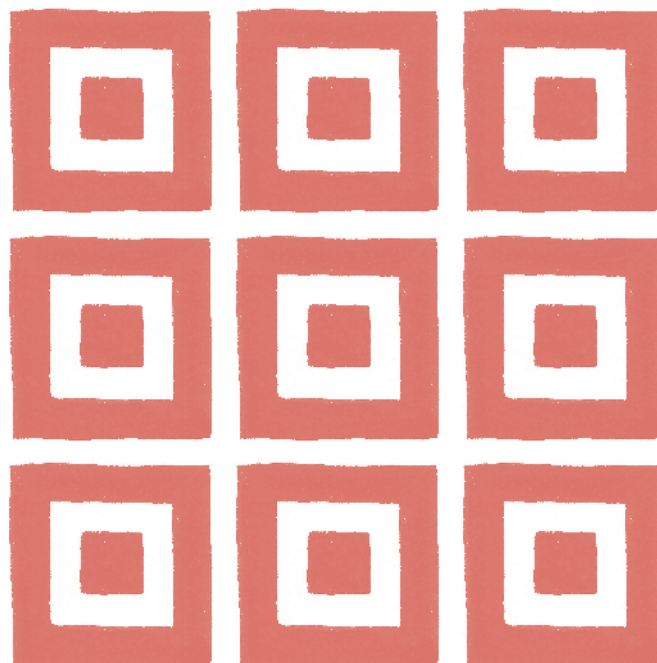


European
Commission

SOCIAL ENTERPRISES AND THEIR ECOSYSTEMS IN EUROPE



Country fiche

TURKEY

Duygu Uygur
Barbara Franchini

This fiche is part of the study "Social enterprises and their ecosystems in Europe" and it provides an overview of the social enterprise landscape in Turkey based on available information as of July 2019. It describes the roots and drivers of social enterprises in the country as well as their conceptual and legal evolution. It includes an estimate of the number of organisations and outlines the policy framework as well as some perspectives for the future of social enterprises in the country.

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Barbara Franchini

This fiche provides an overview of the social enterprise landscape in Turkey based on available information as of July 2019. It is one of the seven fiches covering non-EU countries in the study "Social enterprises and their ecosystems in Europe" included in a contract commissioned by the European Commission to the European Research Institute on Cooperative and Social Enterprises ([Euricse](#)) and the EMES International Research Network ([EMES](#)). Duygu Uygur, from Istanbul Bilgi University, and Barbara Franchini, from Euricse, were in charge of producing the fiche.

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Countries included in the three social enterprise mappings by the European Commission

| No | Country | TYPE | 2014 | 2016 | 2018-19 |
|----|-----------------|--------|------|------|---------|
| 1 | Albania | Fiche | - | - | ✓ |
| 2 | Austria | Report | ✓ | - | ✓ |
| 3 | Belgium | Report | ✓ | ✓ | ✓ |
| 4 | Bulgaria | Report | ✓ | - | ✓ |
| 5 | Croatia | Report | ✓ | - | ✓ |
| 6 | Cyprus | Report | ✓ | - | ✓ |
| 7 | Czech Republic | Report | ✓ | - | ✓ |
| 8 | Denmark | Report | ✓ | - | ✓ |
| 9 | Estonia | Report | ✓ | - | ✓ |
| 10 | Finland | Report | ✓ | - | ✓ |
| 11 | France | Report | ✓ | ✓ | ✓ |
| 12 | Germany | Report | ✓ | - | ✓ |
| 13 | Greece | Report | ✓ | - | ✓ |
| 14 | Hungary | Report | ✓ | - | ✓ |
| 15 | Iceland | Fiche | - | - | ✓ |
| 16 | Ireland | Report | ✓ | ✓ | ✓ |
| 17 | Italy | Report | ✓ | ✓ | ✓ |
| 18 | Latvia | Report | ✓ | - | ✓ |
| 19 | Lithuania | Report | ✓ | - | ✓ |
| 20 | Luxembourg | Report | ✓ | - | ✓ |
| 21 | Malta | Report | ✓ | - | ✓ |
| 22 | Montenegro | Fiche | - | - | ✓ |
| 23 | The Netherlands | Report | ✓ | - | ✓ |
| 24 | North Macedonia | Fiche | - | - | ✓ |
| 25 | Norway | Fiche | - | - | ✓ |
| 26 | Poland | Report | ✓ | ✓ | ✓ |
| 27 | Portugal | Report | ✓ | - | ✓ |
| 28 | Romania | Report | ✓ | - | ✓ |
| 29 | Serbia | Fiche | - | - | ✓ |
| 30 | Slovakia | Report | ✓ | ✓ | ✓ |
| 31 | Slovenia | Report | ✓ | - | ✓ |
| 32 | Spain | Report | ✓ | ✓ | ✓ |
| 33 | Sweden | Report | ✓ | - | ✓ |
| 34 | Switzerland | Report | ✓ | - | - |
| 35 | Turkey | Fiche | - | - | ✓ |
| 36 | United Kingdom | Report | ✓ | - | ✓ |

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List of acronyms

- > **ASD** Autism Spectrum Disorder
- > **AYDER** Alternative Life Association (*Alternatif Yaşam Derneği*)
- > **CEO** Chief Executive Officer
- > **EU** European Union
- > **EUR** Euro
- > **JSC** Joint Stock Company
- > **KEDV** Foundation for the Support of Women's Work (*Kadın Emekini Değerlendirme Vakfı*)
- > **KOSGEB** The Small and Medium Scaled Industry Development and Support Directorate (*Küçük ve Orta Ölçekli İşletmeleri Geliştirme ve Destekleme İdaresi Başkanlığı*)
- > **LLC** Limited Liability Company
- > **SBI** Social Business Initiative
- > **SME** Small and Medium-Sized Enterprise
- > **TRY** Turkish Lira
- > **TÜSEV** Third Sector Foundation of Turkey (*Türkiye Üçüncü Sektör Vakfı*)
- > **WISE** Work integration social enterprise

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- > **Illustration 1.** Tomurcuk Limited Liability Education, Culture and Operating Cooperative
- > **Illustration 2.** Foundation for the Support of Women's Work, KEDV (*Kadın Emeğini Değerlendirme Vakfı*)
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- > **Illustration 4.** Embrace Life Association (*Hayata Sarıl Derneği*)
- > **Illustration 5.** OTSIMO
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- > **Table 2.** Estimated number of social enterprises in different legal forms
- > **Table 3.** Organisations and initiatives contributing to social enterprise ecosystem

Executive summary

Background

Social enterprises in Turkey have their roots in the Ottoman Empire's tradition of foundations which lasted from the 14th century to the early 20th century. During that period, people enjoyed services offered by foundations in several areas such as religion, education, health, urbanisation and military services. With the establishment of the Republic of Turkey in 1923, the Turkish state took over the duty of provision of these services that foundations continue to be active albeit on a reduced scale. Cooperatives present another strand of organisations that contribute to the cultivation of social enterprises in Turkey. Dating back to the 12th century, Ahi Unions in Anatolia constitute a type of cooperative in which individuals organised their efforts to collectively create social benefit in the form of financial and other types of aid. Associations, after being regulated in 1909 by the Ottoman Law on Associations, constituted a legal form that individuals can still employ to gather and pursue common aims in solidarity. **The practice of creating social benefit through foundations, cooperatives and associations is elemental to the historical background of social enterprises in Turkey, whereas the concept only entered the local literature during the first decade of the 21st century.**

Today, individuals' intrinsic motivation and search for a more meaningful life leads them to social enterprises either as founders, employees or volunteers. In many reported cases, responsive founders, who witnessed a lack of effectiveness in the provision of general interest services, felt a responsibility to tackle the problem and established social enterprises. **During the second decade of the 21st century, several institutional initiatives and support measures activated by research centres and universities, municipalities, foundations, associations and conventional enterprises promoted the idea of social enterprise.** Successful examples that gained visibility have significantly contributed to the recognition and growth of social enterprises in Turkey.

Concept and legal evolution

There is no exclusive legislation for social enterprises in Turkey. Organisations that prioritise the pursuit of a social aim over maximising profit adopt any of the existing legal forms and are thus established as foundations, cooperatives, associations or conventional enterprises. However, in relation to current legislation, the ability of these legal typologies to comply with the EU operational definition of social enterprise differs.

In principle, all foundations are considered organisations that pursue the general interest. However, not all types of foundations can be considered social enterprises. Despite their non-democratic governance, two types of foundations, namely community foundations and "new foundations", meet the asset lock and profit-distribution constraint criteria related to the inclusive governance/ownership dimension of the EU definition. Similarly, associations usually adopt democratic governance models, but not all of them pursue the general interest. The status of "public benefit" is an official verification of social aim pursuit that allows associations awarded with the status to benefit from tax breaks and other advantages. Moreover, foundations and associations are not allowed to perform economic activities and must establish commercial enterprises in order to generate income. **According to the analysis conducted, commercial enterprises owned and operated by community foundations and "new foundations", as well as commercial enterprises owned and operated by "public benefit" associations, can be considered social enterprises.**

As far as cooperatives are concerned, they adopt a participative decision-making process; however, they usually pursue the interest of their members and can distribute profits. **Cooperatives that comply with the EU operational definition of social enterprise are concentrated particularly in the category of women's cooperatives. Education cooperatives can also be considered a potential typology of social enterprise, with certain active examples that satisfy the EU operational definition criteria through their conduct.**

The cooperative is the only legal typology that is undergoing a facilitating regulatory change. Women's cooperatives and education cooperatives represent an evolution of traditional cooperatives towards social enterprise. Moreover, the Directorate General of Cooperatives, which operates under the Ministry of Trade, is working on the establishment of a new form of cooperative, namely "the social cooperative". This would be the appropriate form to be adopted by cooperatives willing to address the needs of disadvantaged groups, including people with disabilities, the long-term unemployed, ex-offenders, persons with addictive disorders, immigrants and women and youth in rural areas.

In Turkey, there are also conventional enterprises that explicitly prioritise a social aim over profit maximisation; however, it is not possible to identify them within such a wide typology. B Corps fall within the category of organisations akin to social enterprises, but they may distribute profits.

Mapping

The estimated number of social enterprises in Turkey is 1,776 consisting of commercial enterprises run by community foundations and "new foundations", women's cooperatives and commercial enterprises run by "public benefit" associations. However, as the figure is the result of an estimation exercise, the total number of social enterprises could be larger or smaller. For instance, if all women's cooperatives and all education cooperatives were categorised as social enterprises, the total number would reach 1,906.

Social enterprise policy framework

No specific policies aimed at facilitating the creation and development of social enterprises are currently in place. Depending on their eligibility, social enterprises established as foundations and associations may enjoy the "tax exempt" and the "public benefit" status respectively consistent with the current legal framework. However, these statuses do not apply to commercial enterprises run by foundations and associations. **Therefore, no existing legal forms fully recognise the specificity and accommodate the needs of social enterprises—thus social enterprises bend these forms to fit their needs.**

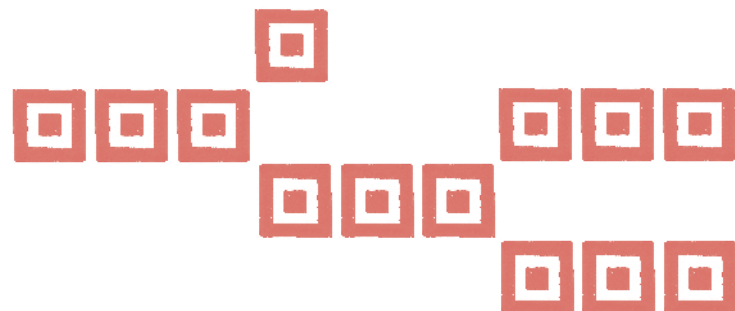
Nevertheless, the new project initiated by the Directorate General of Cooperatives to establish "social cooperatives" may potentially activate various resources to boost the development of social enterprises.

Perspectives

Turkey is in a nascent state of raising awareness of the concept of social enterprise. **Though the number of actors involved in the social enterprise ecosystem is currently limited, the ecosystem clearly involves a rich variety of agents owing to the positive perception of the social enterprise phenomenon in the country.**

The main constraining factors inhibiting the growth of social enterprises in Turkey include a lack of unity in terms of regulation, control and representation; the unavailability of an exclusive legal form; limited tax advantages; unregulated volunteer work; the scarcity of experts; a lack of entrepreneurial literacy and business expertise in founders; and relative inability to manage finances.

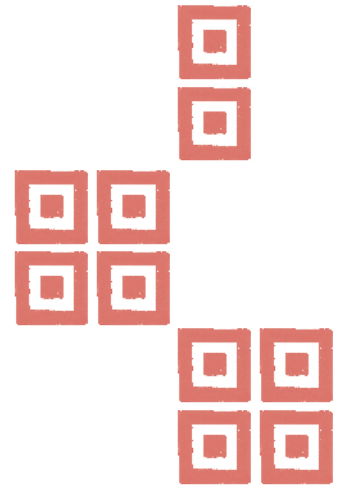
However, there are notably successful examples that can serve as role models, particularly for youngsters, who are engaged with the idea of social enterprise and are more capable of using technology for the advancement of innovative entrepreneurial models. Capacity building, access to finance, knowledge and experience are key resources necessary to develop new ideas into growing social enterprises.





TURKEY

1



BACKGROUND: SOCIAL ENTERPRISE ROOTS AND DRIVERS

16 | Background: social enterprise roots and drivers

Turkey is a country with a strong tradition of foundations inherited from the Ottoman era. The history of foundations dates back to the 10th century in Anatolia. During the Ottoman period, from the 14th to the 20th century, foundations were established within the framework of Islamic law and served in many areas, including religion, education, health, urbanisation, public development and military services (Ertem 2011). Reportedly, 2,860 foundations operated in Istanbul in the 16th century. An individual could be born in a foundation hospital, study in a foundation school, work in a foundation institution and be buried in a foundation graveyard (Bikmen 2008). At that time, the social purposes of foundations included preventing social conflicts, regulating income distribution and social relationships, increasing employment, preventing social instability and alienation, and improving social integration (Ertem 2011). Although state provision of general interest services since the foundation of the Republic of Turkey in 1923 and the adoption of the Civil Code in 1926 has slimmed the scale and impact of foundations (Çizakça 2005, Bikmen 2008), the philanthropy tradition and its formal organisation through foundations endures.

The cooperative tradition dates back to the 12th century in Anatolia with the establishment of the Ahi Unions, comprised of artisans and based on the Ahi philosophy — a blend of Islamic values and pre-Islamic traditions. Ahi Unions maintained some aid and solidarity funds called "Common Funds" (*Orta Sandığı*) which were funded by the contributions of members to provide social and economic security to members in difficulty. Inspired by Ahi Unions, statesman Midhat Pasha initiated "Country Funds" (*Memleket Sandıkları*) in 1863, providing the backdrop for cooperatives. Country Funds were an early model of agricultural credit cooperatives that extended credit at low interest rates and supplied seeds and livestock to member-farmers. In 1888, Country Funds evolved into the "Agriculture Bank" (*Ziraat Bankası*), which contributed capital during the Turkish War of Independence (Dokuzlu 2017). Moreover, the Agriculture Bank distributed quinine to the public during the malaria epidemic in 1924.¹ Fig producers in the Aegean Region, who wanted to break the market monopoly, undertook another collective effort. They organised a conference in 1912, encouraged a collective movement and in 1915 established the "Cooperative Aydın Fig Producers Joint Stock Company" (*Kooperatif Aydın İncir Müstahsilleri Anonim Şirketi*), which has since developed into "Tariş", a present-day giant union of agrarian sales cooperatives.² Between 1920 and 1938, Atatürk, the founder of the Turkish Republic, encouraged and led the cooperative movement in Turkey. Right after the passing of the Production, Procurement, Buying and Selling Partnership Cooperatives Regulation (*İstihsal, Alım ve*

(1) The Ministry of Health used the branches of the bank as a distribution channel to supply medication to people during the epidemic. See: <https://www.ziraatbank.com.tr/tr/bankamiz/hakkimizda/bankamiz-tarihcesi>.

(2) See: www.taris.com.tr/uzumweb/t_tarihce.asp.

Satım Ortaklık Kooperatifleri Nizamnamesi) in 1923, about 40 agricultural cooperatives took root in the western regions of the country (Durutan-Okan and Okan 2013).

The right to association was regulated first at the beginning of the 20th century with the 1909 Ottoman Law on Associations. Various types of associations, including political, opinion-education-culture, economic-vocational, charity and aid, women's youth, belief and ethnic associations, were founded following the law. A lasting tradition of guilds continued in the artisans' associations by law. These associations involved workers as well and functioned as aid systems based on the social solidarity principle at the time (Toprak 1985).

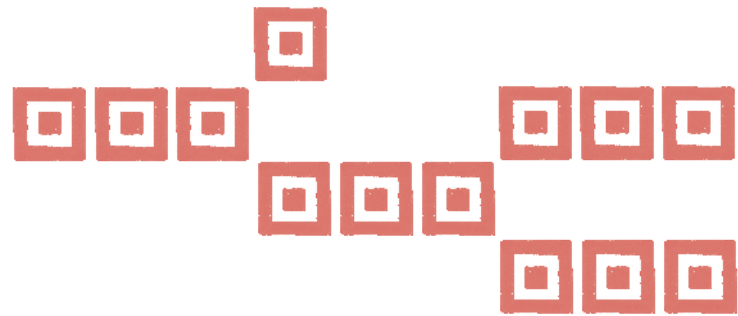
Therefore, despite the novel concept of "social enterprise" in Turkey—it entered local literature during the first decade of the 21st century—the idea of creating social benefit in an institutionalised way through contributing personal resources and cooperation is not new.

Social enterprises today fulfil a similar function and offer solutions to social instability through raising awareness and shifting the focus from the individual to society and the country. In addition, individuals' diminishing satisfaction with traditional work structures and related monetary benefits and questioning the meaning of work in search of a better intrinsic motivation lead them to engage in and establish social enterprises either as founders, employees or volunteers (Kümbül-Güler 2010). Indeed, among the values reported that constitute a source of happiness in Turkey, money and work come fourth and fifth, respectively, after health, love and success (TurkStat 2013). However, as can be understood from many of the social enterprise cases reported (e.g., Erhart and Sanul 2012, Dervişoğlu-Okandan and Sönmez 2012, Müftügil-Yalçın, 2017), founders usually conceive their initial ideas as a result of their sensitivity and responsiveness to social problems. Exposure to a major social problem caused by ineffectiveness or neglect (e.g., a lack of pre-school education and poverty in certain disadvantaged groups) triggers efforts at solutions and motivates action. Hence **initiators responding to gaps in delivery of general interest services often help incubate many of the social enterprises in Turkey.** Moreover, these initiators further their causes by giving voice to and encouraging disadvantaged or disregarded citizens to create a bottom-up impact and prevent social exclusion. These organisations cultivate solidarity and inclusion and propose solutions to the problems of poverty, a lack of education, unemployment and neglect.

Among other factors, **during the second decade of the 21st century, centres and award schemes developed by institutions, such as universities, local municipalities, foundations, associations and conventional enterprises, have spread the word and encouraged the idea of social enterprise in Turkey.** These organisations have created awareness and provided potential entrepreneurs with training, education and mentorship, and financial resources through various initiatives.

18 | Background: social enterprise roots and drivers

In addition to these benefits, **social enterprises that became visible as successful examples have contributed to creating awareness and accumulating knowledge and experience.** Of these, Nebahat Akkoç of KAMER,³ Bedriye Hülya of B-Fit⁴ and Tülin Akin of TABIT⁵ are recipients of Schwab Foundation for Social Entrepreneurship awards⁶ for "outstanding founders and CEOs of social enterprises". Their success has perpetuated the creation of social enterprise initiatives in Turkey.



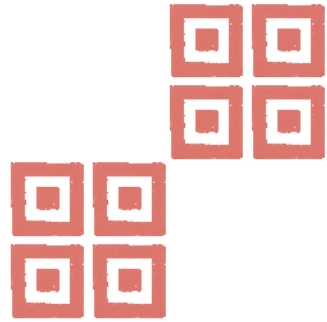
(3) See <http://www.kamer.org.tr/index.php>.

(4) See <https://b-fit.com.tr/>.

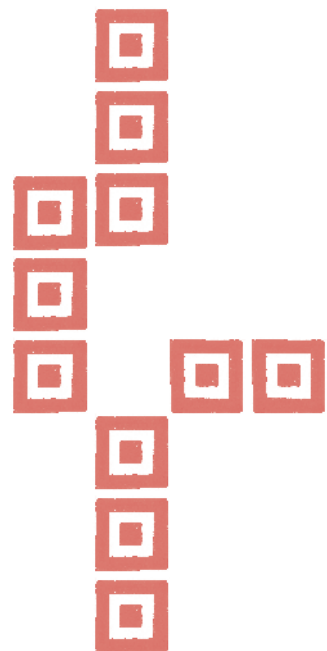
(5) See <http://www.tabit.com.tr/>.

(6) See <https://www.schwabfound.org/awardees>.

2



CONCEPT AND LEGAL EVOLUTION



2.1. Defining social enterprise borders

2.1.1. The EU operational definition of social enterprise

This report draws on the organisational definition included in the Social Business Initiative (SBI) of 2011. According to the SBI, a social enterprise is an undertaking:

- > whose primary objective is to achieve social impact rather than generating profit for owners and shareholders;
- > which uses its surpluses mainly to achieve these social goals;
- > which is managed in an accountable, transparent and innovative way, in particular by involving workers, customers and stakeholders affected by its business activity.

This definition arranges social enterprise key features along three dimensions:

- > an entrepreneurial dimension,
- > a social dimension,
- > a dimension relative to governance structure.

Provided that the pursuit of explicit social aims is prioritised through economic activities, these three dimensions can combine in different ways; it is their balanced combination that matters most when identifying the boundaries of social enterprise.

Building upon this definition, the Commission identified a set of operational criteria during the previous stages of the Mapping Study (European Commission 2015, 2016) and refined them again for the purpose of the current phase of the study (see appendix 1 for further details).

2.1.2. Application of the EU operational definition of social enterprise in Turkey

Due to the lack of a tailor-made legal form designed exclusively for Turkish social enterprises, these organisations employ pre-existing legal forms and organise as cooperatives, foundations, associations or conventional enterprises.

Cooperatives⁷

According to the Cooperatives Law, No. 1163 of 2018⁸, a cooperative is a legal form with variable partners and variable equity, established by natural persons and legal entities, in which partners come together through mutual help, solidarity and personal guarantees to meet and protect their economic interests and vocational and maintenance needs by contributing their labour or monetary resources. In Turkey, cooperatives must have at least seven partners and may be established on an unlimited liability, a limited liability or an additional payment (limited or unlimited) basis. The general assembly holds the highest authority, where all partners receive representation in the cooperative's structure. Cooperatives operate on a one-partner-one-vote and majority rule basis, excluding exceptional situations. The executive board consists of at least three elected members. The auditing board inspects all transactions and accounts on behalf of the general assembly. Cooperatives are obliged to submit an annual report to all partners, consisting of an income statement and balance sheet a fortnight before the meeting of the general assembly. In case of bankruptcy, partners are held liable to pay the debt in proportion to their shares unless otherwise stated as unlimited liability in the main contract.⁹ **Cooperatives may employ personnel and can distribute up to 90% of the profits among partners, while at least 10% must be kept as contingency.**

Cooperatives pay corporate income tax. However, according to Law No. 5520 of 2006, all cooperatives, except transportation and consumption types, may be exempt from corporate tax if their main contracts explicitly state that income distribution is not subject to capital share, contingency cannot be distributed to partners, the chairman of the board and board members are not given shares from income, and transactions only occur among partners. As per the amendment by a general notification regarding corporate tax regulation (The Official Gazette 2019a), corporate tax-exempt cooperatives must separately record entry of any transaction that occurs with a third party within a work area not specified in their main contract (Revenue Administration 2019).

(7) Cooperatives, other than agricultural cooperatives and housing cooperatives, are controlled by the Directorate General of Tradesmen, Artisans and Cooperatives (*Esnaf, Sanatkarlar ve Kooperatifçilik Genel Müdürlüğü*) (formerly denominated Directorate General of Cooperatives before Presidential Decree No. 27, issued on 10.01.2019 and as referred to in this document) under the Ministry of Trade (*Ticaret Bakanlığı*). Agricultural cooperatives and housing cooperatives operate under the control of the Ministry of Agriculture and Forestry (*Tarım ve Orman Bakanlığı*) and the Ministry of Environment and Urbanisation (*Çevre ve Şehircilik Bakanlığı*), respectively.

(8) See <http://www.mevzuat.gov.tr/MevzuatMetin/1.5.1163.pdf>.

(9) A "main contract" is a ready-made contract, which defines the aim, scope, governance, etc. of a certain cooperative type, prepared by the Directorate General of Cooperatives. Main contracts show that a specific work area is regulated for the use of the citizens. However, main contracts are subject to change during the establishment of individual cooperatives according to the aim of their partners.

Cooperatives are democratic and inclusive organisations, though they do not necessarily lean towards social benefit. Moreover, cooperatives are not obliged to have asset locks. Partners can come together in order to gain bargaining power over competitors and earn more surplus, as is the case with agrarian sales cooperatives (Directorate General of Cooperatives 2018a).

Presently, 32 types of cooperatives actively operate in Turkey. One specific type, the **Limited Liability Women Enterprise Production and Operating Cooperative (hereafter referred to as women's cooperatives), includes organisations that can be regarded as social enterprises because they comply with the criteria set out in the EU operational definition of social enterprise.**

Women's cooperatives emerged in 1999 to create a sustainable solution for economically disadvantaged women (Duguid *et al.* 2015). The model develops a bottom-up solution sensitive to local problems through achieving women's active involvement.

The Ministry of Trade drafted the main contract for women's cooperatives in 2011. The document states that the aim of women's cooperatives is to fulfil the economic, social and cultural needs of their partners while producing goods and services, addressing marketing needs emerging from economic activities, developing production skills and providing a healthy and prosperous living environment through protecting their economic interests. For that aim, activities defined in the main contract include organising courses and workshops on entrepreneurship and production-oriented skill development for partners and other beneficiaries. In addition, women's cooperatives may own and operate certain physical facilities, publish informative material, organise meetings and workshops, and employ personnel to improve the lives of partners with respect to health, childcare, women's and human rights, and the environment. The general assembly decides the conduct on distributing surplus. However, at least 15% must remain as contingency. Therefore, the general framework of the main contract does emphasise a social orientation while leaving the decision of asset lock and surplus distribution to the general assembly. **According to the data provided on the Cooperative Information System of the Ministry of Trade¹⁰ (2019), 114 women's cooperatives actively work in Turkey.**

Women's cooperatives organised under the Simurg Women's Cooperatives Union show commitment to the social aim of female empowerment while formally applying asset locks and surplus distribution in their collective effort. The Simurg Women's Cooperatives Union requires its members to comply with the union's main contract, which envisages an asset lock. According to the contract, 25% of the surplus gained by the union is transferred to two different contingency budgets: 50% is allocated to the investment and development fund, 14% goes to the social

(10) See <https://koopbis.gtb.gov.tr/Portal/kooperatifler>.

aid fund for partners, 10% is allocated to the education fund and 1% is transferred to the account of the Ministry of Trade. The union's contract also exerts the corporate tax exemption conditions mentioned above.¹¹ **At present, the union has 61 members.** Illustration 1 below shows the case of Tomurcuk, a women's cooperative that is a member of the union.

Illustration 1. Tomurcuk Limited Liability Education, Culture and Operating Cooperative

Tomurcuk is a women's cooperative founded in 2006 by Gülser Özkan and 23 mothers raising mentally challenged children. Founders organised their efforts into a cooperative as they considered freedom of action, solidarity, self-responsibility, democratic decision-making and an ideology-free environment essential for their aim.

The cooperative aims to integrate mentally challenged individuals into work through education and skills development in Istanbul. The work and rehabilitation programmes offered by the cooperative are carried out in workshops and an education centre. In the workshops, children work with their mothers or teachers and produce marketable handcrafts. The education centre offers special education, family guidance and counselling, along with rehabilitation services such as sport and music therapy. In 2007 the cooperative established a private school, the Yeni Tomurcuk Special Education and Rehabilitation Centre (*Yeni Tomurcuk Özel Eğitim ve Rehabilitasyon Merkezi*) in order to generate income to sustain the services offered by the cooperative. The cooperative has also established an association, Yeni Tomurcuk Culture, Art, Youth and Sport Club Association (*Yeni Tomurcuk Kültür Sanat Gençlik ve Spor Kulübü Derneği*), where students talented in certain sports can become licenced members of the federation and participate in contests. The cooperative enjoys a band, the Bremen Percussion Band, comprised of students from the centre. The band rehearses with the volunteer rhythm educator Yaşar Morpınar and has given more than 280 concerts so far. In addition to these initiatives, the cooperative owns a café used as an application centre for the children. To date, more than 500 children have benefitted from the services of the cooperative, with more than 60 students currently registered.

Municipalities, Istanbul Gedik University, the Foundation for the Support of Women's Work (KEDV, *Kadın Emeğini Değerlendirme Vakfı*) and the Ministry of Education are among the main partners of the cooperative. Professional educators, volunteer educators and other volunteers make up the workforce of the cooperative. Income

(11) See http://www.kadinkooperatifleri.org/koop/index.php?option=com_content&view=article&catid=54:bilgi-ve-doekueymanlar&id=156:anasozlesme.

from the Special Education Centre, charity bazaars, the café, and donations produce the cooperative's main financial resources.

Tomurcuk provides a very good example of women's cooperatives as social enterprises with its expert focus on mentally challenged children. The cooperative also represents a complex structure with its private school and association.

www.tomurcukkooperatifi.org

Some women's cooperatives operate under other cooperative types, including agricultural development cooperatives, production/marketing cooperatives, consumption cooperatives and craft cooperatives (Duguid *et al.* 2015). A 2016 Ministry of Trade statistic reports that, including members of the union mentioned, 141 cooperatives in Turkey include the word "women" in their titles.¹² However, only women's cooperatives that participate as members of the above-mentioned union are included in the analysis as they explicitly fulfil the EU's social, economic and governance criteria. Non-members do not undergo analysis, since they provide individual examples not comprising a distinct category.

Within the legal form of cooperatives, education cooperatives can also be considered a potential typology of social enterprise, with certain active examples in their conduct that satisfy the EU operational definition criteria. According to the Directorate General of Cooperatives, education cooperatives employ two different methods in their activities: i) those operating dormitories, parking lots and student cafeterias of universities or higher education institutions; and ii) those establishing and operating schools and higher education institutions in various educational grades.¹³ The main contract prepared by the Ministry of Trade in 2013 defines a broader area of activities for education cooperatives. Besides the two above-mentioned methods, it also includes other activities such as publishing, research and development, educational tools and equipment production, seminar and conference organisation, buying and leasing real estate for education purposes, etc., which can serve as alternative methods in different combinations. Similar to the general framework foreseen for women's cooperatives, the Ministry leaves the distribution of surplus to the discretion of the general assembly of education cooperatives (after setting aside 15% for contingency). The main contract of education cooperatives includes tax exemption conditions as well. **The Cooperative Information System of the Ministry of Trade (2019) reports that 77 education cooperatives currently operate in Turkey.**¹⁴

(12) See koop.ticaret.gov.tr.

(13) See <https://koop.gtb.gov.tr/kooperatifler-hakkinda/egitim-kooperatifleri>.

(14) See <https://koopbis.gtb.gov.tr/Portal/kooperatifler>.

Foundations¹⁵

Foundations are private legal entities and must define the purpose, name and governance structure in their foundation charters. Foundations consist of three administrative organs: the board of trustees, the managing board and the auditing board. Members of administrative organs are either elected or appointed, as specified in the foundation's charter. Hence **foundations do not function through democratic management and are not necessarily inclusive.**

In order to engage in commercial activity, foundations must establish commercial enterprises through which to generate income to advance their causes. Income gained from these organisations cannot be distributed to founders. Foundations that own and operate commercial enterprises are considered merchants and bear responsibility in case of bankruptcy unless they officially prove that they allocate at least 50% of their income directly to the cause.

The council of ministers can grant tax exemption to applying foundations. In order to be eligible for the category, foundations should publicly commit to relieving the state's burden in supplying general interest social services by participating in one or more of the following areas: health, social aid, education, scientific research and development, culture and environment protection and afforestation. In addition, the minimum income-generating assets and yearly income should reach at least 1,401,000 TRY (approx. 225,000 EUR) and 127,000 TRY (approx. 20,000 EUR), respectively, for foundations whose activities last longer than one year. For newer foundations, minimum amounts double. These foundations should explicitly state in their charter that at least two-thirds of their gross income will be allocated to the cause. The ratio changes to three-fourths for those foundations established to support state universities. Services should not restrict themselves to certain geographies or groups. Bookkeeping should comply with a balance sheet-based accounting system. However, tax exemption does not apply to income tax or commercial activities undertaken through commercial enterprises. Donors of "tax-exempt" foundations can benefit from specific fiscal incentives. At present, 283 foundations have received "tax-exempt" status.¹⁶

Turkey encompasses five types of foundations, listed below.

- > **Mazbut foundations:** As per Foundations Law No. 5737 of 2008, they were established before the adoption of the now-abolished Turkish Civil Code No. 743 in 1926, receiving representation and management by the state through the Directorate General of Foundations, according to Foundations Law No. 2762 adopted in 1935. In the past, they fell under the control of the Evkaf Ministry

(15) Foundations are controlled by the Directorate General of Foundations under the Ministry of Culture and Tourism.

(16) See <http://www.gib.gov.tr/node/232/pdf>.

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of the Ottoman Empire as public officials or members of the Ottoman dynasty founded them (Çınar 2016). Sultan Ahmet Mosque Foundation (also known as Blue Mosque) provides an example of a *mazbut* foundation (Hatemi 1997). At present, about 41,720 *mazbut* foundations fall under control of the Directorate General of Foundations.¹⁷

- > **Mülhak foundations:** As per Foundations Law No. 5737 of 2008, these foundations were established before the adoption of the abolished Turkish Civil Code No. 743 in 1926. Their control and coordination is legally assigned to the descendants of founders.¹⁸ At present, 260 *mülhak* foundations carry out activities in Turkey.¹⁹
- > **Community foundations:** As per Foundations Law No. 5737 of 2008, these foundations are legal entities under Foundations Law No. 2762 of 1935 and belong to non-Muslim communities whose members are citizens of the Republic of Turkey regardless of whether they possess a foundation certificate charter. These foundations include churches, monasteries, synagogues, cemeteries, schools and hospitals. At present, there are 167 active community foundations.²⁰
- > **Trade foundations:** As per Foundations Law No. 5737 of 2008, they were founded by artisans and tradesmen. Currently, only one active trade foundation exists.
- > **"New foundations":** This legal category, by definition, includes foundations established after the adoption of Turkish Civil Code No. 743 in 1926 and No. 4721 in 2001. As of 2019, establishing a new foundation requires an endowment of 60,000 TRY.²¹ (approx. 10,000 EUR).²² There are currently 5,158 active new foundations.

(17) See <https://www2.tbmm.gov.tr/d24/7/7-25194c.pdf>.

(18) If a descendant does not take the duty in ten years, the Directorate General of Foundations takes over the management and control of the *mülhak* foundation by court rule, and its status is transformed into a *mazbut* foundation. *Mazbut*, a word of Arabic origin, means well-protected, disciplined or captured in Turkish.

(19) See <https://www.vgm.gov.tr/vak%C4%B1f-i%C5%9Flemleri/vak%C4%B1f-istatistikleri/m%C3%BClhak-ve-esnaf-vak%C4%B1flar%C4%B1>.

(20) See <https://www.vgm.gov.tr/vak%C4%B1f-i%C5%9Flemleri/vak%C4%B1f-istatistikleri/yeni-vak%C4%B1flar>.

(21) Turkish Lira.

(22) See <https://www.vgm.gov.tr/Sayfalar/SayfaDetay.aspx?Sayfald=23>.

The Directorate General of Foundations defines a foundation as the institutionalised form of help and solidarity that has endured throughout history. Foundations, the definition maintains, constitute a group of systems aiming towards the happiness and prosperity of humanity.²³ **Therefore, in principle, all foundations are considered to be organisations pursuing the general interest.**

However, not all types of foundations can be considered social enterprises according to the EU definition.

- > *Mazbut* foundations cannot qualify as social enterprises since, despite acting as private entities, they operate as *de facto* state organisations. This typology does not fulfil the EU definition's criteria.
- > *Mülhak* foundations can run commercial enterprises, which could qualify them as conventional for-profit enterprises, since profits may be distributed among the founders. Therefore, this typology does not fulfil the criteria of the EU definition.
- > Trade foundations do not provide a relevant typology. Since only one active trade foundation exists at the time of writing, this typology does not receive further analysis in this study.
- > Community foundations own and operate commercial enterprises, generating income that cannot be distributed to their founders in order to further the cause. Hence **commercial enterprises established and owned by community foundations fulfil the EU social enterprise criteria and shall be considered as such.**
- > New foundations may own and operate commercial enterprises in order to perform economic activity. However, income cannot be distributed to their founders. Thus **commercial enterprises of new foundations comply with the criteria of the EU definition.**

Illustration 2 below presents the case of KEDV, a foundation that owns and operates commercial enterprises with the ultimate goal of empowering women.

(23) See <https://www.vgm.gov.tr/kurumsal/tarih%C3%A7e/tarih-te-vak%C4%B1lar>.

Illustration 2. Foundation for the Support of Women's Work, KEDV (*Kadın Emeğini Değerlendirme Vakfı*)

KEDV, a tax-exempt foundation, was founded by Şengül Akçar in 1986. KEDV aims at improving quality of life for low-income women through capacity and skill development as well as through work and social integration. The main partners of KEDV include: local municipalities; the Ministry of Family, Labour and Social Services; the Ministry of Trade; and Citibank.

KEDV conducts four different programmes with the ultimate objective of empowering women. The first programme focuses on economic empowerment and providing training in entrepreneurship and business development. Moreover, the programme offers microfinance through the services of Maya (a commercial enterprise founded by KEDV in 2002, which to date has given more than 12,000 microcredits amounting to more than 12 million TRY or approx. 2 million EUR). KEDV cooperates with Citibank and has organised an award scheme for its clients every year since 2009. The programme's new product development service helps women to make products that match market demand. The programme teaches women how to save and create a small fund and how to manage funds and loans. Within the scope of the programme, the foundation provides women with access to the market in its second commercial enterprise, the Nahil store. Nahil has four branches: two in Istanbul, one in Izmir and one in Mardin. Besides acting as a bricks and mortar retailer, Nahil sells its primarily textile-based products through its online channel as well.²⁴

The second programme concentrates on early childhood care and education, given their significance in achieving the active participation of women in the economy. The model encourages women living in the same neighbourhood to work together to define the needs of children in the 0-6 age group who live nearby. Then the foundation supports the women to activate resources and open neighbourhood day care centres where they identify a need. At present, 23 day care centres operate in 12 different provinces, serving more than 2,000 children and women every year. In this programme, women can also act as trained neighbourhood mothers to disseminate knowledge and information to other mothers during home visits. Playrooms and playgroups provide other components of the programme.

The third programme involves disaster preparedness and post-disaster rebuilding and emphasises the importance of women's skills and capabilities for and during recovery. Following the experience gained from the 1999 Marmara earthquake and its aftermath, the programme underlines the role of women in coordinating information, building partnerships, re-establishing provision of basic services to children and other

(24) See <https://www.nahil.com.tr>.

women, and starting economic rebuilding initiatives. The programme hinges upon a development perspective rather than humanitarian aid in its handling of disasters and their consequences. In addition, the foundation produces capacity-building programmes and other support materials in alignment with these goals.

The fourth programme aims to improve the capacities and interactions of women in order to create solutions to common problems in an organised way. Services offered include training, study trips, peer exchanges, dialogue-building meetings and participation in the gender-based budgeting process of the local public authority. Within the scope of the programme, women's cooperatives have both taken root and accelerated.

KEDV presents one of the most consolidated and effective social enterprises established as a foundation. The foundation acts as the main accelerator of women's cooperatives and owns and operates the first microcredit scheme in Turkey.

www.kedv.org.tr

Associations²⁵

An association is "a non-profit group which has legal entity formed by at least seven real or legal persons in order to fulfil a certain common goal which is not illegalised and enables constant exchange of knowledge and studies" (Associations Law, No. 5253 of 2004).²⁶

Associations act as democratically governed and inclusive organisations. They are governed by the general assembly, the executive board and the auditing board. All members are represented in the general assembly, which then elects members of the executive and auditing boards. The law does not allow associations to perform entrepreneurial activities. **In order to generate income from commercial activities, associations must establish and operate commercial enterprises and hold liability in case of bankruptcy but may not distribute profits gained from the activities of these commercial organisations** (Revenue Administration 2012). Commercial enterprises owned by associations work in the same way as those owned by foundations. Not all associations pursue the general interest, though many of them do prioritise a social aim. **The status of "public benefit" association (Directorate General of Associations 2018b) is an official verification of social aim pursuit**

(25) Associations are controlled by the Department of Civil Society Affairs (*Sivil Toplumla İlişkiler Müdürlüğü*) (formerly the Directorate General of Associations before Presidential Decree No.7 issued on 13.08.2018 and as referred to in this document) under the Ministry of Interior.

(26) See https://www.dernekler.gov.tr/en/Statute/Compiled-statute-Laws/5253_Associations-Law.aspx.

and allows benefits from tax advantages such as stamp tax and real estate tax exemptions to the ability to organise fundraising campaigns without getting permission beforehand. According to Law No. 5253, "Public benefit associations are identified with the Cabinet Decree upon the proposal of the Ministry of Interior in consultation with relevant ministries and the Ministry of Finance. Public benefit status is granted to associations pursuing activities, which yield socially beneficial outcomes, to reach their aims at least for one year." Public benefit associations must allocate at least half of the yearly income they gained for their purpose. Unlike other associations, public benefit associations are not considered merchants²⁷ and do not bear responsibility for their commercial enterprises in case of bankruptcy; in such cases, the commercial enterprise holds liability as the merchant. At present, 384 public benefit associations exist in Turkey.²⁸ Commercial enterprises of these organisations are included in the analysis due to their compliance with the EU definition. Illustration 3 below provides a good example of a social enterprise with public benefit association status, creating significant impact for the target group while operating commercial enterprises to ensure financial sustainability.

Illustration 3. Six-dot Association of the Blind (*Altı Nokta Körler Derneği*)

Six-dot aims to support blind and visually impaired people to become self-sufficient and productive individuals integrated with society and offer solutions to their social, educational, cultural and vocational challenges. The association was founded in 1950 by the late Dr Mithat Enç, a scholar who specialised in special education and became blind during his undergraduate studies. The association received public benefit association status in 1958. Six-dot has 31 branches in all regions of Turkey and serves about 6,500 blind members. The association is a member of the Federation of the Blind of Turkey and the Confederation of the Disabled.

The Six-dot Association owns and operates a library, a conference room, courses for the blind, a clubhouse, a four-room guesthouse, a Braille print unit, an audio computer lab and a studio for audiobook production. The operator, Six-dot Service to The Blind Foundation, acts on behalf of the Six-dot Association. Since 1986 the association has published the monthly periodical "The Voice of Six-dot" (*Altı Noktanın Sesi*) on a subscription basis. It has also published a children's magazine called "Blindman's Buff" (*Körebe*) and a quarterly bulletin for women called Kibebe.

(27) See <https://www.mevzuat.gov.tr/MevzuatMetin/1.5.6102.pdf>.

(28) See <https://www.siviltoplum.gov.tr/illere-gore-kamu-yararına-calisan-demekler>.

The association cooperates with the state-owned Public Education Centre in cities where it has branches and organises skill-based courses, seminars, panels and workshops for blind people.

Six-dot actively advocates equal rights for the disabled by emphasising the education and employment of the blind. The association's history offers many success stories, including the establishment of Turkey's first schools for the blind, rehabilitation and culture centres, and initiatives for the employment of the blind. With its 69 years of history, Six-dot constitutes one of the most established associations.

Their website provides information on their activities and gives access to the association's publications, documents and videos.

www.altinokta.org.tr

Illustration 4 below presents the case of the association Embrace Life (*Hayata Sarıl Derneği*), which combines the contributions of various stakeholders, including volunteers, sponsors, workers and beneficiaries. The association offers meals and work integration programmes for people in need and operates a commercial enterprise. Although Embrace Life does not hold "public benefit" status, it can be considered a social enterprise as it fulfils the criteria envisaged in the EU definition.

Illustration 4. Embrace Life Association (*Hayata Sarıl Derneği*)

Embrace Life is a work integration social enterprise (WISE) established as an association. Founders Ayşe Tükrükçü, Dilara Moran, Bedri Nezih Deren, Elçin Kitapçı, Begüm Gülfıdanlı, Gamze Görür, Atıfet Melis Aran, Çelik Özdemir and Celal Canik established the association in 2017. The association promotes universal friendship, solidarity, cooperation, tolerance, peace, love and respect between people and organises activities aimed at achieving human rights. The association is rooted in the individual initiative of co-founder Ayşe Tükrükçü, who delivered soup to the homeless around the Taksim area of Istanbul for about three years. Over time, her efforts developed into Embrace Life. The soup delivery business evolved and today continues through another organisation, the Çorbada Tuzun Olsun Association.

Embrace Life operates a restaurant as a commercial enterprise serving paying customers until 8 pm in Istanbul. After 8 pm the restaurant offers free meals to the homeless. The restaurant staff includes people who are disadvantaged, face exclusion or are in

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need of help. The staff undergoes on-the-job training in hygiene and sanitation, food processing, and cooking, and the restaurant features one Turkish celebrity chef every month. The staff has access to a voluntary psychologist for further help. Therefore, the model provides holistic aid to its beneficiaries, considering not only material needs but also skill building and psychological help. For increasing sustainability and impact, the employment programme theoretically lasts six months for each person employed. However, it usually lasts until the person finds a paid job. People can volunteer to help with the service and donate. Sponsors contribute to the operation of the restaurant as well. Groups of employees from mainstream companies participate in the service process after 8 pm as part of their corporate social responsibility activities. The next big project for the association is the construction of a rehabilitation centre for the homeless and those in need.

Embrace Life applies a comprehensive integration programme for those in need while producing goods together for other needy people. The association presents a model of WISE as a *de facto* social enterprise despite not possessing "public benefit" status.

www.hayatasaril.org.tr

Companies

According to Turkish Commercial Code No. 6102, companies may be established under the following types:

- a. Corporate forms - joint stock company (JSC) and limited liability company (LLC).²⁹
- b. Non-corporate forms (personal forms) - collective company and commandite company.³⁰

The most common types of conventional enterprises in Turkey include JSCs and LLCs. LLCs and JSCs can be established with a single shareholder and a minimum share capital of 50,000 TRY (approx. 7,000 EUR) and 10,000 TRY (approx. 1,400 EUR), respectively. The liability of shareholders of both JSCs and LLCs is limited to their capital contribution with the exception of public debts. Shareholders of personal companies (that is, collective partnerships and commandite partnerships) have unlimited liability for the company's debts and undertakings.³¹ Illustration 5 presents the case of Otsimo,

(29) Cooperative companies also belong to the corporate forms; however, due to their specific characteristics, they are presented as a separate typology.

(30) According to Turkish Commercial Code No.6102 of 2011 Article 304, in a commandite company, some of the shareholders have unlimited liability for company's debts whereas others' liability is limited to their capital contribution.

(31) See invest.gov.tr.

a technology-based JSC that follows the principles of social enterprises in its conduct by prioritising its social aim over profits.

Illustration 5. OTSIMO

Otsimo is a JSC founded in 2016 by Zafer Elçik and Sercan Değirmenci. The organisation has developed a game-based educational mobile application for children with autism spectrum disorder (ASD) and their families. Individuals living with ASD can catch up and attend a regular school with their peer group if they participate in a 40-hour weekly intensive education until the age of three. However, many struggle to access special education in Turkey because of limited state institution service provision, the scarcity of expert educators and very high costs.³² Therefore, Otsimo aims primarily to provide access to early and basic education to all people living with ASD, thereby helping to democratise special education.

The story of Otsimo begins with the teenage brother, who is a carrier of ASD. As a computer engineering undergraduate working for a game company, the co-founder noticed his brother's great interest in smart phones and tablets. He decided to use these smart gadgets as educational tools for his brother. He first developed a colour-matching game with a colleague, which teaches basic skills to kids with ASD in a fun way.

Otsimo follows a special education methodology called applied behavioural analysis in developing its products to create a safe pedagogic environment. An expert on child development and education test the games before their launch. The company's design team re-engineers the games based on feedback received to better address the children's needs. Otsimo provides not only educational materials for the special needs of these children but also control, analyses and feedback to their families. The application is available in Turkish and English. Otsimo currently enjoys more than 70,000 registered users and 30,000 monthly visitors. Otsimo operates on two different income models: the "freemium" model (which includes all educational games with no advertising, free of charge) and the "premium" model (which includes all educational games, daily scorecards, guidance and counselling services, 24-hour live support and speech therapy). The premium version costs 20.99 TRY (approx. 3.5 EUR) per month for a monthly plan, 13.99 TRY (approx. 2.5 EUR) per month for a yearly plan and 199.99 TRY (approx. 32 EUR) for the lifelong plan. The company also earns income from licensing its products to schools and institutions that provide special education. Thirteen people currently work for Otsimo, including its two co-founders. Otsimo has

(32) See arikovani.com.

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raised approx. 295,000 EUR via crowdfunding and from the investments of Galata Business Angels since 2016.³³ Acceleration programmes, such as Yenifkirleryenişler and the Animation Technologies and Game Development Center (ATOM) of Middle East Technical University, have also supported Otsimo's growth.

Otsimo presents a good example of a social enterprise established as a company. It is a financially sustainable technology company that has already expanded its impact beyond Turkish borders, reaching 167 countries. It showcases a strong social orientation by prioritising impact over maximising profits. Despite not setting an asset lock in the company's statutes, the co-founder states that they have not distributed any profits and will not do so in the future.

www.otsimo.com/

Companies comprise the legal forms that often inherently engage in commercial activities. **They may define themselves as social benefit organisations through explicitly stating their social mission and delivering a social aim or social goods and services.** Companies are capital- and ownership-based organisations. Therefore, **they do not enact democratic governance.** However, including stakeholders in the decision-making processes relates to the power-delegating intentions of the owner. **Companies can make and distribute profits..**

Companies present the legal typology least congruent with the EU operational definition of social enterprise. Despite their formal constitution, some companies act in conformity with the criteria outlined in the EU operational definition and therefore receive consideration as social enterprises within a local context. **Despite their social focus, social enterprises registered as companies face the same market conditions and tax structures as conventional for-profit enterprises.** Illustration 6 below presents the case of Good4Trust, which is an example of a social enterprise established in the legal form of a company.

Illustration 6. Good4Trust.org

Good4Trust is an LLC established by Uygur Özesmi in 2013. The company primarily aims to create a market in which goodness and trust are exchanged through ecologically and socially just interactions. The company's mission is to maximise happiness, a presumption economy and economic downsizing rather than maximising profit, a consumption economy and economic growth. It has registered 10,804 "prosumers",

(33) See <https://www.crunchbase.com/organization/otsimo#section-overview>.

4,440 good deeds, 9,185 total drops and 65 accepted producers in the system. The amount transferred to the producers today reaches 154,928 TRY (approx. 24,000 EUR). Within its administrative structure, Good4Trust has an advisory body, the "Council of 7", which gives advice, warnings and guidance to the management of the company where necessary. The council is formed on a quota basis with comparable gender representation. Those who would like to register as producers first sign an intention letter regarding their attitude towards the protection of ecology and social good. The Council of 7 then examines a candidate's file for approval, and the producer becomes a part of the Good4Trust ecosystem, offering products and/or services to prosumers. Producers transfer 3% of each transaction as a contribution to the system. Prosumers as buyers of ecologically and socially just products support producers in earning a living. The system also encourages exchange between producers.

Good4Trust provides a good example of a social enterprise established as a LLC with its unique mindset and terminology. According to the company statement, "all its shares are investment shares and therefore the company does not distribute profit as a requirement of its memorandum of association." Thus, it presents a rare example of a mainstream company with an asset lock mechanism.

www.good4trust.org

It is worth mentioning that three B Corp-certified companies operate in Turkey. B Corps are defined as "businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose".³⁴ As such, B Corps may fall in a so-called "grey area" in which organisations combine social benefit creation and profit-gaining through transparent and accountable management. However, B Corps may distribute profits and do not necessarily include asset locks and inclusive governance in their conduct.

Table 1 below provides a comparative analysis of the ability of the four legal types employable by social enterprises in Turkey to meet the criteria set out in the EU operational definition of social enterprise.

The choice of the most appropriate legal type depends on the aim of the founders. Some choose to be a company for the sake of an agile decision-making process and transparency (Sanje and Dinç 2012), others to be an association with a commercial enterprise in order to also have access to funds available to third-sector institutions (Erhart and Sanul 2012), and some to be a cooperative for better management of crowds over a wider geography in a decentralised way (Derviçoğlu-Okandan and Sönmez 2012) or for the sake of a flat structure free of hierarchical layers (Duguid *et al.* 2015).

(34) See <https://bcorporation.net/about-b-corps>.

Table 1. Typologies of social enterprises in Turkey against the EU operational definition

| Legal Typology | Entrepreneurial / economic dimension Stable and continuous economic activities | Social dimension The aim pursued is explicitly social. The product supplied/ activities run have a social/ general interest connotation | Inclusive governance / ownership dimension Inclusion of stakeholders in solution design and decision-making process Asset lock and profit distribution constraint |
|---|---|--|---|
| Women's cooperatives | Yes | Yes | Yes Possible |
| Education cooperatives | Yes | Possible | Yes Possible |
| Commercial enterprises of community foundations | Yes | Yes | Possible Yes |
| Commercial enterprises of new foundations | Yes | Yes | Possible Yes |
| Commercial enterprises of public benefit associations | Yes | Yes | Yes Yes |
| Conventional enterprises and B Corps | Yes | Possible | Possible Possible |

2.2. Legal evolution

The Cooperatives Law of 1969 regulates the establishment and operations of cooperatives (The Official Gazette 2006). Cooperatives have undergone a general legal evolution that caters to entrepreneurial aspirations prioritising a social aim. Two cooperative types, **women's cooperatives and education cooperatives, represent an evolution in this legal form towards a social enterprise.**

In 2011 the Ministry of Trade wrote the main contract of "The Woman Enterprise, Production and Operating Cooperative" (*Kadın Girişim, Üretim ve İşletme Kooperatifi*),³⁵ publishing it through the official website of the Ministry. Women's cooperatives engage in many different fields, ranging from protecting and producing local products, such as toys, ceramics, fabrics, food, craft and material, to producing movies, providing special education and rehabilitation services, and farming organically (Directorate General of Cooperatives 2012, KEDV 2018).

Education cooperatives propose a new area of action and are a new type of social enterprise that has grown gradually since its official introduction in 2013. Various sources point to three factors as the main triggers for their emergence: 1) enactment of separation of the 12-year compulsory education in graded rankings as 4+4+4³⁶ in 2012, so that students can move among institutions and the establishment requires fewer fixed costs; 2) corporate tax exemption for cases applying certain surplus distribution conditions (as mentioned in section 2.1.2); and 3) incentives such as value-added tax exemption, customs duty exemption and interest rate support granted in 2012 by cabinet decree.³⁷

The Directorate General of Cooperatives from the Ministry of Trade organised a research conference on social cooperatives in March 2018. According to the statement of the Minister, who appeared on national media at the end of September 2018, **the Directorate General of Cooperatives aims to introduce a new form of cooperative, namely the "social cooperative" that will address the needs of disadvantaged groups and immigrants.**³⁸ The Ministry defines social cooperatives

(35) See <https://koop.gtb.gov.tr/data/549179fcf293703cbcde0b58/4-KADIN%20GIRISIMI%20URETIM%20VE%20ISLETME%20KOOPERATIFI%20ANASÖZLEMESİ.pdf>.

(36) As per amendment No. 222 of the Primary Education Law in 2012, the duration of compulsory education, which was formerly 8 years and was spent in the same institution throughout, has been extended to 12 years and separated into three grades—primary, secondary and high school—with each lasting 4 years, and the time can be spent in different institutions. See http://www.meb.gov.tr/duyurular/duyurular2012/12Yil_Soru_Cevaplar.pdf.

(37) See <http://www.resmigazete.gov.tr/eskiler/2012/06/20120619-1.htm> and <https://koop.gtb.gov.tr/kooperatifler-hakkinda/egitim-kooperatifleri>.

(38) See www.hurriyet.com.tr.

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as organisations specialising in social services and the integration of disadvantaged people into work life, in settings mostly owned by the workers and that are open to the partnership-membership of consumers and volunteers. Some of these disadvantaged groups include people with disabilities, the long-term unemployed, ex-offenders, persons with addictive disorders women and youth in rural areas, and immigrants. Social cooperatives differ from other cooperatives in that they prioritise public benefit and non-profit activities and orientate themselves towards public need and social aims. Success for social cooperatives lies in creating social benefit rather than profit while recognising that profits gained through creating social benefit help generate the sustainability and permanence of public welfare activities.³⁹

Commercial enterprises that belong to foundations and associations are defined and regulated in the Corporate Tax Law of 2006 and the Turkish Commercial Code of 2011 (Turkish Commercial Code 2011). **It appears that a facilitating regulatory change has yet to unfold in these forms.**

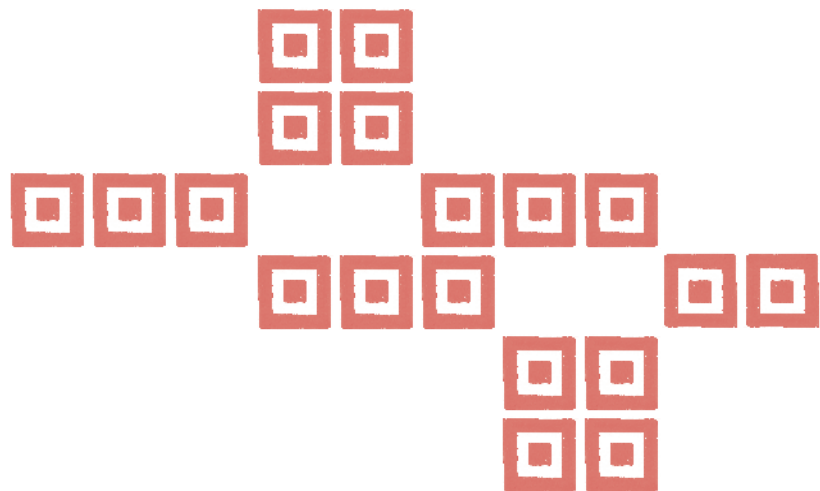
Companies are established and operate according to the Turkish Commercial Code, which came into force in 1956. **The legal structure lacks mechanisms that accommodate or facilitate social enterprise establishment and operation or recognise social pursuits as a formal objective aside from profit** (Turkish Commercial Code 2011).

Nevertheless, certain alterations in the structure of governing bodies have recently occurred. The constitutional change referendum in 2017 abolished the office of the Prime Minister and Turkey has since adopted the presidential system. As such, the president directly creates and regulates the ministries. A recent decree issued by the presidency abolished the Directorate General of Associations and replaced it with the Department of Civil Society Affairs (*Sivil Toplumla İlişkiler Genel Müdürlüğü*) (The Official Gazette 2018a). In addition, the Directorate General of Foundations, formerly directly accountable to the Prime Minister's Office, will function under the control of the Ministry of Tourism (The Official Gazette 2018b). The Directorate General of Cooperatives has become the Directorate General of Tradesmen, Artisans and Cooperatives by a presidential decree envisaging a broader scope of control for the Directorate (The Official Gazette 2019b).

(39) See <http://www.sosyalkooperatifreni.org/sosyal-kooperatif-nedir/>.

3

MAPPING



3.1. Measuring social enterprises

Cooperatives

According to 2016 data, there are 53,259 cooperatives with around 7.5 million partners in Turkey (Ministry of Customs and Trade 2017). **Cooperatives that comply with the criteria of the EU operational definition of social enterprise concentrate particularly under the category of women's cooperatives.** In fact, 114 women's cooperatives operate in Turkey, 61 of which exist under the umbrella of the Simurg Women's Cooperatives Union that qualify as social enterprises, therefore meriting their inclusion in the estimation.

As mentioned, education cooperatives could also qualify as a potential typology of social enterprise. According to the latest available official statistics, 77 education cooperatives carry out activities in Turkey.⁴⁰ However, it is not possible to identify those among them that satisfy the EU definition's criteria.

Some cooperatives within the other categories may also fulfil the EU definition, but available sources of data do not allow their quantification, and therefore they are not included in the estimation outlined in table 2.

Foundations

Community foundations own and operate five commercial enterprises, whereas new foundations own and operate 1,425 commercial enterprises (Trade Registry Gazette, 2019).⁴¹ **These commercial enterprises qualify as social enterprises, since they satisfy all criteria of the EU operational definition.**

Foundations may establish partnerships with other commercial organisations. However, this shared ownership by different parties often blurs the clarity of the ultimate goal of the organisation. Thus, commercial enterprises conducted in partnership are not included in the estimated number of social enterprises.

Historically, foundations acted as private law entities—meanwhile, some new foundations and related commercial enterprises are likely to be *de facto* founded

(40) <https://koopbis.gtb.gov.tr/Portal/kooperatifler>

(41) This significant difference can be explained by two main causes. On the one hand, the total number of active community foundations is low when compared with the total number of active new foundations (167 versus 5,158). Any foundation established after the adoption of the new civil code in 1926 is included in the category of new foundation. On the other hand, community foundations are usually faith-based organisations that provide their services free of charge or for a voluntary contribution instead of through the establishment of a commercial enterprise.

and operated by the state. For this reason, the figure represents an estimate of the maximum number of social enterprises in the form of commercial enterprises owned and operated by new foundations.

Associations

There are 113,732 associations actively operating in Turkey. Of these, 384 have received the status of "public benefit" association. According to the Turkish Trade Registry Gazette,⁴² 135 public benefit associations have at least one commercial enterprise. **The total number of commercial enterprises owned and operated by public benefit associations runs to 285, all of which can qualify as social enterprises, meriting their inclusion in the estimation.**⁴³

Companies

As mentioned in section 2.1.2, some companies act in conformity with the criteria outlined in the EU operational definition (see illustrations 5 and 6). **However, since it is not possible to identify their number within the whole typology, they are not included in the estimation.**

Table 2 below provides the estimated number of social enterprises in Turkey within each typology.

Table 2. Estimated number of social enterprises in Turkey

| Typology | Estimated number |
|---|-------------------------|
| Women's cooperatives (members of the Simurg Women's Cooperatives Union) | 61 |
| Education cooperatives | Estimation not possible |
| Other types of cooperatives | Estimation not possible |
| Commercial enterprises owned and operated by community foundations | 5 |
| Commercial enterprises owned and operated by new foundations | 1,425 |

(42) See www.ticaret sicil.gov.tr.

(43) Commercial enterprises are also owned by associations that are not in possession of the "public benefit" status that may nevertheless be considered social enterprises (see illustration 4 above). However, since it is not possible to identify the number of associations without "public benefit" status that pursue the general interest, this typology is not included in the estimation, and the commercial enterprises that are counted as social enterprises are only those owned by associations that have been awarded "public benefit" status.

| Typology | Estimated number |
|--|-------------------------|
| Commercial enterprises owned and operated by public benefit associations | 285 |
| Conventional enterprises | Estimation not possible |
| TOTAL | 1,776 |

However, as the figures outlined above result from an estimate, the total number of social enterprises identified could be larger or smaller. For instance, if all women's cooperatives (114) qualified along with all education cooperatives (77), the total number would reach 1,906.

3.2. Social enterprise characteristics

Aside from the legal categorisation of organisations considered to be social enterprises in Turkey, one can further identify three distinct models:

- > **Social enterprises providing access to products and/or services** (including access to financial resources such as microcredit);
- > **Social enterprises employing disadvantaged groups** in the production of marketable goods and services and providing training and other support throughout the process (WISEs);
- > **Social enterprises providing means and platforms for crowding and encouraging potential donors and matchmaking between beneficiaries and donors.**

Women's cooperatives tend to engage particularly in the social and work integration of disadvantaged groups as well as in the provision of care services for various age groups. They also participate in the field of disaster preparedness and recovery with the aim of building a sense of security in disadvantaged groups.

According to a recent study conducted on women's cooperatives in Turkey (Duguid *et al.* 2015), these organisations tend to occupy the space between purely economic organisations and purely social organisations. Women's cooperatives operate both in urban and rural areas, and serve their partners/beneficiaries while: contributing to societal benefit through creating income; developing socialisation/solidarity; heightening the status of women; providing education and capacity development, marketing and sales outlets, entrepreneurship opportunities, access to public services

and access to early childhood care services; and increasing awareness of women's rights. According to the research report, more than 7,000 women benefit from women's cooperatives in Turkey. Many participants earn their first wages through cooperatives; 87% of participants are between the ages of 31-60, 75% are married and 76% have children (9% have more than four).

Education cooperatives operate schools and dormitories for students in different grades. These organisations leverage the alignment and cooperation amongst parents, teachers and students for better, financially accessible education. Education cooperatives accomplish their social aim by providing education opportunities for those who cannot afford them (including scholarships to underprivileged and successful students).

The main activity of community foundations' commercial enterprises lies in providing health services. Four out of five organisations identified as social enterprises operate as hospitals. The income from these commercial enterprises constitutes the second largest contribution to the total income of community foundations after "other income". Donations, aid and income from financial sources present other important sources of income for community foundations.

Notably, the majority of identified social enterprises participate in the category of new foundations, making it worth detailing the general picture of this typology. **New foundations target members of specific organisations or professions as well as vulnerable groups, such as women, children, youth and the elderly or disadvantaged people, including patients with certain illnesses and people with disabilities** (Directorate General of Foundations 2017a). Top sectors of engagement include education, social aid, health, social services, socio-culture and history. Other fields of engagement include vocational training, art, environment, science/technology, development, law/human rights/democracy, sport, agriculture and farming, and co-worker aid.

The asset structure of the new foundations for the period of 2013–2017 shows that, aside from membership fees, grants and donations provide the largest source of income. Similarly, earnings from the management of financial assets represent a significant source of income, whereas the income generated by commercial enterprises remains very limited. Therefore, new foundations depend on external support. Moreover, the significant relevance of the income generated by managing financial assets indicates the vulnerability of foundations to financial fluctuations, weakening their financial sustainability and survival (Directorate General of Foundations 2018b).

Microcredit schemes supply financial resources to social enterprises in Turkey but in very limited amounts. The first microcredit scheme in Turkey was introduced

in 2002 by the Foundation for the Support of Women's Work, KEDV (*Kadın Emeğini Değerlendirme Vakfı*), through the commercial enterprise Maya (see illustration 2). In 2003, following the visit of Muhammad Yunus of Grameen Bank, another microcredit scheme sprouted in the southeastern cities of Diyarbakır and Batman that still continues through the efforts of the Turkey Waste Prevention Foundation (*Türkiye İsrafi Önleme Vakfı*).

Besides microcredit, financial resources available for social enterprises in Turkey include crowdsourcing, awards and bursaries from institutions such as Ashoka, EU funds, funds and grants awarded by governmental institutions like ministries and embassies, and private sponsors. In addition, important informal financial resources are sourced from personal, family, friends and relatives' savings and donations or sponsorship incomes supplied from certain actors due to personal relationships.

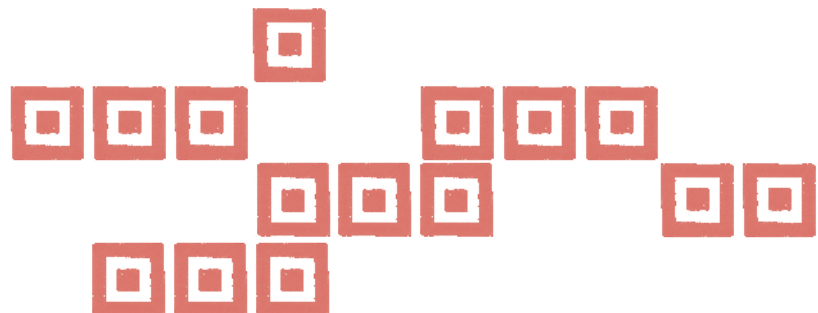
Associations that own and operate social enterprises established as commercial enterprises mainly create organisations that provide aid for people with certain diseases, professional development, opinions and sport clubs, and humanitarian aid. These organisations operate dormitories, culture and education centres, schools, clubhouses and souvenir shops.

Unlike companies and cooperatives, foundations and associations benefit from the contributions of volunteers in addition to professional workers. However, the relationship with volunteers concerning mutual rights and obligations, contractual provisions, liability rules, etc. remains uncertain (TÜSEV 2018), as no specific legislation regulates volunteering in Turkey, nor does the Labour Law address it. Therefore, any mechanisms for encouraging volunteering and systematising relationships with volunteers are left to the organisations' discretion.

The geographic distribution of social enterprises remains far from balanced. Almost half of all new foundations have blossomed in Istanbul (1,739 new foundations) or in Ankara (826 new foundations) (Directorate General of Foundations 2018c). Similarly, out of the 135 associations with public benefit status that own commercial enterprises identified as social enterprises, 114 are located either in Istanbul or Ankara. The same geographic imbalance follows for education cooperatives. They tend to operate in Western cities, such as Bursa, Çanakkale, Balıkesir, İzmir, Antalya, and the capital city, Ankara. Women's cooperatives, meanwhile, experience a relatively more balanced geographic distribution.

4

SOCIAL ENTERPRISE POLICY FRAMEWORK



The current legal framework envisages the "tax exempt" and the "public benefit" status being potentially awarded to social enterprises that fulfil certain criteria and adopt the legal form of foundations and associations, respectively (as outlined in section 2). However, some argue that the definition and eligibility criteria for these statuses are not clear. Reportedly, these statuses come with a very limited tax advantage and are granted to very few organisations (Şahin and Ersen 2018). Moreover, these statuses do not apply to commercial enterprises run by foundations and associations.

Additionally, some claim that treating socially oriented enterprises as conventional enterprises for the sake of fair competition exposes them to market conditions, creating the opposite effect to that intended. Thus, **no existing legal forms fully accommodate the needs of social enterprises and they have to flex these forms to fit their needs** (TÜSEV 2012a).

The Small and Medium Scaled Industry Development and Support Directorate (KOSGEB),⁴⁴ operating under the Ministry of Industry and Technology, offers the following services to SMEs:

- > entrepreneurial support,
- > research and development, technological production and domestication support,
- > enterprise development, growth and internationalisation support,
- > financial support,
- > laboratory services.

Social enterprises of small or medium scale can benefit from these support schemes as any other SME, as long as they are eligible.⁴⁵ Additionally, development agencies provide SMEs with grants to which social enterprises can apply.

However, **no specific financial mechanism from mainstream financial institutions has been tailored to the needs of social enterprises** (Sosyal Finansman Rehberi 2017). Still, founders can apply to traditional credit schemes designed for all entrepreneurs and specifically female entrepreneurs. Despite the availability of several financial options in the market, potential financiers of social enterprises perceive risk in the primacy of their social aims and relative inability to generate profits, thus severely limiting access to these sources (TÜSEV 2012b).

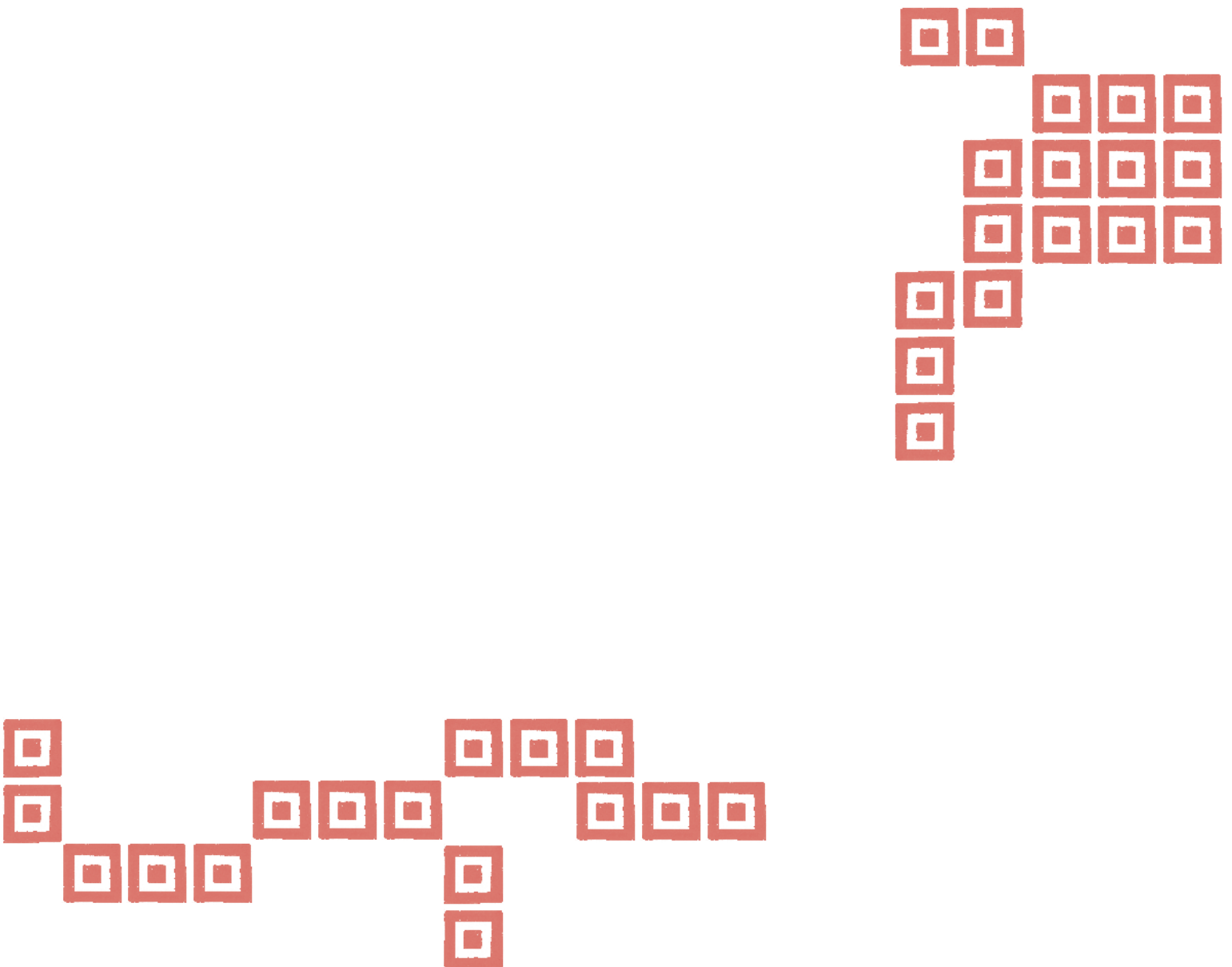
As mentioned in section 2.2, **the Directorate General of Cooperatives under the Ministry of Trade initiated a process in 2018 to establish a new form of**

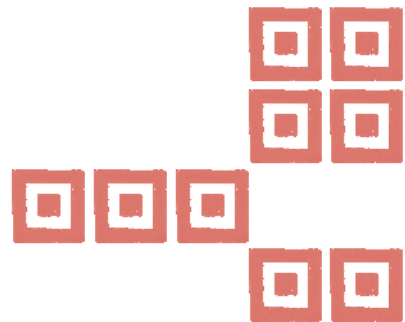
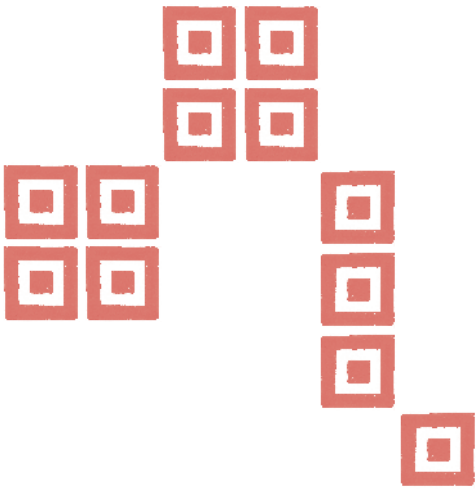
(44) See <http://en.kosgeb.gov.tr/>.

(45) To be eligible for SME support, enterprises must have a maximum of 249 employees, 125 million TRY (approx. 18 million EUR) net income and 125 million TRY (approx. 18 million EUR) revenue.

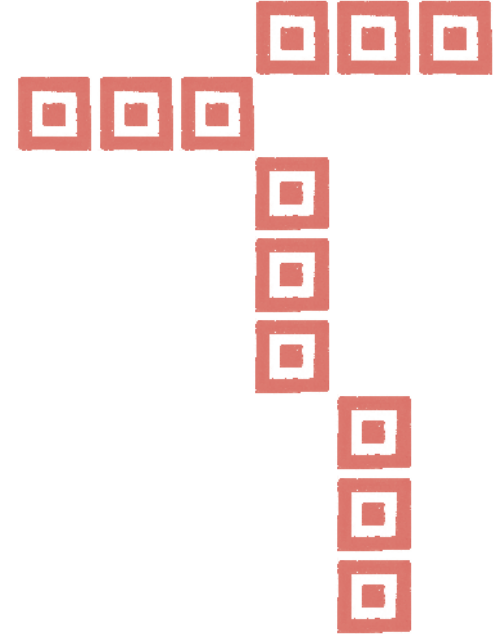
cooperative, the social cooperative. When put into force, the new regulation is expected to activate significant resources specifically to support social cooperatives.

One particular project, the Turkey Social Entrepreneurship Network Project, has been spearheaded by the Vehbi Koç Foundation and financed by the EU Instrument for Pre-accession Assistance (IPA II 2014) within the scope of the Grant Scheme for Partnerships and Networks. Consortiums work to create awareness, build capacity and support development. The project aims to spread the culture of social entrepreneurship across Turkey and develop an enabling ecosystem.

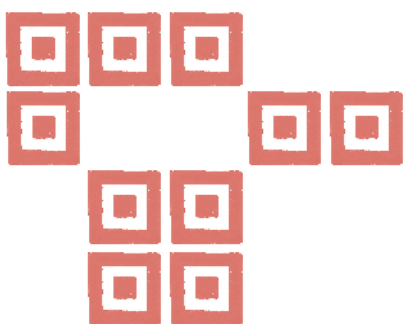




5



PERSPECTIVES



5.1. Overview of the social enterprise debate at the national level

The concept of social enterprise enjoys a positive perception in Turkey. This is largely due to the optimism of active participants, partners and beneficiaries of these organisations. In particular, women participating in and enjoying the services of women's cooperatives favourably evaluate their experiences in these organisations, which increase their self-confidence, learning, self-esteem and awareness of the importance of economic independence (Duguid *et al.* 2015). Research centres within universities and civil society organisations publish studies, reports and policy papers, organise conferences and cooperate with private and public institutions to enrich the social enterprise ecosystem and inform potential contributors.

Table 3 below includes a non-exhaustive list of organisations and initiatives that contribute to the development of social enterprise and social entrepreneurship in Turkey.

Table 3. Organisations and initiatives contributing to social enterprise ecosystem

| Organisation / initiative | Year of foundation | Website |
|--|--------------------|---|
| Sogla Academy (Social Entrepreneur Young Leaders Academy) | 2009 | http://www.sogla.org/ |
| Bilgi Young Social Entrepreneur Award (initiated by Istanbul Bilgi University in cooperation with International Youth Foundation and Sylvan Laureate Foundation) | 2010 | http://www.bilgiggo.org/ |
| Istanbul Okan University Centre of Social Entrepreneurship | 2011 | https://www.okan.edu.tr/osgm/ |
| Özyeğin University Centre for Entrepreneurship | 2011 | https://www.ozyegin.edu.tr/en/center-entrepreneurship/center-entrepreneurship/about-us |
| Koç University Social Impact Forum (KUSIF) | 2012 | https://kusif.ku.edu.tr/ |
| Female Social Entrepreneur of the Year Award (initiated by KAGIDER, Women Entrepreneurs Association of Turkey in cooperation with Garanti Bank and Ekonomist) | 2014 | http://www.kagider.org/en |

| Organisation / initiative | Year of foundation | Website |
|---|--------------------|---|
| Istasyon TEDU (TED University Social Innovation Centre) | 2016 | https://istasyon.tedu.edu.tr/tr/istasyon |
| Ibrahim Bodur Social Entrepreneurship Award (initiated by for-profit Kale Holding in cooperation with Ashoka) | 2017 | https://www.ibrahimbodurodulleri.com/ |
| TUBITAK (The Scientific and Technological Research Council of Turkey) Social Entrepreneurship Award | - | https://www.tubitak.gov.tr/sites/default/files/2750/2238-2018_ilani-web_sitesi.pdf |

Ashoka, a very well-known social entrepreneur network, has led activity in Turkey since 2000, which evolved into the Ashoka Turkey foundation in 2014.⁴⁶ The "Social Entrepreneurship Project", conducted by the Third Sector Foundation of Turkey, TÜSEV (*Türkiye Üçüncü Sektör Vakfı*), in cooperation with the British Council, took root in 2010 and has produced a website and a needs-based analysis alongside many policy reports.⁴⁷ Within the scope of the project, the foundation raises awareness and engages in advocacy activities appealing to public and private sectors and civil society (TÜSEV 2012a). Over time, *de facto* social enterprises have also developed into knowledge generators on social benefit production. Units and programmes such as the Life Without Barriers Lab (eyLAB)⁴⁸ of the Alternative Life Association (AYDER, *Alternatif Yaşam Derneği*) and Good4Trust's Grasshopper programme provide consulting and training services for social entrepreneurs (Good4Trust Annual Report 2017). **Despite the efforts and contributions of various stakeholders, Turkey remains in a nascent stage of raising awareness around social enterprises.**

A lack of legislation to define and recognise social enterprises lies at the centre of any discussion in the field. It hides social enterprises and their outcomes from view and inhibits their development.

The majority of individuals and institutions who are social enterprise opinion leaders and influencers live in Istanbul and Ankara. Naturally, although social enterprise activities could cover many regions of Turkey, **a geographic imbalance skews both national awareness and the coordination of strategies and resources.**

A network analysis mapping social innovation in Turkey has identified seven areas to work on: community/network, investment/financial support, capacity development/education, research/content development, incubation/acceleration, visibility, and

(46) See <http://ashokaturkiye.org/tr/anasayfa/>.

(47) See <http://sosyalgirisim.org>.

(48) See <http://ayder.org.tr/eylab/?lang=en>.

policy development (Türkiye Sosyal Inovasyon Ekosistem Haritası 2018). Several entities already fill these niches such as support mechanisms/catalysers, companies, foundations and associations, finance organisations, state organisations, universities (including state and foundation universities), international organisations and media organisations specialising in social entrepreneurship and innovation. **The current ecosystem clearly involves a rich variety of actors though their numbers and level of impact remain limited.**

In fact, for many organisations that could qualify as social enterprises, the concept has merely created a category that they fit within and defined a new ecosystem for their development. However, their current legal form predominantly shapes their resources, operations, mindset and environment.

5.2. Constraining factors and opportunities

In Turkey, "social entrepreneurship" provides the standard operational term used in formal and informal accounts that refer to organisational or individual commercial initiatives with a social benefit ingredient. Social enterprise and related concepts usually fall under this umbrella term, leading to much conceptual noise (Ersen *et al.* 2010).

Associations operate under the control of the Ministry of Interior, Department of Civil Society Affairs (*İçişleri Bakanlığı, Sivil Toplumla İlişkiler Genel Müdürlüğü*). Foundations function under the control of the Ministry of Culture and Tourism, Directorate General of Foundations (*Kültür ve Turizm Bakanlığı, Vakıflar Genel Müdürlüğü*). Cooperatives fall under the control of the Ministry of Trade, Directorate General of Tradesmen, Artisans and Cooperatives (*Ticaret Bakanlığı, Esnaf, Sanatkarlar ve Kooperatifçilik Genel Müdürlüğü*).⁴⁹ **This lack of unity, in terms of control and regulation, leads to complication and excessive bureaucracy when representing social enterprises in Turkey.** In addition, previous reports have underlined the need to amend the absence of a national level institution or mechanism by creating an organisation to govern the relationship between foundations and associations (since many social enterprises lie in these two categories) and public institutions (TÜSEV 2018).

Establishing cooperatives and associations requires more than one person dedicated to the cause. However, as evidenced in various cases, one single determined person can reach and activate resources, producing significant improvements to any social problem. Establishing a foundation requires an endowment (min. 60,000 TRY, approx. 10,000

(49) Besides agricultural cooperatives and housing cooperatives that operate under the control of the Ministry of Agriculture and Forestry (*Tarım ve Orman Bakanlığı*) and the Ministry of Environment and Urbanisation (*Çevre ve Şehircilik Bakanlığı*), respectively.

EUR) that should justify the cause and make the project's pursuits sustainable. However, not everybody can leverage adequate resources to provide a decent endowment for a cause. **Due to the unavailability of an exclusive form, founders have to adjust themselves to the structural requirements of the existing forms regardless of the benefit gained.**

Current tax regulation forms part of the discussion on legislation and presents another main constraining factor. Involved parties claim that commercial enterprises run by foundations and associations should receive exemption from corporate income tax. They also speculate that money transferred from commercial enterprises to foundations and associations should not be considered dividend payments and that they therefore remain exempt from the withholding tax. They also consider that, **in order to encourage potential donors, donations from all individuals should be declared tax deductible** (TÜSEV 2018).

Voluntary work constitutes a significant part of the social enterprise workforce but is not regulated by the country's labour law. Therefore, social enterprises established as foundations and associations experience uncertainty in managing the quality and flow of their human resources (TÜSEV 2018).

Since the concept and practice of social enterprise is still emerging from its infancy in Turkey, **an impeding factor in development lies in the scarcity of experts ready to establish and develop social enterprises due to limited career opportunities** compared with mainstream organisations (Koenig 2013).

As inferred from discussions with third-sector representatives interviewed for this study, social enterprises suffer from an imbalance between their social and entrepreneurial focus. In general, the social dimension outweighs the entrepreneurial in terms of knowledge, experience and intention. **Lack of entrepreneurial literacy and business knowledge and weak business models present major drawbacks that social enterprises must address for sustainability.** A study by Müftügil-Yalçın (2017) supports this; according to their definitions of social entrepreneurship, few Ashoka fellows emphasise social enterprise sustainability and the report declares financial sustainability to be the main constraining factor. These challenges also reduce the chances for social enterprises to find social finance and persuade their already few potential investors to contribute funding (Sosyal Finansman Rehberi 2017).

Furthermore, **while social enterprises face the same market conditions and tax schemes as mainstream companies, they have less capacity to manage income flow.** Some entities that deal with poverty, for instance, also face the conflicting need to generate income while tackling an opposing issue. In certain cases, this results in excessive dependence on sponsors or outside supporters and threatens the survival of organisations.

Conversely, a dual structure comprised of either 'foundation + commercial enterprise' or 'association + commercial enterprise' can provide flexibility in managing income and labour resources. However, since commercial enterprises operated by foundations and associations are regarded as ordinary companies, they cannot accept grants, aid or donations, or have volunteers **This structural duality produces a diversified set of financial and human resources, though at the expense of much red tape and a heavy bureaucratic burden.**

As a result of these combined factors, social enterprises in Turkey experience difficulty communicating with the public and governmental and non-governmental institutions, and accessing resources.

Despite little progress observed in practice, social entrepreneurship has already been emphasised in the 10th Development Plan (Ministry of Development 2013) as a prioritised sub-category of entrepreneurship. **The "Social Cooperative Education and Promotion Train", a recent project initiated by the Directorate General of Cooperatives, aims to introduce, promote and develop the concept of the "social cooperative",** as a social enterprise legal form by organising workshops and conferences in 14 cities.⁵⁰ The Social Cooperative Train completed its first excursion during the writing of this report. During the event, officers of the Directorate General and cooperative representatives held seminars and explained the social cooperative concept to local governors and municipalities and to students in higher education institutions. A second excursion began in April 2019 from Istanbul towards the southeastern region of Turkey to continue to raise awareness and educate stakeholders. Stakeholders thus observe increasing awareness and a change in the state's motivation regarding social enterprise policy.

Social enterprises have worked for and gained positive legislative changes in their fields of activity before. Reportedly, KEDV played an active role in introducing microcredit schemes and women's cooperatives, as did Buğday Association for Supporting Ecological Living⁵¹ in enacting the Law on Organic Agriculture (Demir *et al.* 2012). Therefore, social enterprises enjoy a fertile base that could help advance and improve the legislative infrastructure for a more comprehensive social enterprise ecosystem.

If given visibility in the media, success stories have huge potential to act as role models and inspire new social enterprises. Opportunity is nested in the "mainstreamisation" of social enterprises and social entrepreneurship.

(50) See www.sosyalkooperatiftreni.org.

(51) See <http://bugday.org/english/>.

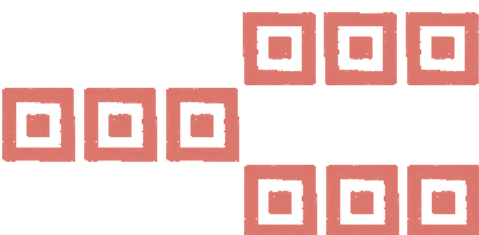
5.3. Trends and future challenges

Stakeholders do not expect the imminent legislative definition of a comprehensive, exclusive social enterprise legal form. Therefore, ambiguity concerning the incorporation, operation and sustainability of social enterprises remains. Neither do stakeholders expect a regulatory effort in the current fiscal environment.

Nevertheless, initiating social cooperatives will provide a promising first step towards that objective. Hence, regulatory improvements will likely start with and diffuse through cooperatives.

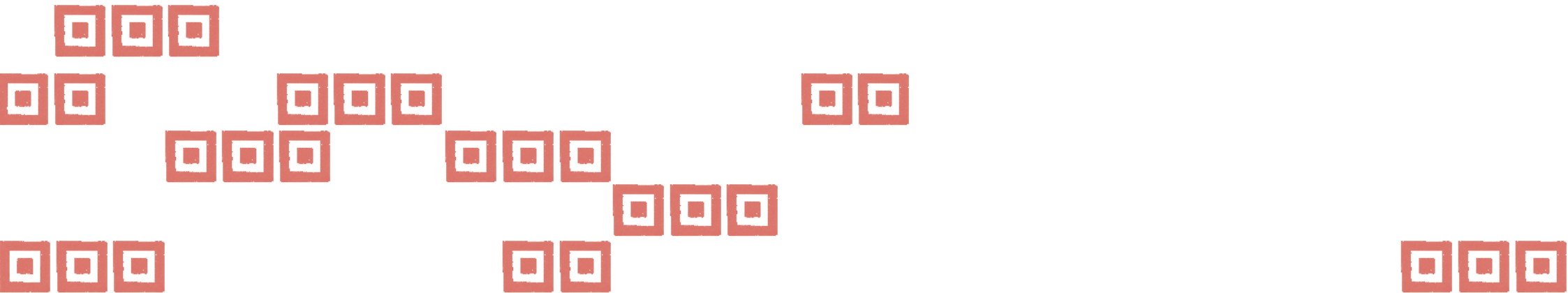
Contrary to traditional models, newly established social enterprises seem to use technology more often as an essential part of their model—a factor that facilitates their diffusion. Correspondingly, young people tend to engage more in the idea of social enterprise; however, they often establish their social enterprises as companies because of their familiarity with the existing entrepreneurial ecosystem. Therefore, **key resources must be activated in order to cultivate and develop these new ideas into growing social enterprises, including finance (first and foremost), knowledge, ability and experience.**

According to a recent study (Müftügil-Yalçın 2017), Ashoka fellows in Turkey believe that social entrepreneurship offers an intercultural, global format. Therefore, social enterprises as vehicles provide their actors with a sense of belonging to part of a global whole. This attractive idea is likely to motivate many young people who feel called to deal with global problems as global citizens.



6

APPENDICES



Appendix 1. The EU operational definition of social enterprise

The following table represents an attempt to operationalise the definition of "social enterprises" based on the Social Business Initiative (SBI) promoted by the European Commission.⁵²

| Main dimension | General definition | Relevant Indicators (<i>not exhaustive list</i>) (yes/no or range from low up to very high) | Initial minimum requirements (yes or no) | Examples/boundary cases comments |
|--|---|---|---|---|
| Entrepreneurial/ economic dimension | Social enterprises (SEs) are engaged in the carrying out of stable and continuous economic activities, and hence show the typical characteristics that are shared by all enterprises . | <ul style="list-style-type: none"> > Whether the organisation is or is not incorporated (it is included in specific registers). > Whether the organisation is or is not autonomous (it is or is not controlled by public authorities or other for-profit/non-profits) and the degree of such autonomy (total or partial). > Whether members/owners contribute with risk capital (how much) and whether the enterprise relies on paid workers. > Whether there is an established procedure in case of SE bankruptcy. > Incidence of income generated by private demand, public contracting and grants (incidence over total sources of income). > Whether and to what extent SEs contribute to delivering new products and/or services that are not delivered by any other provider. > Whether and to what extent SEs contribute to developing new processes for producing or delivering products and/or services. | SEs must be market-oriented (incidence of trading should be ideally above 25%). | <ul style="list-style-type: none"> > We suggest that attention is paid to the development dynamic of SEs (i.e., SEs at an embryonic stage of development may rely only on volunteers and mainly on grants). |

(52) In accordance with Articles 48, 81 and 82 of the Treaty, as interpreted by the Court of Justice of the European Communities, "an enterprise should be considered to be any entity, regardless of its legal form, engaged in economic activities, including in particular entities engaged in a craft activity and other activities on an individual or family basis, partnerships or associations regularly engaged in economic activities."

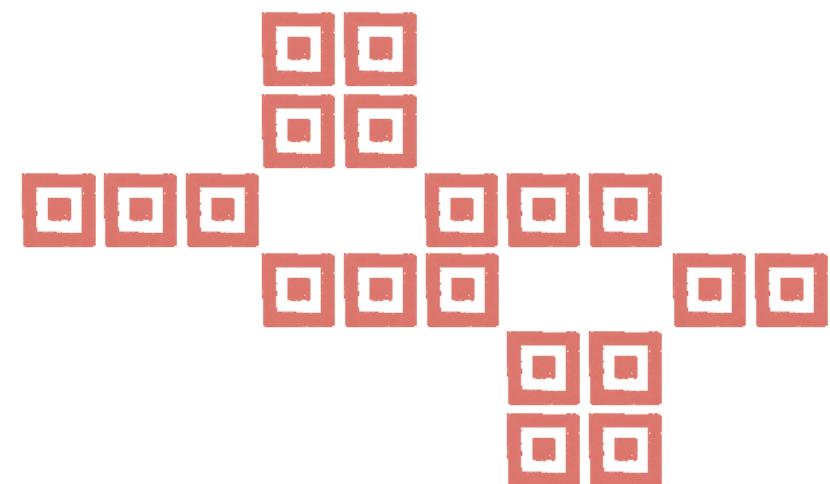
| Main dimension | General definition | Relevant Indicators (<i>not exhaustive list</i>) (yes/no or range from low up to very high) | Initial minimum requirements (yes or no) | Examples/boundary cases comments |
|--------------------------------------|---|--|--|---|
| Social dimension (social aim) | <p>The social dimension is defined by the aim and/or products delivered.</p> <p>Aim: SEs pursue the explicit social aim of serving the community or a specific group of people that shares a specific need. "Social" shall be intended in a broad sense so as to include the provision of cultural, health, educational and environmental services. By promoting the general-interest, SEs overcome the traditional owner-orientation that typically distinguishes traditional cooperatives.</p> <p>Product: when not specifically aimed at facilitating social and work integration of disadvantaged people, SEs must deliver goods/services that have a social connotation.</p> | <ul style="list-style-type: none"> > Whether the explicit social aim is defined at statutory/legal level or voluntarily by the SE's members. > Whether the product/activity carried out by the SE is aimed at promoting the substantial recognition of rights enshrined in the national legislation/ constitutions. > Whether SE's action has induced changes in legislation. > Whether the product delivered—while not contributing to fulfilling fundamental rights—contributes to improving societal wellbeing. | <p>Primacy of social aim must be clearly established by national legislations, by the statutes of SEs or other relevant documents.</p> | <ul style="list-style-type: none"> > The goods/services to be supplied may include social and community services, services for the poor, environmental services up to public utilities depending on the specific needs emerging at the local level. > In EU-15 countries (especially in Italy, France and the UK) SEs have been traditionally engaged in the provision of welfare services; in new Member States, SEs have proved to play a key role in the provision of a much wider set of general-interest services (e.g., from educational services to the supply of water). > What is conceived to be of a meritorial/general-interest nature depends on contextual specificities. Each national expert should provide a definition of what "public benefit" means in her/his country. |

| Main dimension | General definition | Relevant Indicators (<i>not exhaustive list</i>) (yes/no or range from low up to very high) | Initial minimum requirements (yes or no) | Examples/boundary cases comments |
|--|---|--|---|---|
| Inclusive governance-ownership dimension (social means) | <p>To identify needs and involve the stakeholders concerned in designing adequate solutions, SEs require specific ownership structures and governance models that are meant to enhance to various extents the participation of stakeholders affected by the enterprise. SEs explicitly limit the distribution of profits and have an asset lock. The non-profit distribution constraint is meant to ensure that the general-interest is safeguarded. The non-profit distribution constraint can be operationalized in different ways.</p> | <ul style="list-style-type: none"> > Whether SEs are open to the participation and/or involvement of new stakeholders. > Whether SEs are required by law or do adopt (in practice) decision-making processes that allow for a well-balanced representation of the various interests at play (if yes, through formal membership or informal channels that give voice to users and workers in special committees). > Whether a multi-stakeholder ownership structure is imposed by law (e.g., France). > Whether SEs are required to adopt social accounting procedures by law or they do it in practice without being obliged to. > Degree of social embeddedness (awareness of the local population of the key societal role played by the SE versus isolation of the SE). > Whether the non-profit distribution constraint is applied to owners or to stakeholders other than owners (workers and users): whether it is short-term (profits cannot/are not distributed or they are capped) or long-term (asset lock); or both short and long-term. > Whether the cap is regulated externally (by law or defined by a regulator) or it is defined by the SE by-laws. > Whether limitations to workers' and/or managers' remunerations are also imposed (avoid indirect distribution of profits). | <p>SEs must ensure that the interests of relevant stakeholders are duly represented in the decision-making processes implemented.</p> | <ul style="list-style-type: none"> > Ownership rights and control power can be assigned to one single category of stakeholders (users, workers or donors) or to more than one category at a time—hence giving ground to a multi-stakeholder ownership asset. > SE can be the result of collective dynamics or be created by a charismatic leader (in principle a sole owner is admitted by some national legislations provided that the participation of stakeholders is enhanced through inclusive governance) or public agency. > Different combinations concerning limitations to profit distribution envisaged (e.g., most successful solution: capped dividends supported by total asset lock such as Italian social coops, CIC, SCICs). |

Appendix 2. Data availability report

| Legal typology | Source of data (name, type & link) | Data provider (name & type) | Year of reference timeline of updates | N° of organizations | N° of workers | Turnover | Degree of reliability (1 to 4) and explanation |
|---|---|--|---------------------------------------|---------------------|---------------|----------|--|
| Women's cooperatives | List of members of the Simurg-Union of Women Operating Cooperatives Administrative register | Simurg-Union of Women Operating Cooperatives Representative body | 2019 N.A. | ✓ | N.A. | N.A. | 3 - The Cooperatives Information System of the Directorate General of Tradesmen, Artisans and Cooperatives provides the total number of women's cooperatives. Women cooperatives that can be considered SEs are those that are members of the Union. |
| Education cooperatives | Statistics published by the Directorate General of Tradesmen, Artisans and Cooperatives Statistical register | Directorate General of Cooperatives Public institution | 2019 N.A. | ✓ | ✓ | N.A. | 4 - The Cooperatives Information System of the Directorate General of Tradesmen, Artisans and Cooperatives provides the total number of education cooperatives. However, it is not possible to identify amongst them those that satisfy the EU definition criteria in their conduct. |
| Commercial enterprises owned and operated by community foundations and new foundations | Trade Registry Gazette Administrative register | The Union of Chambers and Commodity Exchanges of Turkey Representative body | 2019 Continuously | ✓ | N.A. | N.A. | 3 - The Trade Registry Gazette provides the facility to search and identify commercial enterprises that are owned and operated by community and new foundations. The list of community and new foundations is provided by the Directorate General of Foundations. |

| Legal typology | Source of data (name, type & link) | Data provider (name & type) | Year of reference timeline of updates | N° of organizations | N° of workers | Turnover | Degree of reliability (1 to 4) and explanation |
|---|---|--|---------------------------------------|---------------------|---------------|----------|--|
| Commercial enterprises owned and operated by "public benefit" associations | Trade Registry Gazette Administrative register | The Union of Chambers and Commodity Exchanges of Turkey Representative body | 2019 Continuously | ✓ | N.A. | N.A. | 3 - The Trade Registry Gazette provides the facility to search and identify commercial enterprises that are owned and operated by public benefit associations. The list of associations with public benefit status is provided by the Directorate General of Associations. |



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