds. The aim is to reduce the ratio of bonds to equities over the years.

Contents of the Bond

Categories	Percentage
Selected Fixed Income Funds	%47.8
US Equity Select Funds	%31.5
Non-US Equity Select Funds	%10.4
US Treasury Bonds	%7.3
Money Market Funds	%2.1

Alternative Selected Fund	%1.0
Real Asset Selected Fund	%0.5
Total	%100.6

Source: GuideStone Performance. (July 26, 2024).

The impact fund is compared with the equity-weighted fund, eurobond fund and pensionweighted fund.

Comparison with Different Funds:

Feature	MyDestination 2015 Fund	High Ratio Equity Fund	High Eurobond Ratio Fund	High Pension Fund
Fund Name	MyDestination 2015 Fund	Garanti Portfolio Equity Fund (GARANHIS)	IS Investment Eurobond Fund (ISYEURO)	Akbank Pension Fund (AKBNEMK)
Target Date	2015	No	No	Usually designed for retirement
Allocation Path	Becomes more conservative over time	Invests mainly in equities	Invests mainly in eurobonds	Becomes more conservative over time
Risk Level	Middle	High	Middle	Medium to High (depending on the nature of the fund)
Potential Return	Middle	High	Middle	Middle
Fees	0.75% (Investor Class)	%1.50	%1.25	%1.00
Return (Last 1 Year)	%10.86	%15.23	%8.71	%12.34

Source: TEFAS

The risk ratio is lower than that of the equity-weighted fund. Returns are compared in more detail below.

Fund Name	Tip	Return 5 (Last Years)	Data Source	ESG Focus
Parnassus Core Equity Fund (PRMX)	Sustainable Investment Fund	10.25% (Annual average)	Morningstar	Evaluates the environmental, social and governance performance of companies.
Impax Environmental Markets Fund (IEM)	Climate Change Fund	12.75% (Annual average)	Bloomberg	It focuses on sectors such as renewable energy, energy efficiency, sustainable agriculture and water management.
Aviva Investors Global Equity Responsible Fund (AGRE)	Equality and Diversity Fund	11.50% (Annual average)	Refinitiv	Supports the leadership of women, minorities and disadvantaged groups. Embraces the principles of equality, diversity and inclusion (EDI).
MyDestination Sustainable Investment Fund	Impact Fund	9.75% (Annual average)	MyDestination Web Site	It invests in sustainable companies by considering environmental, social and governance (ESG) factors.
GIIN Impact Bond	Impact Fund	7.50% (Average Return)	GIIN	It is designed to finance projects that aim to create social and environmental impact.

Impact Engine	Impact Fund	8.25% (Average Return)	Impact Engine	It invests in social enterprises and supports their growth.
The Rise Fund	Impact Fund	10.00% (Average Return)	The Rise Fund	It invests in companies that aim to solve global problems.
JPMorgan Impact Fund	Impact Fund	9.00% (Average Return)	JPMorgan Chase & Co.	It invests in companies that aim to create social and environmental impact.
ZGF Fund	Impact Fund	8.50% (Average Return)	ZGF Fund	Invests in companies that support sustainable development goals.
Acumen	Impact Fund	7.00% (Average Return)	Acumen	Invests in companies that aim to reduce poverty.
Istanbul Coding Bond	Government Bonds	6.50% (Estimated)	Turkish Ministry of Treasury and Finance	Bonds Supporting Sustainable Development Goals

Source: Morningstar

As seen in the table, there are differences of 1%-2% between impact fund-bonds and traditional fund-bonds.

7. Measurement and Evaluation of Impact Investments

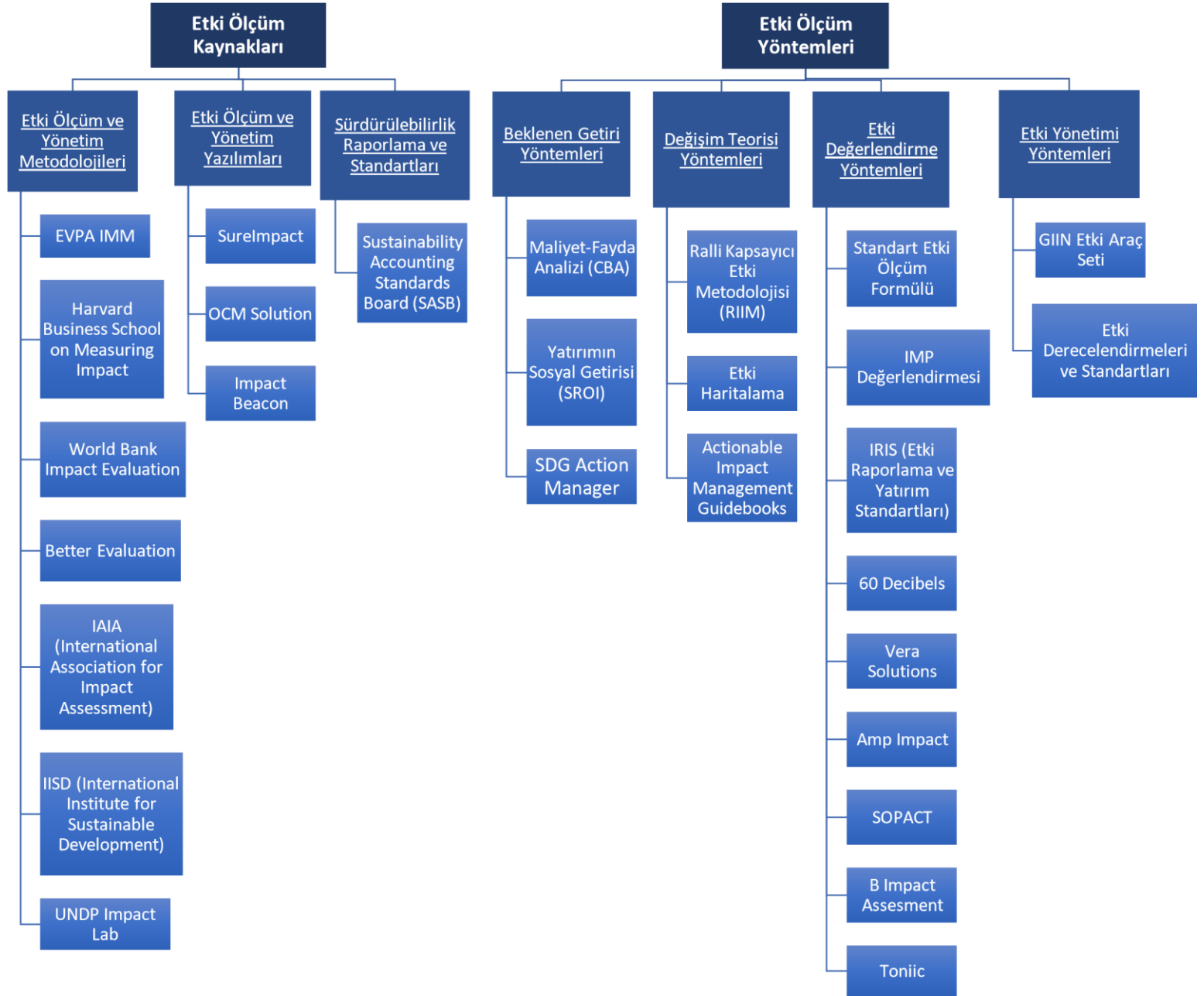
For-profit grant-making or funding companies do not evaluate the aftermath of the investment, nor are they concerned with yield through short-term observation. As a result, brands are often not well known and products are rarely patentable. The number of large non-profit organizations can be taken as evidence of this. Although more than 200,000 nonprofit organizations have been established in the US since 1970, only 144 of them have generated more than \$50 million in annual revenues (Foster and Fine 2007).

The focus on low-technology and staff-intensive services also explains the difficulty of realizing productivity gains. Productivity gains are achieved through additional capital or additional

equipment per employee, improved technologies, improved staff skills, better management and scale effects. In areas such as elderly or youth work, where human contact is a large part of the service, productivity gains are difficult to achieve (e.g. Heilbrun 2003). However, there are areas where nonprofits need a greater organizational size.

To reach this dimension, we need to calculate profit and loss. How do we monetize a social output? After the investment is made, the investment should be followed up. This is done through "Impact Measurement and Management (IMM)".

Impact Measurement and Management



7. 1 Impact Measurement Sources:

7.1.1 Impact Measurement and Management Methodologies:

EVPA IMM: Provides reports and resources on impact measurement and management from the European Impact Investors Association (EVPA).

Harvard Business School on Measuring Impact: A platform where Harvard Business School shares its work and resources on impact measurement.

World Bank Impact Evaluation: A platform for sharing information on the World Bank's impact evaluation methodologies and practices.

Better Evaluation: A method that identifies impacts by asking descriptive, causal and evaluative questions.

IAIA (International Association for Impact Assessment): An organization specialized in environmental impact assessment.

IISD (International Institute for Sustainable Development): A research and policy organization focusing on sustainable development and environmental issues.

UNDP Impact Lab: A platform for the United Nations Development Program to share work and resources on impact measurement and management.

7.1.2 Impact Measurement and Management Software:

SureImpact: Provides impact measurement and management software, facilitating organizations' impact analysis and automating reporting.

OCM Solution: Provides impact measurement and management software, facilitating organizations' impact analysis and automating reporting.

Impact Beacon: Facilitates organizations' impact analysis and automates reporting by providing impact measurement and management tools and resources.

7.1.3 Sustainability Reporting and Standards:

Sustainability Accounting Standards Board (SASB): SASB develops standards for identifying, managing and reporting on sustainability issues that are important to investors.

7.2 Impact Measurement Methods:

7.2.1 Expected Return Methods:

Cost-Benefit Analysis (CBA): Compares the costs and benefits of an investment, usually discounted to their present value.

Cost-Benefit Analysis:

$$\text{Net Present Value (NPV)} = \sum \left(\frac{\text{Benefits}_t - \text{Costs}_t}{(1+r)^t} \right)$$

Benefits: benefits

r: Discount rate

Costs: costs

t: time period

Key Performance Indicators (KPIs): Measures what percentage of the target has been achieved.

$$KPI = \frac{\text{Gerçekleşen Etki Metrik}}{\text{Hedef Etki Metrik}}$$

Social Return on Investment (SROI): Measures the social, environmental and economic impacts of an investment in monetary terms and compares these impacts to the cost of the investment.

The SROI ratio is calculated by dividing total benefits by total costs. For example, if an investment costs TL 1 million and generates a social benefit of TL 2 million, the SROI ratio is 2.

$$SROI = \frac{\sum(\text{Total Present Value of Benefits})}{\sum(\text{Total Present Value of Costs})}$$

7.2.2 Theory of Change Methods:

***Rally Inclusive Impact Methodology (RIIM):** Provides a comprehensive assessment and measurement process to understand an investment's impact purpose, the depth, quality and context of its impact. Assessment builds understanding of impact and is future-oriented. Measurement builds impact accountability and is retrospective. Both processes complement each other.

1. *Assessment = System Analysis + Impact Thesis + Operational Implementation Analysis + Additional Impact Contributions + Potential Negative Impacts + Investor Contribution*
2. *Measurement = Measurement of Impact Performance + Measurement of Progress Towards Impact Goals + Reassessment + Re-measurement*
3. *Mathematical Analysis:*
 - *IMP Assessment (5 dimensions)*
 - *Impact classification: A (prevent harm), B (benefit stakeholders), C (contribute to solutions) and D (cause or may cause harm)*
 - *Role of Investor Capital: The role of investor capital is categorized into five categories (e.g. D0: No impact objective, C4: Demonstrate commitment to impact, actively participate and grow new/ scarce capital markets).*

Impact Mapping: Maps the causal links between inputs, activities, outputs, outcomes and impacts of an investment.

7.2.3 Impact Assessment Methods:

Standard Impact Measurement Formula: Measures the impact of an intervention by considering the outcome value, attribution factor, displacement and decline.

$$IM = \sum(\text{Outcome Value} \times \text{Attribution Factor}) - \sum(\text{Displacement} + \text{Drop-off})$$

- **Outcome Value:** A benefit expressed quantitatively (e.g. increased income).
- **Attribution Factor:** The percentage of the outcome that is directly attributable to the intervention.
- **Displacement:** Negative impacts elsewhere due to an intervention.
- **Drop-off:** Diminishing effect over time.

60 Decibels: Focuses on understanding social performance using customer, supplier, employee or beneficiary feedback.

Data Collection Formula:

$$\text{Toplanan Veri} = \text{Anket Verisi} + \text{Odak Grup Verisi} + \text{Müşteri Görüşme Verisi}$$

Impact Measurement Formula:

$$\text{Etki} = (\text{Hedef Değer} - \text{Başlangıç Değeri}) / \text{Başlangıç Değeri}$$

Impact Analysis Formula:

$$\text{Etki Analizi} = \text{Etki Ölçümü} + \text{Veri Analizi} + \text{Trend Analizi}$$

Impact Reporting Formula:

$$\text{Etki Raporu} = \text{Etki Analizi} + \text{Görselleştirme} + \text{İletişim}$$

Benchmarking Formula:

$$\text{Benchmarking} = \text{Etki Ölçümü} + \text{Karşılaştırma} + \text{İyileştirme}$$

The Formula for Continuous Improvement:

$$\text{Sürekli Gelişim} = \text{Geribildirim} + \text{Değerlendirme} + \text{İyileştirme}$$

***IMP Assessment:** Measures impact according to five dimensions. GIIN and IRIS+ work together in the Impact Management Project.

Five dimensions of impact:



Example:

Snowball is a company that makes investments to deliver social and environmental benefits. This company uses a number of methods to measure the impact of its investments. Snowball asks its investee companies to collect information on 5 key issues:

1. What: The benefits of investments.
2. Who: The people who benefit from these benefits.
3. How much: How big the benefit is.
4. Contribution: How much Snowball contributes to this benefit.
5. Risk: The possibility that this benefit will not be realized.

IMP Impact Investment Strategy

- **Define Strategy:** You **identify** priority **issues** relevant to your stakeholders and **define** **SDG outputs** aligned with your business or investment objectives. For each output, you create an **impact thesis** and, if you are an investor, you prepare an updated **investment activity report** in which you integrate your SDG targets and determine **ABC** classification levels.
- **Integrate:** **Resources, tools and processes** are put **in place** to enable you to measure your SDG impact.
- **Optimize:** In this step, you **analyze** the **data** generated by the processes you have created and use it to create more impact. Understanding performance deviations and taking new **actions** to improve impact performance is the focus of this step.
- **Consolidate** In this step, you deepen governance and accountability for your impact. It is important **to disclose** your impact measurement and management performance to internal stakeholders and **the public**, undertake 3rd party verification and use it to improve your work.

***IRIS+ (Impact Reporting and Investment Standards):** Provides standardized metrics for measuring and managing social, environmental and financial performance.

Definition: Define impact goals, strategies and expectations using a common language.

Learning Learn from impact research, case studies, guidance and best practices.

Benchmarking Make comparisons using key metrics and standard categories of data.

Action: Act on impact data from key metrics to achieve better results.

Communication: Share performance with stakeholders using standardized data and templates.

7.2.4 Impact Management Methods:

***GIIN Impact Toolkit:** An open resource to help impact investors navigate impact measurement and management tools. Actionable Impact Management Guidebooks, available in the Impact Toolkit, is a guidebook that provides a step-by-step process for creating a social impact measurement and management framework.

1. Systems:

- S_i : i . sistem (örneğin, IRIS + GRI Standartları)
- P_{ij} : i . sistem içindeki j . ilke (örneğin, şeffaflık, hesap verebilirlik)
- W_{ij} : j . ilkenin ağırlığı (0 ile 1 arasında)

2. Methods:

- M_k : k . yöntem (örneğin, öncesi – sonrası analiz, etki haritalama)
- E_{kl} : k . yöntem için l . adım (örneğin, veri toplama, veri analizi)
- T_{kl} : l . adımın süresi

3. Indicators:

- I_m : m . gösterge (örneğin, okulda kalma oranı, yenilenebilir enerji kullanımı)
- $V_{m(t)}$: m . göstergenin t zamanındaki değeri
- $\Delta V_{m(t)} = V_{m(t)} - V_{m(t-1)}$: m . göstergenin t zamanındaki değişimi

4. Veriler:

- D_n : n . veri seti (örneğin, araştırma sonuçları, örnek olaylar)
- R_n : n . veri setinin güvenilirlik puanı (0 ile 1 arasında)

Matematiksel Formülasyon:

Etki Ölçümü:

$$\square E_i = \sum W_{\{ij\}} P_{\{ij\}} : i. sistemin etki ölçüm kapasitesi$$

$$\square E_k = \sum_l T_{kl} \cdot E_{kl} : k. yöntemin etki ölçüm süresi$$

Etki Değerlendirmesi:

$$\square V_{m(t)} : m. göstergenin t zamanındaki değeri$$

$$\square \Delta V_{m(t)} = V_{m(t)} - V_{m(t-1)} : m. göstergenin t zamanındaki değişimi$$

Veri Analizi:

$$\square A_n(D_n) : n. veri setinin analizi$$

$$\square R_n \cdot A_n(D_n) : n. veri setinin ağırlıklı analizi$$

Example Application: An impact investor wants to measure impact using the IRIS+ system. The IRIS+ system is based on principles such as transparency, accountability and measurability. The investor measures impact using before-after analysis and tracks indicators such as retention rates. An example impact analysis method is shown below.

ÖLÇÜLEBİLİR SONUÇLAR	METRİKLER	ALAKALI?	EYLEME GEÇEBİLİR?	KESİN?	DÜŞÜK MALİYET?
1. Komşu topluluklar daha yüksek gelir ve refah seviyesine ulaşır	Parkin bulunduğu belediye ve sınırlarında kişi başına düşen gelirden artış.	✓ Yerel kalkınma, hükümetin bu proje ile temel hedeflerinden biri.	✗ Yerel ekonomi, parkın faaliyetleri dışındaki faaliyetlerden de etkilenebilir.	✓ Yerel gelirler hakkında güvenilir ve halka açık istatistikler bulunuyor.	✓ Projenin bulunduğu ülkede istatistikler halka açık ve kolay erişilebilir.
2. Yerel topluluk turizmle ilgili faaliyetlerden elde ettiği geliri artırır	Parktan etkilenen belediyelerde otel, restoran ve bunun gibi hizmetlerden kişi başına düşen gelirinde artış.	✓ Yerel kalkınma, hükümetin bu proje ile temel hedeflerinden biri.	✓ Park, örnek vermek gerekirse otel ve restoranların gelirini artıracaktır.	✓ Yerel gelirler hakkında güvenilir ve halka açık istatistikler bulunuyor.	✓ İstatistikler halka açıktır ve ekonomi sektörüne göre ayrılmıştır.
3. Park kullanıcıları daha memnun olur	İş verilen enstitüler tarafından yapılan anketlere dayalı olarak kullanıcıların ortalama memnuniyet puanı.	✓ Daha yüksek memnuniyet, parktaki daha yüksek hizmet kalitesini yansıtır eğilimindedir.	✓ Daha iyi hizmetleri teşvik eden bir çaba, kullanıcı memnuniyetini doğrudan etkiliyor.	✗ Memnuniyet göstergeleri daha öznel ve oynamaya meyillidir.	✗ Anketi yapmak masraflı ve karşılaştırmalı veri toplamak zor.
4. Park, koruma yönetmeliklerine uygun	Parkin çevre düzenlemelerine uygun alanlarının yüzdesi.	✓ Park bir koruma alanında yer aldığı için çevrenin korunması kritik önem taşır.	✓ Park yöneticileri koruma alanlarının durumunu doğrudan kontrol edebilir.	✓ Koruma standartlarının nasıl takip edileceğine ilişkin net yönetmelikler bulunuyor.	⚠ Yöneticiler koruma alanlarının durumunu takip edebilse de, dış denetim gerekebilir.



IMP Template

SKA Sonucu:		
 Sonuç Seviyesi	%2 bebek ölümü oranı	
 Sonuç Eşiği	SKA 3.2 tarafından belirlenen %1.2 bebek ölümü oranı	
 Sonucun Paydaş İçin Önemi	Son derece önemli. Bir aile için bir bebek ölümü bile çok fazladır.	
 SKA Hedefi	SKA 3.2	
 Paydaş	Doğum öncesi ve sonrası anneler ile bebekleri	
 Coğrafi Sınır	Güney Afrika'daki kırsal bölgeler	
 Başlangıçtaki Sonuç Seviyesi	%4 bebek ölümü oranı	
 Paydaş Özellikleri	Güney Afrika'nın kırsalındaki kadınlar, 16-45 yaşında, ilk kez & yeniden doğum yaparlar, yoksulluk seremoni altında yaşıyorlar	
 Ölçek	Yılda 2000 hamile anne ve çocukları	
 Derinlik	Klinik açılmadan önce başlangıçtaki %4'e kıyasla %2 bebek ölümü oranı	
 Süre	Doğumdan sonra hayatta kalan bebeklerin %95'i 5 yıl sonra hala hayatta	
 Derinlik Anlamında Karşılgusal	Bölgede son 5 yılda bebek ölümü oranının %3'ten %2.7'ye düştüğü görüldü	
 Süre Anlamında Karşılgusal	Ortalama olarak, doğumdan sonra hayatta kalan bebeklerin %95'i 5 yıl sonra hala hayatta	
 Risk Türü	Verimlilik riski, icra etme riski	
 Risk Seviyesi	Risk'in gerçekleşme olasılığı orta, gerçekleşmesi halinde hastalar için sonuçları yüksek	

ETKİ RİSKİ TÜRÜ	TANIM	AZALTMA SEÇENEKLERİ İÇİN ÖRNEKLER
KANIT	Veri eksikliğinden dolayı etki bilinmiyor	5 boyutu kullanarak daha fazla veya daha iyi etki kanıtı toplayın
ÖNCELİKLİLİK	Yanlış etki öncelikleri	Öncelikleri değiştirin
PAYDAŞ KATILIMI	Amaçlanan etkiler, etkilenen paydaşların öncelikleriyle uyuşmuyor	Neyin değere yol açtığını anlamak için etkilenen paydaşlar veya onları yakından tanıyanlar ile yakın ilişki kurun
ETKİ TEZİ	"Eğer ..., o zaman ..." teorisindeki varsayımlar tutmuyor	Varsayımlar test edin, teoriyi yeniden gözden geçirin
UYGULAMA	Eylemler gerçekleşmiyor	Gerçekleşmelerini sağlayın veya farklı eylemlere karar verin
UYUMLAŞTIRMA	Eylemler iş modeliyle tutuşmuyor	Daha uyumlu olmaları için eylemleri veya iş modelini değiştirin
VERİMLİLİK	Eylemler yerine getirilemeyecek kadar masraflı	Daha ucuz eylemler bulun, daha fazla fon ayırın, veya faaliyeti durdurun
SÜREKLİLİK	Eylemler, etkinin gerçekleşip gerçekleşmediğini anlamak için yeterince uzun sürmüyor	Eylemlerin daha uzun sürmesini sağlayın
AZALMA	Eylemler etki yarattı ama bu etki yeterince uzun sürmedi	Geri dönün ve hangi eylemlerin etkinin daha uzun sürmesini sağlayacağını değerlendirin
DIŞ RİSKLER	Dış faktörler etkiye sekte vuruyor	Eylemlerin nasıl daha önemli olabileceğini dikkate alın
BEKLENMEYEN	Öngörülmeyen faktörler etkiye sekte vuruyor	Beklenmedik faktörleri ele alın

The IRIS+ IMM method (the most widely used) risk assessment table, 5 impact dimension templates and examples are shown above.

*SOPACT:

1. Sopact Sense: An interface program that collects and analyzes qualitative and quantitative data in minutes.

2. Sopact Suite: Experts select the appropriate analysis methods and indicators according to the objectives of the initiative and the nature of the data, without using formulas.

Toniic: $Net\ Etki = Olumlu\ Etki - Olumsuz\ Etki$ uses the formula. There is a scoring system according to the beneficial-harmful business characteristics.

8. World's First Impact Bonds - Peterborough

The Payment by Results (PbR) pilot program at Peterborough Prison aimed to reduce reoffending by short-term prisoners. The program was managed by St. Giles Trust and Social Finance and funded through the Social Impact Bond. Prisoners who voluntarily participated received immediate needs, employment, housing, health, education, personal counseling, community integration, child and family support, substance misuse, behavioral issues, legal issues and financial needs on release from prison, and outcomes were measured. (Social Finance, One service one year on, (2011))

Social Finance has raised capital from a total of 17 investors (mainly philanthropic trusts and foundations) who **will receive outcome payments** (Revenue Based) if reconviction rates fall by an average of 7.5% or more in targeted cohorts. (Source [GoLab](#))

In July 2017, the Ministry of Justice announced that the Peterborough social impact bond reduced reoffending by 9% overall for short-sentenced offenders compared to a national control group. This exceeded the 7.5% target set by the Ministry of Justice.

As a result, the 17 investors in the Peterborough SIB received a payment representing their initial capital, as well as a return of just over 3% per annum over the investment period.

Regression Model of the Peterborough Recidivism Influence Link (Peterborough Report GoLab)

The following study uses representative data to test the hypotheses and show the results more clearly.

Program Participation: 500 out of 1000 inmates participated in the program (1) and 500 did not participate (0).

Control Variable: Age of inmates (mean age 35, standard deviation 5).

Recidivism Rate:

- 9% (45 people) of the inmates who participated in the program re-offended.
- Of the prisoners who did not participate in the program, 15% (75 people) re-offended.

Regression Equation:

$$\text{Recidivism Rate} = \beta_0 + \beta_1 * \text{Program Participation} + \beta_2 * \text{Age} + \varepsilon$$

Results:

$\beta_0 = 0.15$: The recidivism rate of prisoners who are not in the program and who are of average age (35) is estimated to be 15%.

$\beta_1 = -0.06$: **Program participation reduces recidivism by 6%**. That is, a prisoner who participates in the program is 6% less likely to reoffend than a prisoner who does not participate in the program.

$\beta_2 = 0.01$: It shows that the recidivism rate increases by 1% for every 1 year increase in the age of the prisoner. That is, **older prisoners are more likely to reoffend**.

It may be advantageous to use this successful example in Turkey (see Conclusions and Recommendations).

9. Sample Impact Assessment: Representative

In this section, we will examine how the measurement and evaluation process of impact investing can be applied through a representative example. Our example is an impact investment fund that supports children's education in poor areas.

9.1. Setting Goals:

Target: Improve the quality of education of children in poor areas. (Monetized version of education quality, average of sub-targets, target increase percentage is **5%**.)



Sub-targets:

- Increase school enrollment rate.
- To increase student success rates.
- Reducing the school dropout rate.
- Developing students' life skills.

9.2. Selection of Indicators:

School Enrollment Rate: The ratio of the number of children enrolled in school to the total number of children in a given age group.

Student Achievement Rate: Students' scores or achievement levels on standardized tests.

Dropout Rate: Ratio of the number of students enrolled but not attending school in a given period.

Life Skills Development: Students' development of skills such as problem solving, communication and critical thinking.

9.3. Data Collection:

School Enrollment Data: Available from the Ministry of Education or local education institutions.

Student Achievement Data: Available from standardized test results or school records.

School Dropout Data: Available from school records or surveys.

Life Skills Assessments: Can be obtained through tests administered to students or observations. Let the data for this item be the final grade given by their teachers.

9.4. Data Analysis:

- Statistical Analysis: The data collected can be analyzed using statistical methods. For example, by comparing changes in school enrollment rates over time, it may be possible to assess the impact of the investment.
- Comparison Analysis: It may be possible to evaluate the impact of the investment by comparing the regions where the investment was implemented with the regions where it was not implemented. For example, students' grades before the investment can be compared with their grades after the investment.

9.5. Evaluation of Results:

Achievement of Targets: Has the investment been successful in achieving the targeted results, e.g., school enrollment rate, student success rate, and life skills development?

Positive Impacts: Has the investment had unexpected positive impacts, for example, increased community participation or raised the education level of families?

Negative Impacts: Has the investment had unanticipated negative impacts, for example, has the investment disadvantaged certain groups?

9.6. Reporting:

Results The results of the analysis should be reported in a clear and understandable manner.

Visuals By using graphs, tables and visuals, it may be possible to present results more effectively.

Recommendations: Based on the results, recommendations for future investments should be developed. For example, what strategies can be implemented to increase the impact of the investment?

9.7. Return by Funding Method: In our example, let's assume that funding is done with the Revenue Based (Revenue Shared Funding) method. According to this method, achieving the goal of "Improving the quality of education of children in poor areas" means that the institution will be charged 15% interest. If it falls below the target, 20% interest is charged, and a 1% discount is charged for each percentage above the target.

9.8. Sample Results:

- School enrollment increased **by 10% in** the regions where the investment was implemented.
- Student success rate increased **by 5% in** the regions where the investment was implemented.
- School dropout rate decreased **by 3%** in the regions where the investment was implemented.
- In the regions where the investment was implemented, there was a significant improvement in students' problem solving and communication skills. Their average grade point average increased **by 7%**.

$$\text{Formül: \%alt hedeflerin ortalaması} = \% \frac{10+5+3+7}{4} = \%6.25 > \%5$$

The result is that the project is 1.25% more successful than expected and stakeholders will receive a profit and interest will fall (1.25% discount).

Latest Interest Rate:

Initial Interest Rate - Discount = Final Interest Rate

$$\%15 - \%1.25 = \%13.75$$

Investor's Profit Calculation:

Investment Amount last interest rate = Profit

$$100,000 \text{ TL} \times 13.75\% = 13,750 \text{ TL}$$

10. Return and Risk of Impact Investments

Impact investing is often criticized for its low returns and high risk. However, this is not entirely true. In terms of returns, impact bonds are not affected by fluctuations like stock markets or interest rates. It can therefore attract medium to low risk investors (risk1-2-3). The prevailing risk model (minimized risk) was not dominant until the 20th century (Sir Ronald Cohen, Impact). The measurement of "risk" was not defined until the second half of the 20th century, and the quantification of risk and its relationship with return was determined in later periods. As the measurement of risk became more widespread, international portfolio diversification increased and the Technology Revolution took place. Cohen claims that impact measurement will evolve like risk measurement, that it is easier to calculate than risk measurement, that sustainable/green/impact investments will become one of the dominant investments with millennials owning capital in 2030 years, and that impact mortality will become one of the standard measurements. Research (GSIA, 2020) shows that sustainable investments represent more than one-third of all assets globally. Morgan Stanley 2024 research shows that 77% of investors are interested in sustainable investing. "In the US, 84% of those surveyed by Morgan Stanley were "very" or "somewhat" interested in sustainable investing. In terms of age, the least interested group was the so-called Silent Generation, aged 78 and older, where 60% of respondents were interested in sustainable investing. In contrast, 96% of millennials were interested." As this research shows, ESG and impact investing for future stakeholders is expected to be very common.

One of the reasons for the cautious approach to impact investing is that it is vulnerable to fraud through 'impact washing'. Impact washing is when an organization or individual pretends to have a social or environmental impact that it does not actually have in order to create a positive public image. This is often done through marketing campaigns, public relations work or philanthropic activities. Abraaj Capital, for example, has offered impact investing in emerging markets such as Africa. What at first seemed legitimate to large international investors (Bill & Melinda Gates Foundation, International Finance Corporation (IFC), etc.) turned out to be a massive fraud in which these investors lost US\$1 billion. But the Abraaj scandal has in no way cast a shadow over impact investing. On the contrary, private equity has shifted from "just financial return" to include imperatives that also aim to do good. On the other hand, the Abraaj scandal has affected investment in Africa, as several international private equity funds have left the continent. Between 2015 and 2017, capital investments in Africa fell from USD 4.5 billion to USD 2.4 billion respectively. Today, African capital investments are still at a low level. (The Key Man, 2022) Moreover, concerns over "green laundering", where companies exaggerate their environmental credentials, further dampen investor confidence. A category-by-category analysis shows that green bond issuance remains in a stable position in 2023, unchanged from the previous year, after a significant decline in 2022, despite concerns over green laundering (esgTimes - SBICAPS Report

2024). The report noted that social and sustainability bonds experienced modest year-on-year declines. This is due to the high demand for green financing and impact methods. One indication of the importance of this finance in the near future is that Europe is implementing stricter regulations to combat green laundering.

Each investment can positively impact the life of an individual, the well-being of a community or the health of an ecosystem. Therefore, impact investing is not just about financial returns, but about distinguishing between negative and positive impacts, eliminating all inefficiencies and enabling institutions to make rational choices through analysis (Uli Grabenwarter, TEDx.2024). Globally, USD 40 trillion of investments are managed by asset managers and USD 2 trillion is the share of impact investing. With green investing, sustainable investing and clean energy issues gaining importance every year, it is imperative that impact investing strategies are used. This changes the economics of delivering solutions. Venture investing is high risk, and with impact methods this risk can be minimized.

11. Conclusions and Recommendations

The primary objective of social sector organizations is to increase well-being, reduce inequalities, meet basic needs and achieve the Sustainable Development Goals. At the micro level, these organizations aim to protect disadvantaged individuals and living beings, while at the macro level, they aim to close the economic divergence between developed and developing countries. However, the financing methods of these organizations, based on the traditional grant funding model, have been subject to criticism in terms of efficiency.

Traditional grant funding limits the independence and flexibility of organizations, hindering the free market mechanisms necessary for long-term sustainability and innovation. This makes it difficult for social sector organizations to become economically independent and operate sustainably.

This report explores impact investing as an alternative solution to the inefficiencies and sustainability challenges of traditional grant funding. Impact investing aims to make social impact measurable and quantifiable, enabling investors to realize both financial and social returns. As an alternative to the high risk of venture capital, impact investing will play an important role in the sector in the future with its Impact Management Methods (IMM), analysis methods that will reduce risk and increase efficiency, and will make a significant contribution to achieving sustainable development goals. Particularly in Turkey, increasing social needs and demand for innovative solutions increase the growth potential of impact investing. As in the case of Peterborough, it makes

sense to work to reduce crime. Foça Open Penitentiary Institution teaches its convicts proper agricultural practices, enabling them to learn a profession and practice organic farming after their release. Using the data of this institution, impact measurement can be done with a specific IMM technique. The impact rate can be increased by making strategies and improvements.

Awareness campaigns should be organized in cooperation with the public and private sectors to increase awareness of impact investing in Turkey. The establishment and support of impact investment funds should be encouraged to provide more resources to social entrepreneurs. Policies on alternative investment models (Forgivable Loan, Revenue Shared Funding, Convertible Loan, Blended Funding) should be developed to reduce the inefficiency and cost of grants. Develop and implement standards and methodologies for measuring and evaluating impact investment projects. Methods such as IMM will reduce the risk of high-risk investments such as venture investment and impact investment. Research and studies analyzing the risks and returns of impact investing should be supported. Intermediary institutions, universities and NGOs should conduct R&D studies. As impact measurement is applied, audit and sanction mechanisms should be strengthened to ensure that accurate data is provided.

While only 50 social bonds were issued in 2019, this number increased to 227 in 2020, and by 2024, the market size of Impact investing is growing rapidly, reaching USD 550.52 billion in 2024, with a compound annual growth rate (CAGR) of 15.1% (Research & Markets GM Report. 2024. (Research & Markets GM Report. 2024.)). This growth is supported by investors' growing interest in sustainable and socially impactful investments, making social bonds attractive to a wider range of investors.

Uli Grabenwarter (European Investment Fund) states that we need to get out of the comfort zone (traditional funding methods, traditional bonds, etc.) and design new financial instruments (TEDx, 2024). It is necessary to design financial instruments that make the conservation and efficient use of natural resources, climate protection or sustainable agriculture and alternative farming methods investable. In other words, this requires developing innovative financial instruments that will enable traditional investors to assume the risks required to achieve sustainability goals.

For example, instruments such as green bonds, carbon credits and sustainability-linked bonds have the potential to combine environmental and social impact with financial returns. These instruments can provide new sources for financing sustainable projects and also create new opportunities for investors.

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