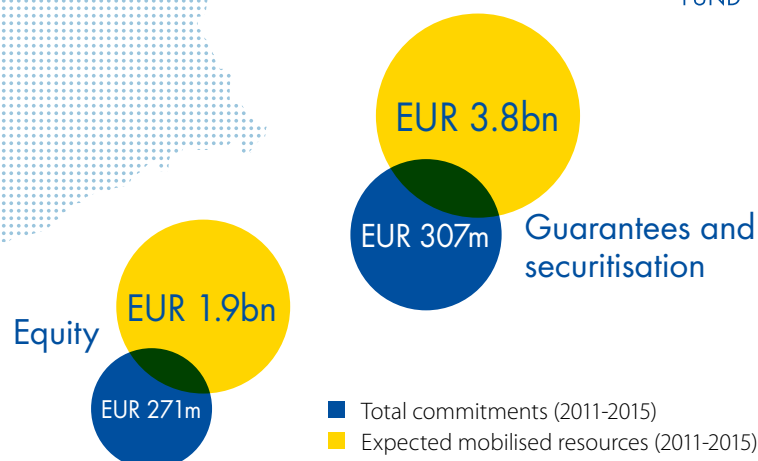


EIF in Turkey



Key figures (at 31.12.2015)

- First EIF operation in Turkey: 2004
- EIF-supported private equity funds investing in Turkey: 13
- EIF financial intermediary partners: 11
- Turkish SMEs supported: 60,000+

EIF has been providing venture capital, private equity and guarantees to partners and financial intermediaries in Turkey for over 10 years. Through numerous agreements it effectively promoted the development of a sustainable SME financing market.

Equity

Jointly with its local public and private partners - the SMEs Development Organisation of Turkey (KOSGEB), the Technology Development Foundation of Turkey (TTGV), the Development Bank of Turkey (TKB) and Garanti Bank - EIF laid the groundwork for supporting access to finance for SMEs through the development of the private equity market in Turkey. The Istanbul Venture Capital Initiative (iVCi) is Turkey's first ever dedicated fund-of-funds which EIF helped to set up in 2007. The initial EUR 160m commitment under the iVCi mobilised EUR 1.8bn of additional financing by other investors.

Besides the iVCi's impact on the real economy, this initiative proved to be a powerful market development tool which supported first-time fund managers in Turkey. In turn, these were able to grow and generate many success stories.

Thanks to the investment platform provided by iVCi, the first regional equity fund co-financed by the EU and Turkey's Ministry of Science, Industry and Technology (MoSIT) under the Competitive Sectors Operational Programme of the country's Instrument for Pre-Accession Assistance (IPA) funds was created. Abraaj Capital, as the selected fund manager, completed its first two investments in Kayseri and Sanliurfa in 2015.

The Technology Transfer Accelerator Fund (TTA Turkey) was launched in 2014 and is co-financed by the EU and Turkey's Ministry of Science, Industry and Technology under the Competitive Sectors Operational Programme of the country's

Instrument for Pre-Accession Assistance (IPA) funds. Managed by EIF, this initiative aims to commercialise applied research from universities and scale up the technology transfer market in Turkey, with the aim of creating positive spill-over effects on less developed regions. The first fund, Diffusion Capital (DCP) entailed a EUR 26.3m IPA commitment and reached a final closing of EUR 30m in April 2015 involving five additional investors. The second fund, "Accelerating the Commercialisation of Technology" (ACT), committed EUR 18.3m IPA financing and resulted in a final closing of EUR 22.5m in July 2015 with one additional investor.

Most recently, in October 2015, the Turkish Growth and Innovation Fund (TGIF), the successor of iVCi, was launched. The cornerstone investors are EIF (EUR 60m), KOSGEB (EUR 60m), the Turkish Treasury (EUR 60m) and TKSBB (EUR 20m). These commitments amount to a total of EUR 200m.

EIF at a glance

The European Investment Fund (EIF) is Europe's leading risk finance provider for small and medium-sized enterprises (SMEs) and mid-caps, with a central mission to facilitate their access to finance. As part of the European Investment Bank (EIB) Group, EIF designs, promotes and implements equity and debt financial instruments which specifically target the needs of these market segments.

In this role, EIF fosters EU objectives in support of innovation, research and development, entrepreneurship, growth, and employment. EIF manages resources on behalf of the EIB, the European Commission, national and regional authorities and other third parties. EIF's support to enterprises is provided through a wide range of selected financial intermediaries across Europe. Since its inception in 1994, EIF supported over 1.8 million SMEs.

EIF is a public-private partnership whose tripartite shareholding structure includes the EIB, the European Union represented by the European Commission and various public and private financial institutions from European Union Member States and Turkey.

The Industrial Development Bank of Turkey (TSKB) is an EIF's shareholders in Turkey.

For further information visit www.eif.org.

Case study

Guarantees and securitisation

The Greater Anatolia Guarantee Facility (GAGF) combines EIF guarantees financed by the IPA funds of the EU and Turkey's Ministry of Science, Industry and Technology and EIB lending. GAGF has been supporting micro-enterprises and SMEs in Turkey's emerging regions since late 2010. GAGF was initially designed to generate EUR 37.5m of micro-loans to micro-enterprises, and EUR 500m of loans to SMEs through a combination of long-term lending by the EIB and portfolio guarantees or counter-guarantees provided by EIF. Available resources are further complemented by local partner banks. Based on its success, GAGF's budget was increased twice, generating an additional EUR 75m lending for micro-enterprises and EUR 400m for SMEs, and reaching over EUR 1bn of loan volume in its target region.

GAGF covers 43 of the least developed provinces which are home to 25% of the country's SMEs. EIF's engagement has been instrumental in meeting the increasing market demand for debt financing in these regions. As of December 2015, more than 1,800 micro-enterprises and over 8,600 SMEs benefited from GAGF loans.

On the debt financing side, EIF's total outstanding commitments since 2010 amount to EUR 307m in 18 transactions with Turkish financial intermediaries. Activities included, among others, six agreements under the EU Competitiveness and Innovation Framework Programme (CIP) and one transaction under the InnovFin SME Guarantee facility. In January 2015, Turkey received authorisation to benefit from COSME (CIP's follow-up programme) which paved the way for further partnerships in the pipeline. Turkey is also one of the participating countries in Erasmus+ and EaSI programmes of the EU.

The Soslu brothers – Zümürüt and Metin – wanted to fulfil their dream of investing in their hometown, Erzurum, located in eastern Turkey. Their company, EMINPEN, opened a branch in Erzurum in 2010. The EU-guaranteed GAGF loan helped them build a new factory there which manufactures and sells prefabricated steel houses.

Zümürüt Soslu moved to Istanbul from Erzurum at an early age and started to do business by sub-contracting at a metal prefabrication company. In 2001, he founded his own company with his brother, Metin Soslu in Istanbul. EMINPEN specialised in manufacturing and selling prefabricated container steel houses, PVC windows and door systems.



Company:
EMINPEN Metal Construction
and Prefabricate

Type of business:
Metal manufacturing and construction

EU-guaranteed GAGF loan through Halkbank:
TRY 700,000 (around EUR 220,000)

To fulfil their dream of investing in their hometown, the Soslu brothers opened a new branch of EMINPEN in Erzurum in 2010. Subsequently, they used TRY 700,000 of a GAGF loan obtained through EIF's local financial intermediary, Halkbank to complete the building of a new factory in Erzurum. New sales branches were also opened in other cities in the region. EMINPEN plans further domestic expansion on the medium to long-term and considers producing also for exports in future.

The company has a strong sense of social responsibility.

As Mr. Zümürüt Soslu explains:

"Our goal is to design and produce low-story steel buildings for regions in Turkey which are vulnerable to earthquakes".

Erzurum is one of them. Hence EMINPEN's quest for an innovative solution to dealing with unexpected climate hazards is both timely and much required.

European Investment Fund

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