

PUBLIC

**DOCUMENT OF THE EUROPEAN BANK  
FOR RECONSTRUCTION AND DEVELOPMENT**

**STRATEGY FOR TURKEY**

**REPORT ON THE INVITATION  
TO THE PUBLIC TO COMMENT**

PUBLIC

## 1. INTRODUCTION

The objective of this report is to summarise key comments on the Bank's Strategy for Turkey submitted by the public during the consultation period, and to provide responses to these comments by the Bank's management. The comments were reviewed and reflected in the Strategy, as appropriate.

In accordance with the EBRD's Public Information Policy (PIP), the draft Strategy for Turkey was published on the EBRD website in English and Turkish for 45 calendar days, from 3 May to 17 June 2019. Information about the public consultation process was posted on both, the EBRD's dedicated webpage "Have your say" and the newly launched Consultation Hub, both of which list opportunities for the public to comment on the Bank's policies and strategies that are under review. The Communications Department also advertised the opportunity to comment on social media. In addition, targeted notifications were sent to local and international civil society organisations (CSOs) that had expressed interest in the Bank's work in Turkey.

Five sets of written comments on the draft Strategy for Turkey were received during the public consultation period. In line with the Bank's increased efforts to involve civil society, the EBRD had also organised two consultative meetings with eleven civil society organisations in Istanbul on 7 March 2019 in order to gather civil society's feedback during the preparatory phase of the country strategy development. A summary of the meetings and the list of participating organisations to the consultation process are provided in the Annex to this report.

## 2. PUBLIC COMMENTS AND EBRD RESPONSES

Comment	EBRD Response
<b><i>Priority 4: Accelerate Turkey's Green Economy Transition and Regional Energy Connectivity</i></b>	
<p>The EBRD was encouraged to integrate electric mobility solutions in urban areas as part of Priority 4. Specific suggestions were made to include: support for electric bus fleet, electric bus conversion, investments in e-charging infrastructure, promotion of electric mobility planning and optimisation tools (e.g. electric mobility applications).</p>	<p>Electric mobility solutions for urban transport can be considered for financing by the EBRD. Such types of investments are guided by the EBRD Municipal and Environmental Infrastructures (MEI) Strategy approved in April 2019. At page 22 of the MEI Strategy, support to low-carbon transport is recognised as a Green and Sustainable Investment priority for Turkey.</p>
<p>While geothermal power is regarded as a renewable source of energy and therefore welcome, environmental organisations expressed concerns over the relevant regulatory framework and its implementation in Turkey. The EBRD is discouraged to invest in geothermal energy in the country in absence of significant improvement of the applicable national legislation and its related enforcement.</p>	<p>The Bank is supporting the development of renewable energy including geothermal in Turkey that complies with the Bank's Environmental and Social Policy and national legislation. The geothermal sector has been rapidly developing in Turkey, while best practice may have been unevenly applied by some developers that have not been financed directly by the Bank.</p> <p>To further promote best practice the Bank has engaged with the Ministry of Environment to jointly develop terms of reference for a Cumulative Impact Assessment of Geothermal energy in Turkey in 2018. Following an international tender, this study is being undertaken by international and local consultants. The aim is to help stakeholders identify and implement best practice in the sector. This will include the development of best practice Guidance's notes for the operators to develop and operate geothermal plants, and for regulator to benchmark operations and monitor compliance. The EBRD expects that this will allow for appropriate monitoring and permitting of projects (regardless of their financing source).</p>

<p>While the EBRD was praised for not financing coal projects, civil society noted that it still finances companies that have coal portfolios. The EBRD was encouraged to drive the private sector to phase out coal, which should be regarded as an eligibility requirement for EBRD’s clients.</p>	<p>The EBRD Energy Strategy acknowledges that the energy transition is a gradual process whereby the fuel mix is changing in Turkey. A sustainable energy transition must ensure the change in fuel mix will provide for reliable, affordable and cleaner energy. This means for example that power generation companies will gradually replace their coal fired power generation capacity with cleaner power generation capacities such as, for example, power generation based on renewables and gas. If one of the eligibility criteria for EBRD would be that a power generation company cannot have coal field generation assets in the portfolio, then it would not be possible for the EBRD to finance, for example, such a generation company deploying renewables with the aim to transition to clearer generation. Hence such condition for financing would hamper the EBRD’s effort to support renewable projects sponsored by many power sector players. This would not help accelerate the desired energy transition.</p>
<p>To help the country mainstreaming climate change, environmental organisations expect the EBRD to require the ratification of the Paris Agreement as a condition to invest. The EBRD is encouraged to align its activities with the objectives of the Paris Agreement, aimed at limiting global warming to 1.5°C and achieving greenhouse gas emissions neutrality.</p>	<p>The EBRD supports the objectives of the Paris Agreement in all its countries of operations and endeavours to align its activities accordingly, while ultimately the adoption and ratification international agreements remains a political decision within the remit of each country’s sovereignty.</p> <p>The National Renewable Energy Action Plan (NREAP) and the National Energy Efficiency Acton Plan (NEEAP), which the EBRD has both supported developing, have been adopted and are being implemented. The EBRD continues to engage with the private sector in Turkey in delivering on the adopted climate goals and remains in dialogue with the government to support climate change policies.</p>
<p><b><i>Section 8: Environmental and social implications</i></b></p>	
<p>Civil society expressed concerns over the EBRD support to gold mining in Turkey for the lack of adequate environmental standards. Civil society encouraged the EBRD to assess the cumulative impact of gold mining operations as well as align its practices with the latest European policies on the use of cyanide and governance of local water resources. Civil society</p>	<p>Any project financed by EBRD, including any gold mine in Turkey, is structured to satisfy the EBRD Performance Requirements (PRs). The PRs include application of national law, pertinent EU environmental directives and good international practice. Compliance with these requirements is verified by the Bank as part of appraisal, and through monitoring of each</p>

<p>expressed concerns regarding consultation practices as well as overall EBRD capacity of monitoring gold mining projects. The EBRD was encouraged to revise its mining strategy and pursue policy dialogue on gold mining besides investments.</p>	<p>project throughout the life of the loan. The current EBRD Extractive Mining Industries Strategy is valid from 2018 through 2022, and therefore the next review of this Strategy will likely begin in 2021. As part of the Strategy, the support to regulatory reform in the mining sector is also envisaged through policy dialogue activities where necessary.</p>
<p>Turkey is a biodiversity hub and a stronghold for endangered species. It hosts large breeding populations and is a flyway for migratory birds. Environmental organisations expressed concern over renewable energy infrastructure that can lead to a high mortality rate of birds.</p> <p>Civil society encouraged the EBRD to invest in the retrofitting of installations that generate or transmit electricity, so that they become safe for birds. The EBRD is expected to finance only projects with safe pylon designs, while for existing investments affecting migratory birds, mitigation measures are encouraged.</p> <p>As part of the project appraisal the EBRD is encouraged to take biodiversity into consideration. Suggested biodiversity screening tools are, sensitivity mapping tools, the Migratory Soaring Bird tool, the Integrated Biodiversity Assessment Tool (IBAT), and the Critical Site Network Assessment Tool 2.0.</p> <p>Strategic environmental and cumulative impact assessments need to be conducted to identify environmental risks, guide appropriate development and conservation, and support national-level planning that takes biodiversity into account. Also, technology and innovation need to be socially and environmentally sustainable and take potential biodiversity risks into account.</p>	<p>Regardless of sector or country, projects financed by EBRD are structured to meet national requirements, EBRD's Performance Requirements (including <i>PR6: Biodiversity Conservation &amp; Sustainable Management of Living Natural Resources</i>) and good industry practices. In doing so, EBRD routinely works with independent biodiversity experts and conservation organisations such as BirdLife, WWF and Fauna and Flora International. EBRD further uses Technical Assistance funding to help build both public and private sector biodiversity capacity in support of national conservation objectives. As part of the Implementation Plan of the EBRD 2019 Environmental and Social Policy, the Guidance Note to PR6 will be updated and will include additional references to biodiversity screening tools for its clients to use.</p> <p>In Turkey the Bank has been implementing best practice with appropriate assessment of all Projects. This has included specialist studies in line with PR 6, inclusive of reference to BirdLife and EUROBAT guidance notes for wind farm development and also best practice in terms of biodiversity assessment for transmissions and distribution lines. The Bank will continue to do so to ensure adequate protection of bird and bats.</p>
<p><b><i>Annex 1: Political Assessment in the context of Article 1</i></b></p>	
<p>Different views were shared with regards to Turkey's status as EU candidate country. On the one hand, the EU potential membership is seen as a positive and historic development paved by industrial and technical cooperation as well as joint efforts (also in collaboration with NATO) on managing migration, minorities issues, border management as well as combating crime. On the other hand, some civils society organisations call for the termination of the EU accession process as it is perceived as providing legitimacy to the</p>	<p>The EBRD acknowledges the different perspectives with regard to Turkey's status as EU candidate country.</p>

government for instance by providing liquidity in the credit market, creating jobs and promoting foreign investment and international trade (also fuelling arms trade).	
The shrinking rule of law should be regarded by the EBRD as an operational challenge as may pose a vulnerability risk for foreign assets in Turkey.	The comment has been reflected on slide 7. <i>Implementation Risks.</i>

## Summary of EBRD meeting with civil society

7 March 2019, Istanbul

As part of the public consultation process, the EBRD held two consultation meetings on 7 March 2019 hosted by the Resident Office in Istanbul that was attended by representatives of eleven local civil society organisations. The consultation provided an opportunity to discuss the Bank's suggested strategic priority areas for the forthcoming strategy period of 2019-2024.

### Strategic directions and envisaged activities

Civil society representatives welcomed the Bank's continued engagement in Turkey and were pleased to see specific priorities in the areas of strengthening the resilience of capital markets; fostering Turkey's knowledge economy; increasing digitalisation and the participation of the private sector in infrastructure projects; recognising the importance of women on boards' initiative and the provision of care services; supporting finance for renewable energy projects; and promoting energy and resource efficiency. Civil society representatives also asked the Bank to consider the following areas for the review of its country strategy:

- The importance of SMEs to the Turkish economy and their vulnerability in the current economic climate, in particular with regard to non-performing loans (NPLs); the need to support SMEs' corporate governance; and to foster entrepreneurship through improved access to domestic capital markets;
- Natural disaster preparedness in view of the seismic risk in the region surrounding Istanbul and related potential impact on national financial resilience;
- Enhanced institutional support for FinTech, including for women's employment in this sector;
- Increased attention in corporate governance both in terms of diversity in board members and integration of environmental and social considerations;
- The need for improved financial literacy to support entrepreneurship, especially among young graduates;
- Dedicated support for trade facilitation and international investments of Turkish companies seeking, in particular to Iraq and countries in Africa, and increased support to infrastructure connectivity to neighbouring markets;
- Support to waste management in agricultural supply chains;
- The cumulative environmental impact of investments in geothermal power and gold mining;
- The inclusion of green energy technology in industrial policy dialogue;
- The high number of urban regeneration projects across Turkey and the potential to turn these into "green" investments;
- Labour rights issues in the informal economy.

Article 1 issues were also discussed. In particular, perspectives were exchanged with regards to fundamental freedoms in Turkey as well as human rights issues related to large infrastructural projects.

## **Annex 2**

### **List of organisations participating to the consultation process**

- Association for Monitoring Gender Equality (CEİD)
- BirdLife International
- Corporate Governance Association of Turkey (TKYD)
- Economic Cooperation Organization Chamber of Commerce and Industry (ECO-CCI)
- Foreign Economic Relations Board of Turkey (DEİK)
- Independent Industrialists' and Businessmen's Association (MÜSİAD)
- International Investors Association (YASED)
- SHURA Energy Transition Center
- The Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats (TEMA)
- TURECON
- Turkish Enterprise and Business Confederation (Türkonfed)
- Union of Chambers and Commodity Exchanges of Turkey (TOBB)
- University of Athens
- World Wide Fund for Nature Turkey (WWF Turkey)