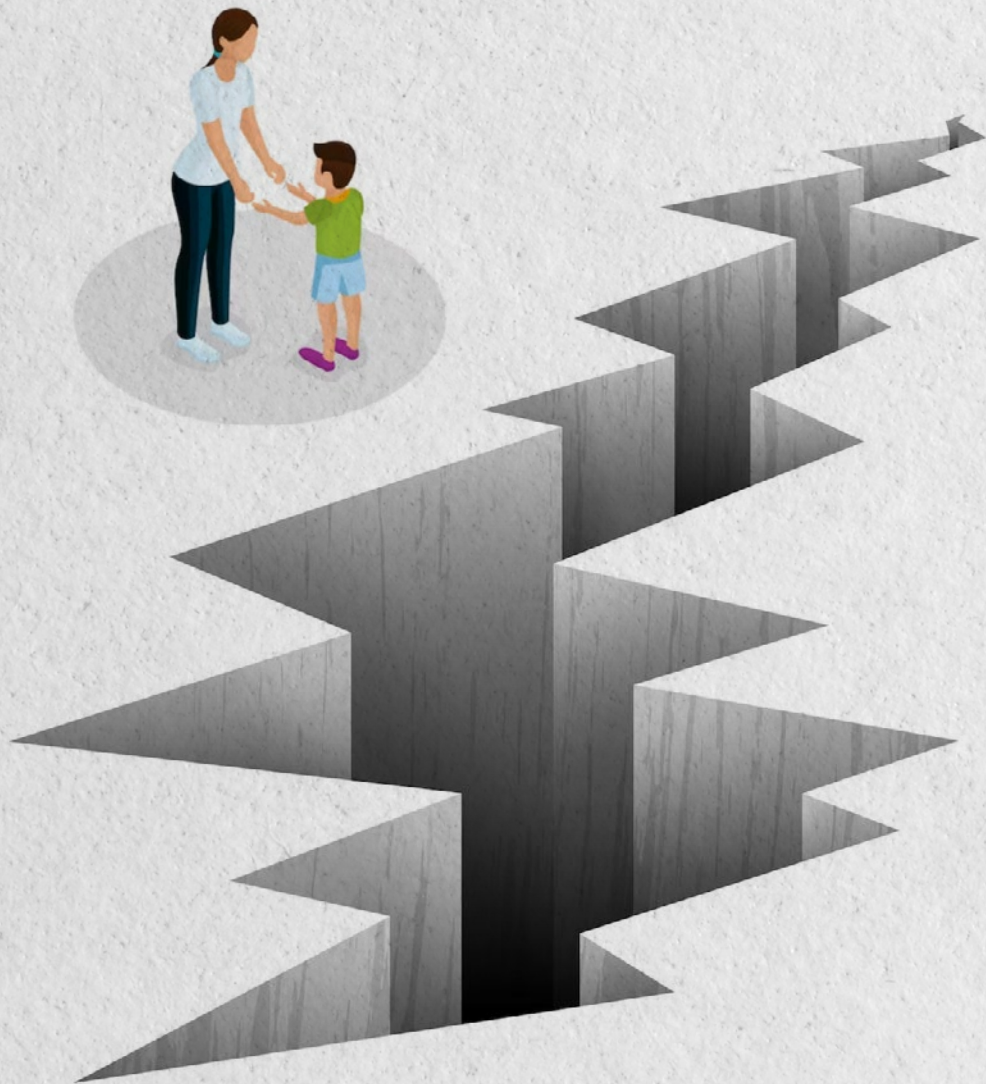


Report on the Roundtable for the Impact Investment in the Aftermath of the Earthquake in Türkiye University of Oxford



25.04.2023



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The roundtable meeting on “**impact investment in the aftermath of the earthquake in Türkiye**” was convened on **25/04/2023** at the **University of Oxford’s** St Edmund Hall. The meeting was hosted by **Oxford Centre for Technology and Development (OCTD)** (www.octd.co.uk) with the **support of ETKİYAP (Impact Investing Platform)** and brought together impact investors, sectoral leaders, international organisations, NGOs, and Turkish central and local authorities. It was an intense and fruitful meeting, where stakeholders could share their priorities and expectations. The event was funded by the Entrepreneurship Hub of the University of Oxford.

This practice-oriented meeting aimed to support small businesses, cooperatives, freelancers, and social entrepreneurs by facilitating investments to create measurable impact and social change after the devastating earthquakes in Türkiye in February. With its highly skilled workforce, vibrant business environment, robust infrastructure and enabling policy environment, Türkiye has a great potential to promote impact investments. The earthquake triggered new initiatives to overcome challenges during the post-disaster period to rebuild ten cities with over 13 million citizens and 1.8 million refugees. This meeting was an invitation to explore the potential of investing in Türkiye.

18 in-person attendance in Oxford and 25 online participants shared their thoughts on supporting the redevelopment of the economy with a particular emphasis on financial inclusion. **European Bank of Reconstruction and Development (EBRD), Turkish Embassy in London, Meta (Facebook), World Food Programme, Turkish Presidency of Strategy and Budget, Development and Investment Bank of Türkiye (TKYB), Turkish Ministry of Treasury and Finance, Istanbul Metropolitan Municipality, Kadıköy Municipality, Habitat, Refugee Investment Network** and many investors and venture capital firms were among participants.

Fatih Aydın, Managing Director of EurAsia Strategies, London, kicked off the meeting, explained the reasons for organising this roundtable meeting, and summarised the need for impact investment after the earthquake in Turkey.

Then **Dr Emre Eren Korkmaz, Director of OCTD Ltd and academic at the Oxford Department of International Development**, elaborated on the significance of access to finance and microcredits for small businesses in Türkiye and proposed Daphne Seed Project, a pilot credit scoring through alternative data sources and microcredit project.

Following Dr Korkmaz, **Şafak Müderrisgil, President of Türkiye Impact Investing Advisory Board (EYDK) and Chair of Etkiyap Impact Investing Platform**, presented her thoughts on the potential of impact investment in Türkiye and its opportunities and practices in place. Then Mrs Muderrisgil invited ETKİYAP member investors **Can Atacık, Onur İlhan, Cem Baytok and TKYB Deputy General Manager Seçil Yıldız** to share their comments on the topic. Following these presentations, all participants joined the discussion.

Background Information

IFC defines impact investments as “investments made in companies or organisations with the intent to contribute to measurable positive social or environmental impact, alongside a financial return” in its “Investing in Impact” report in 2020. Sir Ronald Cohen calls impact investments “the invisible heart of markets” as they can potentially transform societies and economies.

IFC (2020) report distinguishes impact investors from other investors by three attributes:

- “1. They intend to achieve social and/or environmental goals through their investment.
2. There is a credible narrative by which their investment contributes to the achievement of the intended goals—that is, how the actions of the impact investor will help achieve the goals.
3. They have a system of measurement in place that links their intent and the contribution of their investment to improvements in social and environmental outcomes delivered by the enterprise in which the investment was made.”

UNDP’s “The Impact Investing Ecosystem in Turkey: Stakeholder Mapping and Preliminary Analysis of the Ecosystem” Report in 2019, underlines the low regional share of impact investments in the region and mentions that “located in a prime location bridging east and west, Turkey is emerging as a promising entry-point for catalysing impact investing activities and tapping into both the MENA and EECA markets. Turkey’s position is particularly advantageous for impact investing as the country enjoys a relatively developed financial market while still presenting many opportunities to generate social and environmental impact to alleviate the development challenges observed in the region.”

UNDP and other stakeholders of the impact investors in Türkiye “point to a trend towards five key areas where the highest impact may be generated in Turkey: refugee livelihoods, women’s empowerment, renewable energy, health-tech and financial inclusion. Aligning these key areas with entrepreneurship activities in Turkey is critical to raising capital for businesses with and for impact and scale-up models.”

Our roundtable meeting and call for impact investment in Türkiye after the earthquake cover all these five key areas and has the potential to create a great synergy.

Many development agencies and financial actors such as EBRD, WB, and EIB have actively supported impact investment in Türkiye. According to the UNDP report, the country is “positioned as the **most prominent startup hub in south-eastern Europe.**” However, the report also stresses that “despite a growing entrepreneurship ecosystem, **access to finance for these enterprises remains a major challenge** in the Turkish context.

Main Points from the Meeting

The initial needs assessments after the earthquakes in February point to similar challenges. Many reports and observations from the field (for instance, Building Markets, Istanbul Metropolitan Municipality, Red Crescent, IOM, UNHCR, UNDP, EBRD, Spark, GIZ, Habitat and ASAM) emphasise the urgent need for small businesses, cooperatives and freelancers to access to finance and purchase new equipment to relaunch their businesses. Participants in the roundtable meeting underlined the significance of financial inclusion and microcredits for Turkish citizens and refugees. Impact investment projects would help many SMEs, software developers, artists and freelancers to buy the necessary tools to start their businesses immediately.

These small businesses and freelancer/self-employed people can't receive financial services from mainstream financial institutions as they don't have credit scores and lost their savings after the earthquake. Therefore, in this meeting, Dr Korkmaz introduced his EBRD-funded project that it could be possible to benefit from alternative data sources provided by partner organisations (such as Istanbul Metropolitan Municipality) to calculate credit scores of potential entrepreneurs, distribute microcredits and mentor them during their business journey.

The European Bank of Reconstruction and Development's (EBRD) Access to Finance and Entrepreneurship Associate Philipp Paetzold mentioned the EBRD's support on impact investment and entrepreneurship in Türkiye and their programmes for helping SMEs to rebuild businesses in the region. A private-sector approach to financial inclusion with a particular emphasis on the green economy and gender equality includes alternative credit scoring approaches and microcredits. They would continue supporting projects on these topics as 62 % of women have bank accounts, and 9 % of women are SME owners in Türkiye.

Istanbul Metropolitan Municipality's CIO Erol Özgüner explained IMM's Pay It Forward digital payment infrastructure to provide financial support and aid to people and their work on managing and coordinating datasets of municipalities of the earthquake-affected region.

Meta's Policy Programme Manager in Turkey, the Middle East and Africa, Ece Başay, summarised their cooperation with the Ministry of Trade and Chambers of Commerce to access SMEs in the 4 cities and provide mentorship and digitalisation training to support their recovery with a special emphasis on SMEs having export potential. She also underlined the importance of developing microfinance projects in Türkiye.

IMM and Meta expressed willingness to support and coordinate financial inclusion-related projects, such as the Daphne Seed Project proposed by Dr Korkmaz.

World Food Programme's Türkiye Director Margaret Rehm summarised their micro-grant project in the earthquake-affected region's agriculture sector. These grants and loans would effectively re-establish the supply chain in agriculture and protect food security.

Refugee Investment Network's Selen Uçak explained their refugee lens investing approach and pointed out that in addition to 1.8 million Syrian refugees, after the earthquake, millions of internally displaced people should be financially included.

Ahmet Yalçın Yalçınkaya, Chief Treasury and Finance Counsellor at Turkish Embassy in London, clarified the Turkish government's efforts for the reconstruction of cities and creating disaster-resilient cities. Sustainable and flexible funding is critical for small businesses, and Disaster Reconstruction Fund is used for this purpose.

Seçil Yıldız, Deputy General Manager of the Development and Investment Bank of Türkiye, stressed the significance of combining all efforts to mitigate the results of the earthquake and mentioned the capital markets products such as resilience and disaster funds for the region.

Eren Sümer, an expert at the Turkish Presidency of Strategy and Budget, summarised the government's approach to sustainable finance framework and gave examples from green bonds.

Investors and venture capital firm representatives also mentioned these points:

Can Atacık, AIEthina Impact Investments, shared his observation from the region and stated that the region needs long-term and patient investment and suggested social impact bonds, for instance, for remote working and rebuilding the markets.

Onur İlhan, Secretary General of the Impact Investing Advisory Board Turkey, underlined supporting urban resilience, pointed out the need for innovative financial tools for the financial inclusion of disadvantaged communities, and gave an example of a new impact investment pilot project in Thrace Region for long-term fundamental change through community empowerment.

Cem Baytok, IDA Capital, introduced the Worq company, providing financial support to small businesses for e-commerce, and explained how it could be deployed in earthquake-affected regions.

Impact investment strategist Ilkay Demirdağ stated that as the problem is complicated, pilot projects are necessary to address different aspects of the situation, emphasising cultural needs.

Güner Hüseyin, Ijarah Capital, stressed the importance of insurance companies in supporting the earthquake relief efforts and mentioned diaspora bonds.

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Duygu Gözeler Porchet, Gaia Impact Ventures, underlined the need for concessional return projects and the mobilisation of private investment companies to support regional pilot projects.

Jacob Shepherd, Haigh Group, shared his observations after the Christchurch earthquake in New Zealand and stated that supporting local entrepreneurs is vital for redevelopment.

Serhat Erdoğan, SustainExis, suggested increasing awareness about the impact and sustainable development goals and supporting purpose-driven transformation.

Victoria Shepherd, independent consultant/former Accenture, shared her experiences on microcredit projects in Africa and stated that measuring success is crucial for this pilot project.

Alpin Özmen, ESG Strategy Director-former McKinsey, shared her observations from the earthquake region as her family was in Hatay and expressed the challenges her mother faces as a small business owner. Pilot projects should understand the local context as many small businesses do not know how to access finances, and even if they have access, they might not have enough customers.

Ersoy Kaya, OZZ Ltd, underlined the significance of coordination among regional stakeholders to match supply and demand.

The meeting is concluded with remarks from Şafak Müderrisgil and Dr Emre Eren Korkmaz and participants agreed to continue the dialogue and collaborate for further pilot projects.



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