The Republic of Turkey Sustainable Finance Framework

October 2021

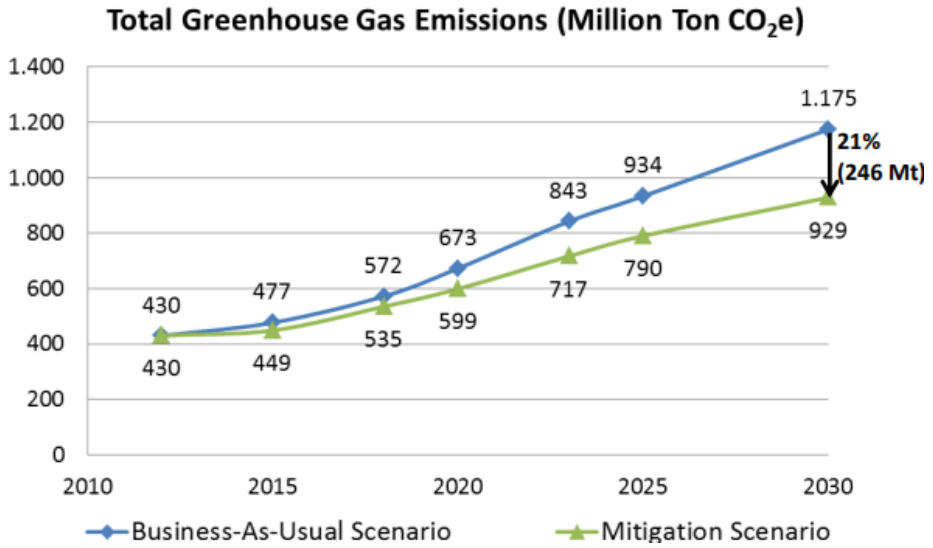
I. Turkey's Commitment to Climate Change

Turkey's Commitment to Climate Change

- The Republic of Turkey (or "Turkey") aims to contribute to the collective efforts to combat climate change in line with its national circumstances and capabilities. As a party to the United Nations Framework Convention on Climate Change (UNFCCC), and signatory to the Paris Agreement, **Turkey published its Intended Nationally Determined Contributions (INDC) to the Paris Agreement, with up to 21 percent reduction in GHG emissions from the Business as Usual (BAU) level by 2030.** Turkey supports its INDC through a national climate change policy which includes:

  - *11th National Development Plan*
  - *National Strategy on Climate Change*
  - *National Climate Change Action Plan*
  - *National Forestry Program and National Strategy and Action Plan to Combat Desertification*
  - *National Strategy on Industry*
  - *National Strategy and Action Plan on Energy Efficiency*
  - *National Strategy and Action Plan on Recycling*
  - *National Legislation on Monitoring, Reporting and Verification of GHG emissions*
  - *National Smart Transportation Systems Strategy Document (2014- 2023) and its Action Plan (2014-2016)*

  - **Turkey has also set a goal to reach net zero emissions by 2053.**
  - The emission reductions to be achieved by these policies and plans compared to the business as-usual scenario are presented in the figure below:



Source: Turkey's National Climate Change Action Plan (2011-2023), UNFCC

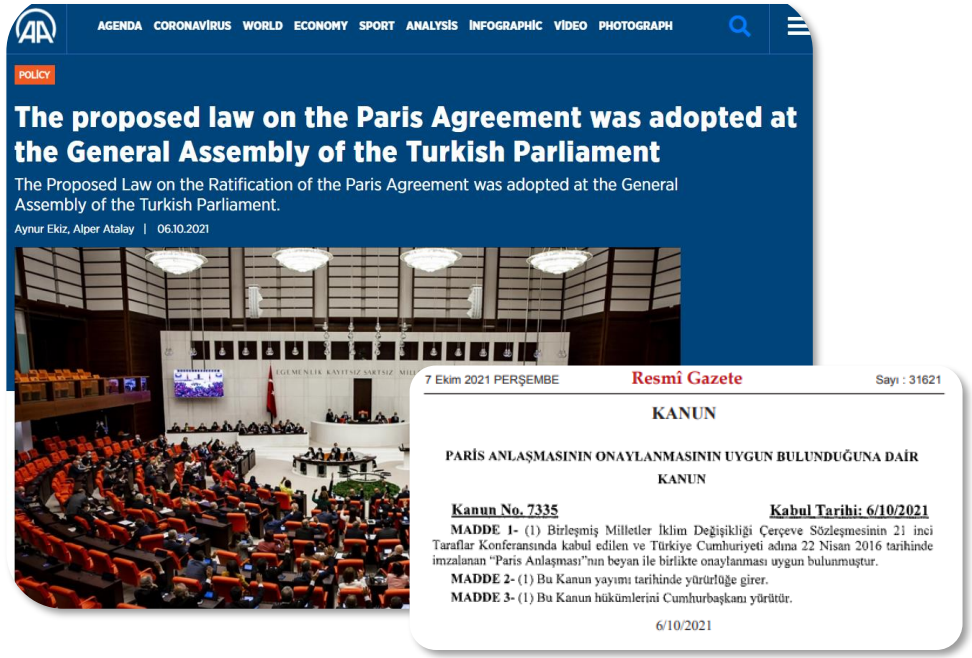
Turkey’s Achievements in Renewable Energy

- Turkey has ranked 5th in Europe and 12th in the world in terms of installed capacity in renewable energy. Currently, Turkey is the 7th in Europe in wind and solar installed power and the 4th in the world in geothermal.
- Turkey also ranks 1st in Europe in geothermal, owning one-tenth of global geothermal capacity. Globally, Turkey ranks 2nd after China in the use of solar energy for heating purposes.
- The share of renewables in Turkey’s installed power reached 52% at the beginning of 2021.

Source: https://www.iea-shc.org/countries/turkey/report

Turkey Ratifies Paris Climate Agreement

- **Turkey's parliament ratified the Paris climate agreement on October 6th.**
- **The Paris Agreement entered into force after being accepted in the General Assembly of the Grand National Assembly of Turkey and published the decision in the Official Gazette**
- Turkey has also sent a proposal to UNFCCC Secretariat in Bonn, Germany, to have its name removed from the Annex I list**. If Turkey is removed from the Annex I list of countries, it would be able to benefit from investment, insurance and technology transfer that can be provided as part of the agreement.** The proposal is on the provisional agenda for the COP26 Climate Change Conference to be held in Glasgow from Oct. 31 to Nov. 12



"We are one of the first countries to sign the Paris Climate Agreement. However, we have not yet put this agreement into effect due to injustices related to obligations. I would like to announce to the whole world from here, from the United Nations General Assembly, the decision we have taken following the progress made in this framework recently. We plan to submit the Paris Climate Agreement to our Assembly next month, in line with the constructive steps to be taken and within the framework of our national contribution statement. We intend to complete the ratification phase of the 'carbon neutral' agreement before the United Nations Climate Change Conference in Glasgow. We consider this process, which will lead to radical changes in our investment, production and employment policies, as one of the main elements of our 2053 vision (…)

Recep Tayyip Erdogan, President at the 76th UN General Assembly Hall on September 21, 2021

Source: Official Gazette, Anadolu Agency News, Reuters

Key Initiatives: Green Deal Action Plan

- The Green Deal Action Plan prepared by the Ministry of Trade is a roadmap aiming to support green transformation in all relevant policy areas. Action Plans mainly aim to establish Turkey's compliance with the European Green Deal issued by the European Union
- The European Green Deal addresses **climate and environmental challenges** in a broader and more effective way with the **EU's strategy of zeroing net greenhouse gas emissions by 2050, as well as creating jobs and improving quality of life while reducing emissions**
- The Action Plan aims harmonization with the European Green Deal, in order to contribute to **Turkey's transition to a more sustainable, resource-efficient and green economy,** in a way that will preserve and carry forward **the existing integration of Turkey within the scope of the EU Customs Union**
- Main actions under the Action Plan to reach the related goals have been determined as
  - *(1) border carbon regulations,*
  - *(2) a green and circular economy,*
  - *(3) green financing,*
  - *(4) clean, economic and secure energy supply,*
  - *(5) sustainable agriculture,*
  - *(6) sustainable smart transportation,*
  - *(7) combatting climate change,*
  - *(8) diplomacy,*
  - *(9) information and awareness activities.*
- The action plan includes 32 objectives and 81 actions in nine categories to power **Turkey's transition to a more sustainable, greener economy in line with the goal of making Europe the first climate-neutral continent by 2050**
- To complete the objectives and activities within the scope of the Action Plan effectively, a working group will be established with the involvement of both the public and the private sector

Source: Green Deal Action Plan 2021

Key Initiatives: 2022-2024 Medium-Term Program

- Turkey's **Medium-Term Program ("MTP") for 2022-2024**, co-developed by the Ministry of Treasury and Finance and the Presidency of Strategy and Budget has been published in the Official Gazette in September

- MTP includes a section on **"Green Transition"** which emphasizes the implementation of targets and actions included in the Green Deal Action Plan. Green Transition section, with seven policy and actions, focuses on supporting investments, which increase efficiency and aim at limiting the increase in greenhouse gas emissions, especially in:

    1. Recycling technologies,
    2. Supporting R&D to accelerate green transformation,
    3. Completion of green industrial zone certification system and green organized industrial zones,
    4. Developing the regulatory framework of the financial sector to facilitate green transformation of the sector,
    5. Promoting green bond and sukuk issuances with preparing a guide in line with international standards, and
    6. Supporting investments for production that take into account the environment and extending zero waste practices to include households.

Source: Presidency of the Republic of Turkey Investment Office

Key Initiatives: Reform Agenda Plan

- In 2021, Turkey outlined a series of measures as part of the Economic Reform Action Plan in order to grow Turkey's economy through productivity driven by investment, employment and exports
- The action plan contains multiple measures under 10 key sections, which will be implemented until March 2023
- As part of the plan the country will support green transition via establishment of Green Organized Industrial Zones, preparation of the National Circular Economy Action Plan and development of clean transportation infrastructure (including electric vehicle-supporting infrastructure)
- Further, to promote employment generation, steps will be taken to increase the youth employment and quality of labor force, including provision of wages for students studying at Vocational Training Centers. The country will accelerate the labour force transformation focusing on future jobs and promote new generation working schemes
- Hence, the focus on green transition, promotion of the green finance market in Turkey and achievement of the SDGs is closely intertwined in Turkey's reform initiatives

Exhibit 1: Specific Ministries assigned responsibilities for delivering goals of Economic Reform Action Plan

Action No	Action	Responsible Institution/Organization	Relevant Institution/Organization	Regulation	Completion Date
	dissemination of green production technologies.		Ministry of Environment and Urbanization Ministry of Energy and Natural Resources Ministry of Treasury and Finance Ministry of Trade The Scientific and		
4.4.d.	Tl th w w sh in				
4.4.e.	Ei (s tr bc				
4.4.f.	El in				
Action No	**Action**	**Responsible Institution/Organization**	**Relevant Institution/Organization**	**Regulation**	**Completion Date**
4.3.b.	The stages after the import of precious metals will be made more transparent and traceable.	Ministry of Treasury and Finance	Ministry of Trade Turkish Statistical Institute Central Bank of the Republic of Turkey Borsa İstanbul	Administrative Decree	31.12.2021
4.3.c.	Measures will be taken to reduce informality in the market.	Ministry of Treasury and Finance	Ministry of Trade Borsa İstanbul	Administrative Decree	Permanent
4.4. Green Transformation of the Industry Sector Will Be Supported.					
4.4.a.	Green Organized Industrial Zones that have high resource efficiency and meet their own energy need will be established.	Ministry of Industry and Technology	Ministry of Environment and Urbanization Ministry of Energy and Natural Resources	Administrative Regulation	31.12.2022
4.4.b.	National Circular Economy Action Plan will be prepared.	Ministry of Environment and Urbanization	Presidency of Strategy and Budget Ministry of Energy and Natural Resources Ministry of Treasury and Finance Ministry of Industry and Technology Ministry of Trade	Administrative Decree	31.12.2021
4.4.c.	R&D activities will be supported for the development and	Ministry of Industry and Technology	Presidency of Strategy and Budget	Administrative Decree	31.12.2021

Source: Economic Reform Action Plan

Key Initiatives: Commitment to Social Development

- **The Ministry of Family and Social Services and the Ministry of Labor and Social Security** aim to provide social services that strengthen the individual and family within the framework of social values; implement measures to increase employment, regulate and control the working life with the aim of contributing to socio-economic development and to maintain the effectiveness of the social security system

- The Ministry of Family and Social Services unveiled **the 2019-2023 Strategic Plan** with the following 6 main objectives:

    1. Protection and strengthening of the individual, family and social structure
    2. Improving the quality, increasing the quantity of equal opportunities
    3. Strengthening shelter, care and rehabilitation services for women, children, the disabled and the elderly
    4. Contributing to a more flexible and effective labor market
    5. Creating a healthy, safe and secure working environment
    6. Increasing institutional capacity and service quality

- The UN Convention on the Rights of the Child was signed by Turkey in 1990 and the principle of "**Zero Tolerance to Child Labor**" continues to be carried out effectively
- Turkey implements **National Action Plans**, which contains the main policy priorities in the field of combating violence against women. The 4th National Action Plan (2021-2025), as the current roadmap, aims to prevent all types of violence against women with principle of **zero tolerance to violence**
- **The 2021-2023 New Economic Program ("NEP"),** sets Turkey's plan to implement sustainable policies aiming for enhanced education programs, strengthened social services for the youth, and more qualified labor force

Source: https://ailevecalisma.gov.tr/media/33674/acshb_2019-2023-stratejik-plan.pdf, https://ms.hmb.gov.tr/uploads/2020/10/New-Economy-Program-2021-2023.pdf

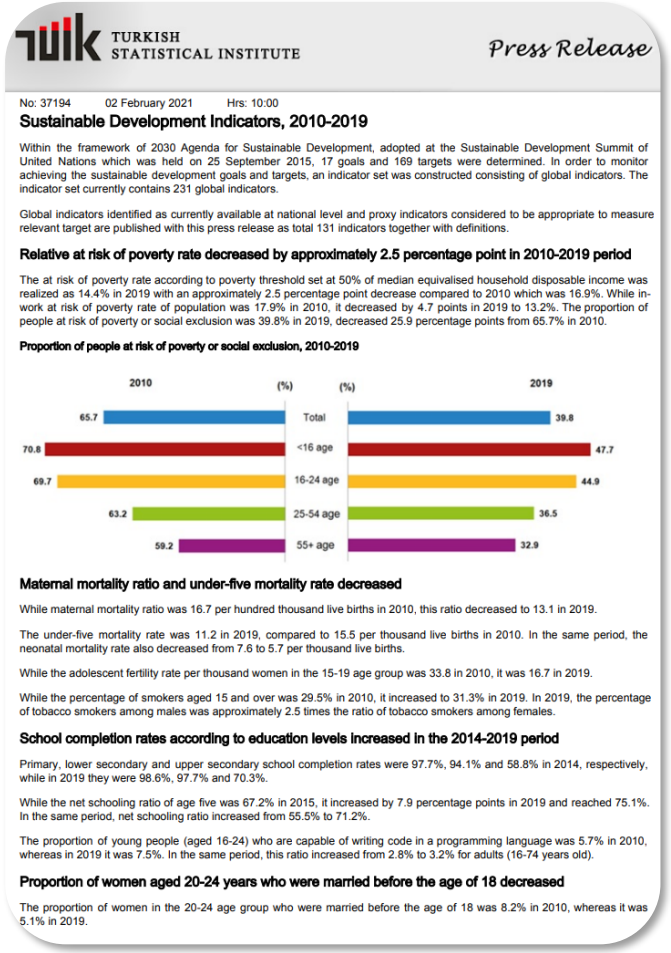
Key Initiatives: Commitment to Social Development

- A comprehensive and **effective social assistance and social service policy** has been implemented for **Syrian refugees**. As of June 2021, there are around 3.7 million Syrians “under temporary protection” (SuTP) out of a total of 4 million refugees and asylum seekers living in the country
- In order to increase their economic and social resilience and skills, **Syrians under Temporary Protection** were included in the scope of completed and ongoing projects such as **Job Creation and Entrepreneurship Opportunities for Communities, Improvement of Labor Market Integration**, and their integration processes were accelerated
- Within the scope of **the fight against the negative effects of Covid-19 pandemic**, following measures were taken;
    - Economic Stability Shield Package
    - Employment Shield Package
    - Pandemic Social Support Program
    - A state of emergency was declared
    - Increased the payment amounts of specific social assistance programs
    - Increased the periodic shares sent to the 1,003 Social Assistance and Solidarity (SAS) Foundations
    - Transferred additional periodic shares to the SAS Foundations in certain periods
    - Realized the "Full Lockdown Social Assistance Program" between April 29, 2021, and May 17, 2021. With this social assistance program, a one-time payment of 1,100 TL per household that was determined to be temporarily needy due to the pandemic and to more than 2 million households whose entitlement criteria continued was made by The SAS Foundations; a total of 2.2 billion TL social assistance was given

Key Initiatives: Integration of SDGs into National Policies

- The concept of sustainable development has been integrated into **National Development Plans ("NDP")**
- Turkey takes a holistic approach to SDG action, **integrating them into NDPs and sectoral strategies**. Therefore, the country pays due attention to considering the interlinkages between the SDGs, as well as to prioritizing action for faster progress and to allocating the appropriate resources
- The progress to date regarding sustainable development has contributed to Turkey's achievements towards SDGs
- Through **the Voluntary National Review ("VNR")** process, the Turkish government developed an online "National SDG Best Practices Database" which will be active throughout the period covering the 2030 Agenda. As a result of its speedy adaptation, Turkey has already integrated most of the targets directly or indirectly in the existing policy documents
- Bearing in mind that SDG alignment is a continuous process and that further progress is needed, Turkey is **fully committed to scale up its efforts to achieve the SDGs by 2030**. This process requires concerted action by all institutions and members of the society ranging from central government and local administration to the private sector, from NGOs to academia

Exhibit 2: Latest TurkStat Sustainable Development Indicators data



TURKISH STATISTICAL INSTITUTE — *Press Release*

No: 37194 02 February 2021 Hrs: 10:00

Sustainable Development Indicators, 2010-2019

Within the framework of 2030 Agenda for Sustainable Development, adopted at the Sustainable Development Summit of United Nations which was held on 25 September 2015, 17 goals and 169 targets were determined. In order to monitor achieving the sustainable development goals and targets, an indicator set was constructed consisting of global indicators. The indicator set currently contains 231 global indicators.

Global indicators identified as currently available at national level and proxy indicators considered to be appropriate to measure relevant target are published with this press release as total 131 indicators together with definitions.

Relative at risk of poverty rate decreased by approximately 2.5 percentage point in 2010-2019 period

The at risk of poverty rate according to poverty threshold set at 50% of median equivalised household disposable income was realized as 14.4% in 2019 with an approximately 2.5 percentage point decrease compared to 2010 which was 16.9%. While in-work at risk of poverty rate of population was 17.9% in 2010, it decreased by 4.7 points in 2019 to 13.2%. The proportion of people at risk of poverty or social exclusion was 39.8% in 2019, decreased 25.9 percentage points from 65.7% in 2010.

Proportion of people at risk of poverty or social exclusion, 2010-2019

Maternal mortality ratio and under-five mortality rate decreased

While maternal mortality ratio was 16.7 per hundred thousand live births in 2010, this ratio decreased to 13.1 in 2019.

The under-five mortality rate was 11.2 in 2019, compared to 15.5 per thousand live births in 2010. In the same period, the neonatal mortality rate also decreased from 7.6 to 5.7 per thousand live births.

While the adolescent fertility rate per thousand women in the 15-19 age group was 33.8 in 2010, it was 16.7 in 2019.

While the percentage of smokers aged 15 and over was 29.5% in 2010, it increased to 31.3% in 2019. In 2019, the percentage of tobacco smokers among males was approximately 2.5 times the ratio of tobacco smokers among females.

School completion rates according to education levels increased in the 2014-2019 period

Primary, lower secondary and upper secondary school completion rates were 97.7%, 94.1% and 58.8% in 2014, respectively, while in 2019 they were 98.6%, 97.7% and 70.3%.

While the net schooling ratio of age five was 67.2% in 2015, it increased by 7.9 percentage points in 2019 and reached 75.1%. In the same period, net schooling ratio increased from 55.5% to 71.2%.

The proportion of young people (aged 16-24) who are capable of writing code in a programming language was 5.7% in 2010, whereas in 2019 it was 7.5%. In the same period, this ratio increased from 2.8% to 3.2% for adults (16-74 years old).

Proportion of women aged 20-24 years who were married before the age of 18 decreased

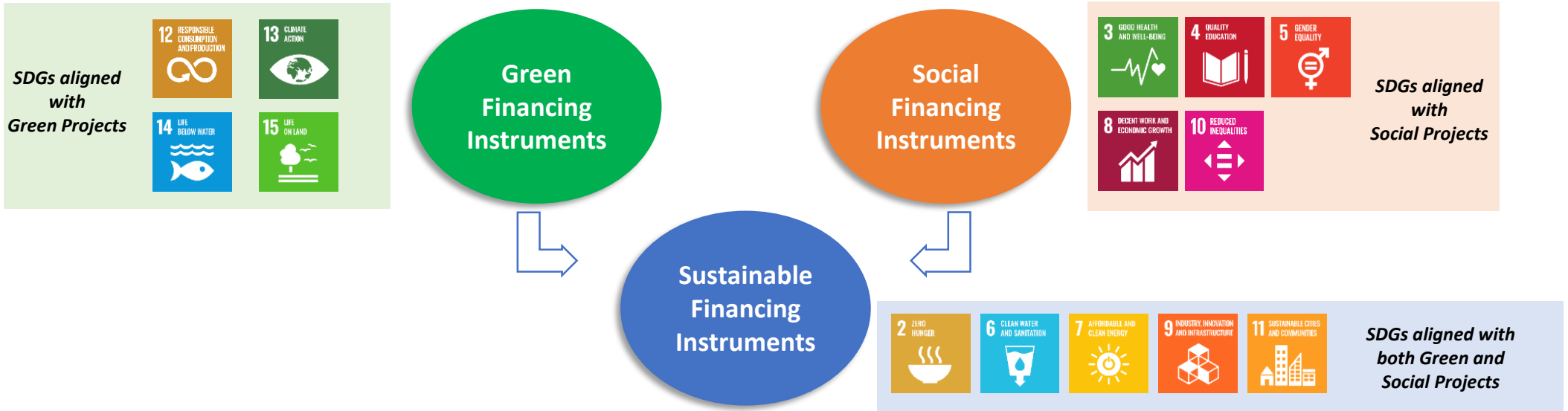
The proportion of women in the 20-24 age group who were married before the age of 18 was 8.2% in 2010, whereas it was 5.1% in 2019.

Source: UN Turkey, Turkey's Second VNR 2019, TURKSTAT Corporate (tuik.gov.tr)

II. Turkey's Sustainable Finance Framework

Overview of Sustainable Financing Framework

The Republic of Turkey plans to establish this Sustainable Finance Framework ("Framework") to support its sustainability commitments and to set out how it intends to raise Green, Social and Sustainable Financing Instruments.



Eligible Projects are limited to those that occurred no earlier than three years prior to issuance, the budget year of issuance, and the two budget years following issuance.

Eligible Projects

Eligible Green Categories

1. Renewable Energy
2. Energy Efficiency
3. Sustainable Water and Wastewater Management
4. Pollution Prevention and Control
5. Clean Transportation
6. Sustainable Management of Living Natural Resources and Land Use & Terrestrial and Aquatic Biodiversity Conservation
7. Climate Change Adaptation
8. Circular Economy Adapted Products, Production Technologies and Processes and/or certified eco-efficient product
9. Green Buildings

Eligible Social Categories

1. Employment Generation, and Programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through SME financing and microfinance
2. Access to Essential Services (Healthcare, Emergency Relief and Education)
3. Socioeconomic Advancement and Empowerment
4. Affordable Basic Infrastructure
5. Affordable Housing
6. Food Security and Sustainable Food Systems

Exclusions

Exclusions

- Exploration, production or transportation of fossil fuel
- Activities/projects associated with livestock
- Manufacture and production of finished alcoholic beverages
- Military contracting
- Gambling
- Weaponry
- Manufacture and production of finished tobacco products
- Nuclear power generation
- Activities/projects associated with child labor/forced labor

Potential Green Projects under Sustainable Finance Framework

Indicative Only

Eligible Green Projects

Forestry Rehabilitation, Afforestation and Fighting Forest Fires (including certified forests)

- As of 2020, forest areas cover 29.4% of the country. By 2023, Turkey is aiming to reach 30% forest area.
- The main purpose of the afforestation works is to establish industrial plantations and to put degraded forests and clearing areas into production, it also requires taking measures for the protection and development of the ecosystem formed by the natural flora and fauna during these studies.
- Turkey is one of the rare countries that can increase its forest existence. Appropriate multi-purpose afforestation and soil conservation works are carried out. Thus, while increasing forest areas, erosion and sediment transport are also reduced. In addition, new recreation areas, ecotourism areas, new carbon sinks, oxygen resources have been established. However, especially using income-generating species it is aimed to contribute to the economy of the local people with the afforestation works.
- **The expected impact will be protection and further development of forests which are the carbon sinks.**

Eligible Green Projects

Electrification of Railway Lines and Expansion of Network (including development of fully electric metro rail)

- Turkey has previously stated plans to expand and electrify its rail network
- In 2018, Turkish Railways (TCDD) announced plans to fully electrify the conventional rail network by 2023
- By 2023, Turkey is aiming to reach a 17,500km-long railway network – through constructing 5,500km of high-speed and rapid railway lines
- **The expected impact will be a further development of the railway sector, modal shift from road to rail transportation, and a reduction in emissions.**

Other projects

- Combating desertification, anti-erosion and soil conservation
- Certified organic agriculture
- Conservation of protected species
- Flood early warning and drought management plans
- Protection of water resources and water quality
- Pollution prevention, waste management and recycling
- Production of biogas from food waste
- Energy efficiency improvements

Potential Social Projects under Sustainable Finance Framework

Indicative Only

Eligible Social Projects

Financial support to SMEs, Tradesmen and Craftsmen

- The SMEs, tradesmen and craftsmen have very limited ability to reach finance via conventional banking operations due to very low credit scores.
- Halkbank (a state-owned bank) provides loans at more favorable conditions than the market and the Ministry of Treasury and Finance finances the difference between market price and Halkbank price.

Target Population: The SMEs have very limited ability to reach finance via conventional banking operations given that they have very low credit scores. To be eligible, they should be a member of a Tradesmen and Craftsmen Credit and Guarantee Cooperative.

Eligible Social Projects

Social welfare payments to the elderly and disabled

- Pensions are paid to the elderly over the age of 65, the disabled with at least 40% disability, and the relatives of children with at least mild special needs.
- Allowances are paid to the persons benefiting from disabled care institutions.

Target Population: Elderly and disabled.

To be eligible, these persons should not benefit from an income or pension from social security institutions and should not be working in a way that is subject to long-term insurance branches.

Other projects

- Women's shelter allowance payments
- Gender equality and supporting registered women employment/entrepreneurship
- Child support centers allowance and foster family payments
- Emergency social safety nets in response to crises
- Basic infrastructure in rural areas
- Social Housing
- Educational support
- Protected workplace payments
- Healthcare support
- Youth centers and youth camps
- Loss of Income Payment for Treasury Interest Supported Loans (Ziraat Bank and Agricultural Credit Cooperatives Central Union)

Members and Mechanism of the Working Group

For the governance of Turkey's Sustainable Finance Framework, the Ministry of Treasury and Finance (MOTF) has set up a Working Group consisting of the following members :

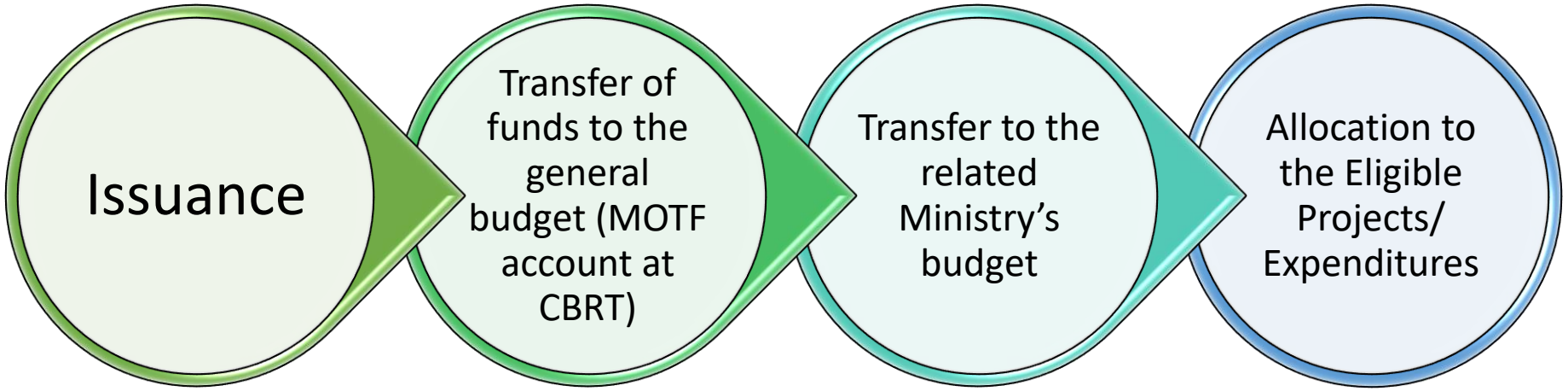
- ✓ Presidency of Strategy and Budget
- ✓ Ministry of Agriculture and Forestry
- ✓ Ministry of Energy and Natural Resources
- ✓ Ministry of Environment and Urbanisation
- ✓ Ministry of Family and Social Services
- ✓ Ministry of Health
- ✓ Ministry of Labor and Social Security
- ✓ Ministry of National Education
- ✓ Ministry of Trade
- ✓ Ministry of Transport and Infrastructure
- ✓ Ministry of Youth and Sports
- ✓ Ministry of Industry and Technology

The MOTF, with the help of the Working Group, will review potentially qualifying projects and verify whether these comply with the criteria and definition of Eligible Green and Social Projects set out in the Framework.

The MOTF is in charge of coordinating this process, and the relevant Ministries will be responsible for providing the requested documents and any further information to verify eligibility.

The MOTF and the Working Group may consult with other Government departments and agencies in carrying out their responsibilities.

Management of Proceeds



APPENDIX

Green Deal Action Plan (1/5)

1. Border Carbon Regulations

- As part of the border carbon regulations, a roadmap will be determined in order to support the reduction of carbon emissions, targeting the manufacturing sectors as a priority while further studies on other energy-intensive sectors will be conducted
- In addition, taking into account the EU's carbon regulation, an evaluation of a national carbon pricing mechanism will be implemented

2. A Green and Circular Economy

- Focused on the use and improved management of water resource and waste with objective of reusage rate of treated wastewater usage rate to reach 5% in 2023. Priority sectors will be identified, including water intensive sectors such as textile and leather manufacturing
- Within the scope of the EU Circular Economy Action Plan, a national strategy and action plan will be prepared
- A national action plan will be prepared for the implementation of the EU Integrated Pollution Prevention and Control (IPPC) legislation, along with a National Sustainable Consumption and Production Action Plan and a "Water Reuse National Master Plan"
- The Turkish Environmental Label System will be expanded and cooperation opportunities with the EU will be explored

Source: Green Deal Action Plan 2021

Green Deal Action Plan (2/5)

3. Green Financing

- The Green Deal Action Plan will take into account taxonomies for sustainable activities in other jurisdictions, to the extent where relevant
- A legislation to determine sustainability of investments will be prepared taking into account EU Taxonomy and international standards

4. Clean, Economic and Secure Energy Supply

- Energy efficiency awareness-raising activities will be carried out in industrial facilities and that RES-G and green tariff applications will be implemented
- For the dissemination of energy efficient and low carbon heating and cooling systems, national preparation of strategy documents, guides and roadmap will be carried out

Source: Green Deal Action Plan 2021

Green Deal Action Plan (3/5)

5. Sustainable Agriculture

- In line with the EU's targets, studies will be conducted on reducing the use of pesticides and anti-microbials
- Studies will be carried out for the development of organic agriculture production. Completion of the harmonization of the EU's organic agriculture legislation and in parallel - carrying out initiatives before the Commission for mutual recognition with the EU in the field of organic agriculture is intended

6. Sustainable Smart Transportation

- In line with the goal of sustainable smart transportation, Turkey will support the balanced development of transportation methods, including continued development of railway infrastructure between the EU and Turkey
- Strategy development and planning for the development of electric vehicle and charging infrastructure activities will be carried out. The use of electric vehicles will be promoted in public transportation as well as low emission individual transportation

Source: Green Deal Action Plan 2021

Green Deal Action Plan (4/5)

7. Combating Climate Change

- Turkey will prepare its Climate Change Combat Report, 2023-2030 Climate Change Action Plan and 2050 Climate Change Strategy, and conduct R&D studies for determining the effects of climate change on the biodiversity and ecosystems of desertification and land degradation. Further actions will be taken to increase carbon stocks

8. Diplomacy

- Turkey aims to develop cooperation opportunities with the EU and EU member states and will carry out legislation harmonization studies

Source: Green Deal Action Plan 2021

Green Deal Action Plan (5/5)

9. Information and Awareness Activities

- In order to encourage Turkey's compliance with the European Green Deal, all relevant institutions and organizations will provide information and awareness-raising activities

Source: Green Deal Action Plan 2021

T.C. CUMHURİYETİ HAZİNE VE MALİYE BAKANLIĞI