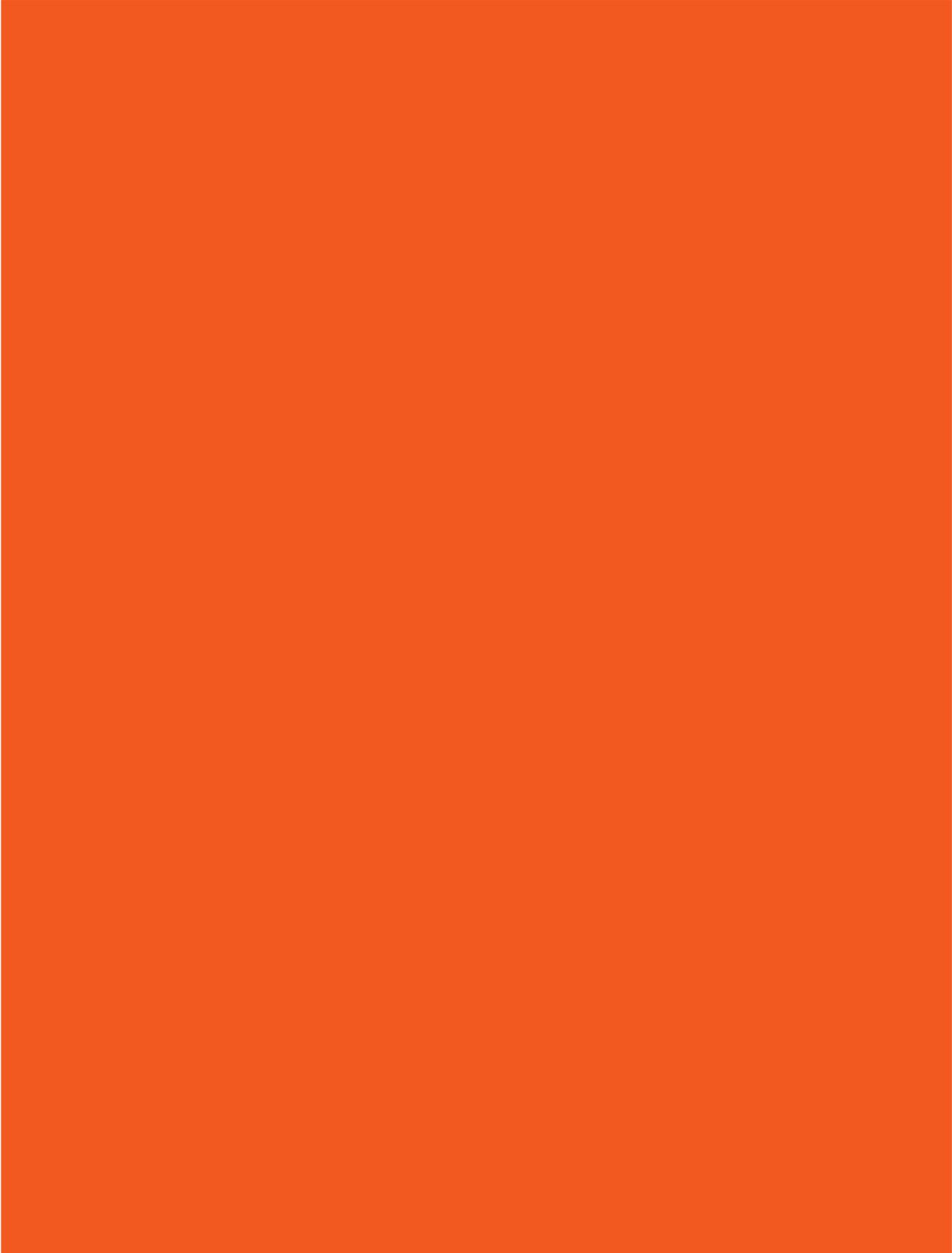
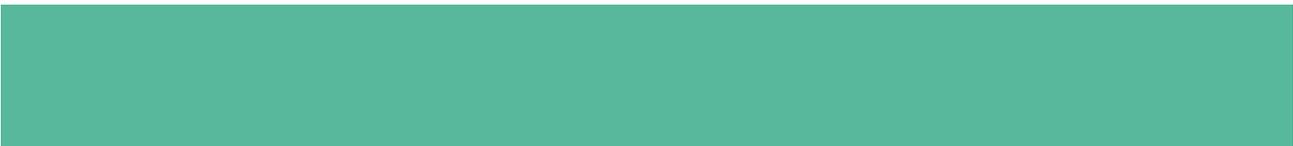


CIF 2014-2017

Turkey

COUNTRY INTERVENTION FRAMEWORK 2014-2017



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Relevant background for the 2014-2017 strategy of the AFD in Turkey

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Relevant background for the 2014-2017 strategy of the AFD in Turkey

Turkey is engulfed in a disrupted regional context with, in particular, war in Iraq and Syria and has taken in over 1.6 million Syrian refugees.

1.1. What this means

1.1.1 Sustainable development issues

Turkey is home to over 74 million inhabitants with 72.3% living in urban areas in 2012. Demographic growth the currently stands at 1.5% per year. As the 17th biggest global economy, Turkey had a GDP of 820 billion US dollars in 2013. As such it is ranked by the World Bank as an upper middle income country (UMIC).

Economic growth for 2014 stands at 3% which is high in comparison to other OECD countries. The current account deficit stands at 5.8% of GDP (down on 2013). Turkey has many assets, which explain the positive economic results achieved recently (healthy public finances, a robust banking system) whilst it still has a number of structural weaknesses, including a heavy reliance on external capital.

In terms of job creation, whilst the countries of Europe and central Asia have been struggling since the crisis of 2008-2009, Turkey is seen as a model¹. As a comparison job creation was very high over this period: almost 3.5 million jobs between 2009 and 2012.

The employment rate among women in Turkey is low (28.7% in 2012, compared with the OECD average of 57.2%); the same is true of their participation in the economically active population (under 30%).

New reforms are aimed at improving the business environment, encouraging investment and creating jobs.

There is also room for improvement in making growth more inclusive. In 2012, the annual disposable income of a Turkish household was €8,980, with significant variations: €11,840 for the Istanbul region, €10,127 for Western Anatolia and just €5,860 for South Eastern Anatolia². For the time-being, existing mechanisms for transferring income have only a limited impact on inequality, despite the introduction of a range of reforms in 2011 and 2012.

Turkey is suffering from being heavily reliant on energy imports which make up two thirds of its current account deficit. It imports 73% of its primary energy needs.

This reliance is accentuated by the economic growth of the country which is characterised by high energy intensity³.

In order to tackle this situation the government has set itself the objective of diversifying its energy sources and production with a 30% increase in the share of renewable energy in final consumption and a 20% reduction in energy intensity by 2023. New technologies, including smart grids are also among the government's priorities.

1. World Bank Group, Good jobs in Turkey. Washington DC, 2011.

2. Source: Türkstat.

3. Energy intensity means the relationship between an economy's energy consumption and its GDP.

1.1.2 The Turkish economic model

The Turkish economy is largely driven by micro, small and medium enterprises SMEs⁴ (there are 3.5 million of them) which account for 99% of businesses and 78% of jobs, but only 55% of added value (AV)⁵. The authorities want to make MSMEs more competitive through a strategy based on 5 strands: (i) developing and supporting entrepreneurship, (ii) building the institutional capacities of small and medium-sized enterprises (SMEs) as well as their management skills, (iii) improving the investment climate for SMEs, (iv) boosting the capacities of SMEs to invest in research and development (R&D) and innovative technologies and (v) facilitating their access to funding.

The opening of certain chapters of negotiations with the European Union (EU) and the transposition of European regulations into Turkish law (food safety, veterinary and phytosanitary services etc.) have acted as a real boost to non-price competitiveness.

The Small and medium enterprise development organisation (KOSGEB) is involved in implementing the Turkish strategy on SMEs⁶. It offers a support mechanism through technical assistance (TA), advice, loans and subsidies.

Turkey is marked by regional variations broadly corresponding to an East-West divide on the one hand, and a divide between cities and the rural areas on the other.

The current process of centralisation represents an opportunity to rebalance the country's development. Through it, new powers (transport, water, solid and liquid waste, planning, and urban renewal) are being

transferred to the 13 new metropolitan municipalities (MM) and their financial and technical capacities are being strengthened. Existing MMs must also tackle new needs related to the extension of their catchment area. This increase in powers will be followed by a transfer in state resources.

In 2010, a national action plan was adopted in order to target the most vulnerable sectors, requiring as a priority an adaptation strategy, at the forefront of which was the water resources management sector. Water stress is clearly emerging as a major regional risk factor over the long term. Studies predict shifting precipitation patterns with effects visible from 2030⁸. The quantity of water available will decrease, particularly as an increased demand for irrigation should follow⁹.

Turkey is also one of the countries in the world with the richest biodiversity (75% of species present in Europe) with 3 distinct biogeographical hot-spots and natural ancient forests which represent some 93% of Turkish forests (just 1% in Europe). Today, this biodiversity is under threat from the effects of climate change and economic activity.

Turkey will reveal its proposed greenhouse gas reduction targets in the second half of 2015, in the run up to the Paris Climate Conference set to take place in December 2015. The country advocates a different approach to commitments for emerging countries and sees it as legitimate to access special funding (Green Funds)

4. Turkish definition: businesses with fewer than 250 employees and an annual balance sheet of under 25 M TL. Unless public institutions or organisations hold over 25% of the share capital, or have voting rights on the board.

5. Data from the Strategy Paper for Turkey drawn up by the EU as part of the 2014-2020 round of the IPA.

6. KOSGEB, 'Enhancing the Competitiveness of SMEs in Turkey', October 2012.

7. Other policies exist in the agricultural sector, which remains beyond the remit of the KOSGEB.

8. Turkey's National Climate Change Adaptation Strategy and Action Plan, T.R. Ministry of Environment and Urbanization, November 2010, Ankara.

9. "We adapt" website, Turkey page, 30.03.2011, <http://weadapt.org/knowledge-base/national-adaptation-planning/climate-overview-turkey>, last viewed 29.04.2014.

1.2. | Turkey's development strategy

Turkey's development strategy was set out in a Tenth Development Plan for the period 2014-2018. This plan is based on four priorities aimed at preparing its ambitious objective of becoming the world's tenth biggest power by 2023, the centenary of the Turkish Republic. The priorities are:

- **Qualified people, strong society** This covers multiple objectives including the extension of social welfare, improving the quality and accessibility of public services, raising qualification and skills levels and reducing employment in the informal economy;
- **Innovative production, high and stable growth** through the acceleration of capital and the industrialisation process, but also by putting the country's resources to use in more productive sectors as well as by increasing capacity for productive innovation, public and private investment, or indeed turning Turkey into a regional logistical hub;
- **Liveable places, sustainable environment** This slogan is about the desire to combine a reduction in regional variations with the extension of social welfare;

This also means more equal access to housing and basic services (drinking water, sanitation) as well as promoting environmentally friendly practices through the sustainable management of natural resources;

- **International cooperation for development** This is a new objective as, for the first time, a development plan has extended beyond Turkey's borders; this proposal is related to the desire to benefit from international dynamics favouring development and pursuing an effective development policy; this is accompanied by a desire to play a more active role in setting the development agenda; in 2011 Turkey declared the equivalent of 1.27 billion US dollars, an amount which reached 2.5 billion US dollars in 2012 due to the aid provided to Syrian refugees by the Turkish Cooperation and Coordination Agency (TIKA) (900 million US dollars).

1.3. | Overview of international finance in Turkey

In 2011, whilst still eligible for Official Development Assistance (ODA) under the terms of the OECD's Development Assistance Committee (DAC), Turkey received a little over 3 billion US dollars in DA (the equivalent of 0.4% of its gross domestic product - GDP), that is a much smaller share than other Mediterranean countries (Lebanon: 1.2%, Morocco: 1.5%, Tunisia: 2.1%). As such, Turkey is closer to countries such as Paraguay or South Africa.

However, owing to its UMIC status, the streams mentioned below do not all fall under ODA, as some loans granted to Turkey by the AFD and other donors do not meet the OECD's definition of ODA. This is the case in particular of streams from the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD). Nevertheless, these loans contribute to the country's development.

1.3.1 Substantial funds allocated to the incorporation of the *acquis communautaire*

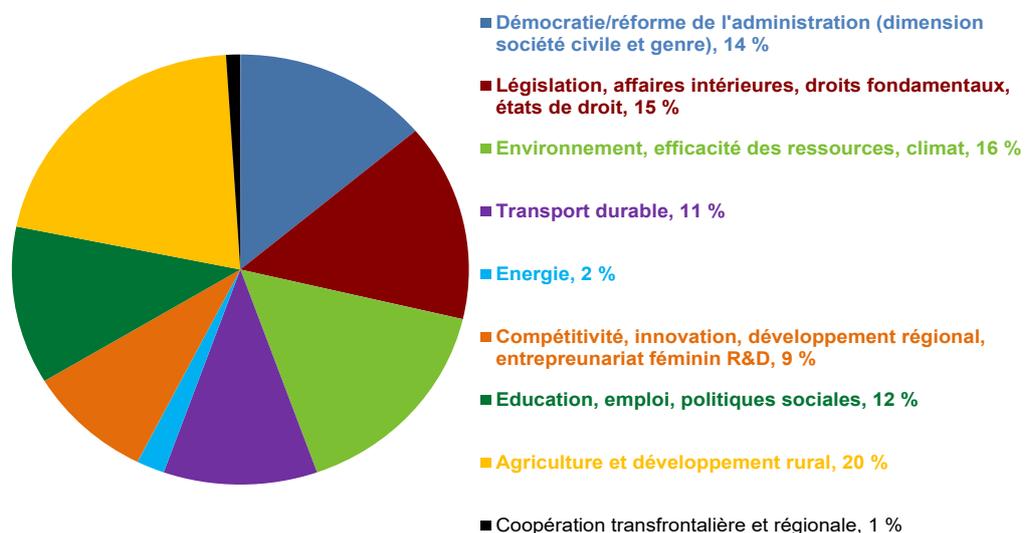
For the 2007-2013 period Turkey had an Instrument for Pre-accession (IPA) envelope of 8 billion Euro, i.e. 48.2% of the envelope for candidate countries.

This instrument, which is intended to support the incorporation of the *acquis communautaire* will amount to 4.5 billion Euro for 2014-2020.

The European Investment Bank (EIB) works alongside the EU to assist with the European transition, focussing its activities on support for SMEs, transport, the environment and energy. It also supports efforts to mitigate seismic risks and fund direct foreign investment through direct loans to businesses for sums of over 50 million Euro or indirect loans for sums of under 25 million Euro. It coordinates its loans with EU assistance so as to ensure an optimal financial package. Its commitments for 2013 stood at 2.3 billion Euro. The EIB also distributes credits under the 'InnovFin - Eu Finance for Innovators' scheme related to the Horizon 2020 initiative (200 million Euro in 2014).

FIGURE 1

INSTRUMENTS FOR PRE-ACCESSION BY SECTOR 2011-2013



1.3.2 A concentration of donors in the energy sectors and supporting the private sector

The main multilateral donors are present in Turkey (World Bank group), EBRD, EIB, EU). Their interventions focus primarily on energy and support for the private sector (particularly SMEs). They operate mainly through credit lines (CLs). The German bank, 'Kreditanstalt für Wiederaufbau' (KfW) remains the main bilateral donor in Turkey. For its part, the Japan international cooperation agency (JICA) plays a lesser role; having contributed (through TA or subsidies) to water and infrastructure projects and offered budgetary support (particularly in

the area of seismic risk). Since 2011 it has been granting an increasing number of loans owing to the growth in average income in Turkey.

The AFD has had the opportunity to cooperate with these donors through co-funding or parallel funding arrangements. In 2013, it signed its first co-funding agreement in Turkey with the EBRD for a project involving the IFC, among others. The AFD has also cooperated with the EIB (forestry projects) and since 2013 with the World Bank (two projects).

1.4. | Parameters of the French strategy

Everything is done to ensure that the long established relations between the two countries are strengthened. This policy bore fruit with the opening of chapter 22 of the negotiations on Turkey's accession to the EU.

A presidential visit took place in January 2014, the first since the visit by François Mitterrand in 1992. During this visit, the two countries signed a 'strategic framework of cooperation' which institutionalised the bilateral relationship going forward. At the first meeting of this strategic framework in Paris on 10 October 2014, a joint action plan was signed for the next two years.

The two countries also developed joint positions at international discussions, whether on climate issues, the Syrian crisis or, more generally peace and security in the Middle East.

1.4.1 Turkey, a major economic partner for France

Trade between France and Turkey is continuing to increase reaching more than 12 billion Euro a year.

Close bilateral links also exist in terms of cultural, institutional and technical cooperation, through francophonie and partnerships as well as through other cooperation measures.

Energy (production, energy efficiency), sustainable cities and transport are the main issues arising from Turkey's economic development. In these sectors, France possesses genuine expertise and a good industrial fabric.

1.4.2 French policies on development assistance

On 31 July 2013 the Interministerial Committee on International Cooperation and Development (ICICD) confirmed the approach of differentiated partnerships described in the document Development Cooperation: a French Vision (DCFV). Another of the conclusions of the DCFV was:

- Priority placed on the Mediterranean' within a Euro-Mediterranean rationale for regional integration' (priority shared with Africa);

- Mediterranean activity based on loans, cultural, scientific and technical cooperation as well as training;
- An objective of developing the productive fabric, creating jobs as well as town and rural planning with a view to sustainability, mutually beneficial development and colocation'.

In July 2014, the joint secretariat of the ICICD decided to class Turkey as a 'major emerging economy'. This significant change has led the AFD to place its activities in Turkey within the scope of its 'promoting green and inclusive growth' agenda associated with this country category. As such, the AFD supports projects or policies with a positive impact on economic, environmental or social aspects of sustainable development.

The concept of neighbourhood policies used for the Mediterranean takes on particular meaning in the case of Turkey which maintains special ties with France and Europe. The EU remains its biggest trading partner for both imports and exports, with an effective customs union in place since 1996; it supplies it with most of its foreign tourists, its direct foreign investment (DFI) and finances its current account deficit.

Moreover, the incorporation of the *acquis communautaire* (as part of the EU accession process) is a strong incentive to make political progress, update legislation in many areas and modernise productive apparatus.

This is why the policy of encouraging Turkey's ties with the EU must be maintained and encouraged.

Other cross-cutting objectives for intervention apply to Turkey as to elsewhere: convergence between the Sustainable Development Goals (SDGs), the Sustainable Development Agenda, promoting gender equality (implementation of the national 'gender and development' strategy for 2013-2017) and francophonie.

After the first two pilot loans to the Turkish treasury (for forestry policy), the AFD's sovereign intervention framework was consolidated in a Memorandum of Understanding (MoU) signed in January 2014 on the occasion of the presidential visit. For an indicative amount of 500 million Euro over three years, it sets out strands for cooperation in the following fields: municipal infrastructure projects as part of sustainable urban development, investment in the renewable energy and energy efficiency sectors, sustainable water and forest management, biodiversity conservation, modernising businesses in the agriculture and food industry and promoting employment for young people and women.

2

Taking stock of AFD activities in Turkey

2

An appraisal of AFD activities in Turkey

2.1. Quantitative outcomes

Over the 2011-2013 period, AFD commitments in Turkey stood at 731 million Euro (75.3% for the AFD and 24.7% for Proparco).

The target of the previous Country Intervention Framework (CIF) (600 million Euro) have been exceeded. In particular, estimated sovereign loan commitments over three years of 200 million Euro were met (150 million Euro). Similarly, the commitment target of Proparco, the AFD subsidiary dedicated to the private sector, has practically been met (181 million Euro).

Finally, it should be noted that the extension of AFD activities in the form of States credit lines to the state with a target of 200 million Euro in sovereign loans (SL) over three years has exceeded expectations; sectoral loans in the field of forestry management to the tune of 300 million Euro and a loan of 100 million Euro via

a public bank to bring agricultural and food SMEs in Turkey up to EU health standards.

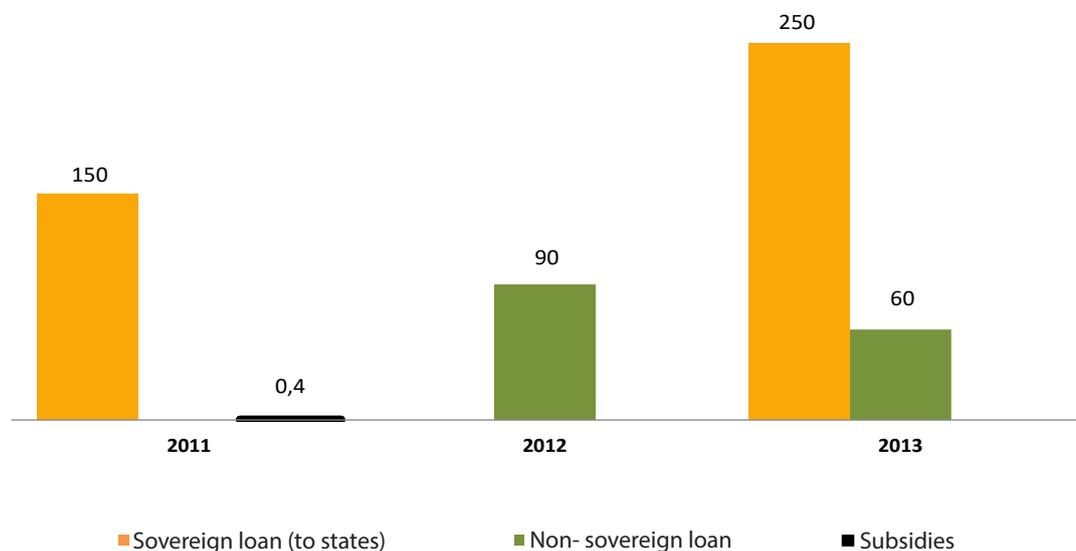
In terms of the objective of reducing the carbon footprint of growth, between 2011 and 2013, the AFD and Proparco granted credit lines to three local banks to the tune of 135 million Euro in order to help finance projects dedicated to energy efficiency and renewable energy.

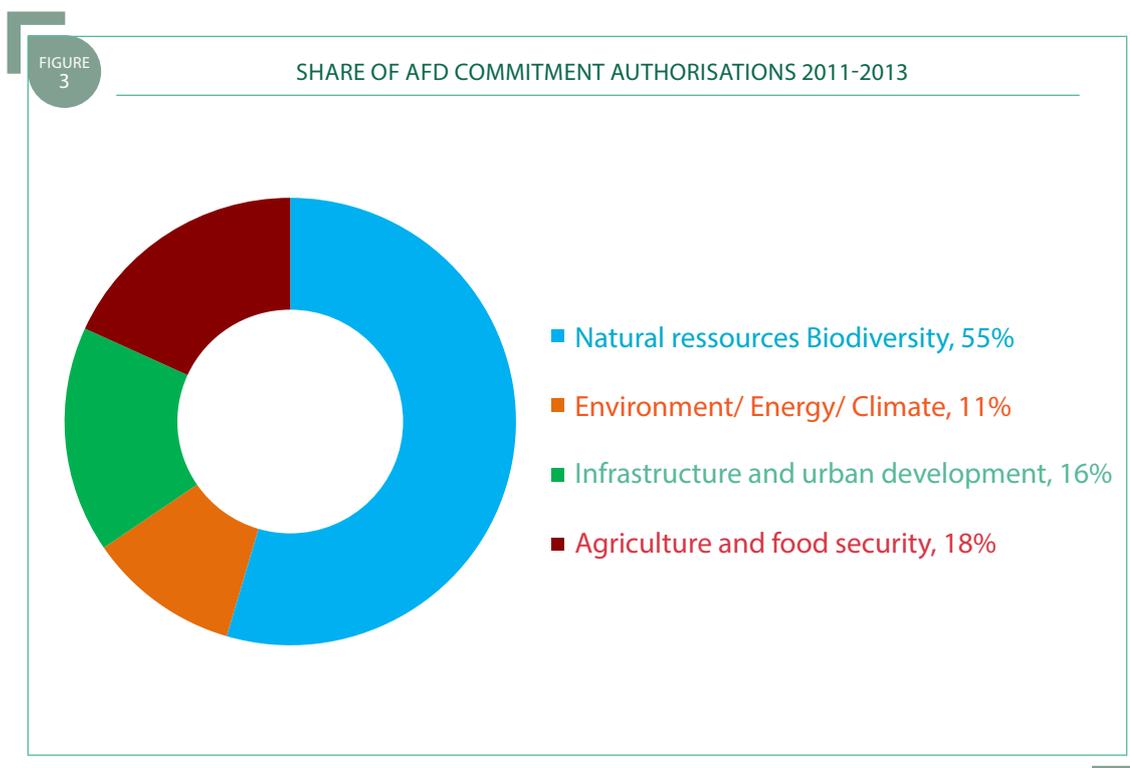
With annual commitments approaching 70 million Euro over the last three years, Proparco, like the AFD, is pursuing a promotion of a green and inclusive growth agenda in Turkey.

Businesses have benefited directly from Proparco funding to the tune of 102 million Euro.

FIGURE 2

AFD COMMITMENT AUTHORISATIONS BY FINANCIAL PRODUCT 2011-2013 (IN €MILLION)





2.2. Qualitative outcomes

2.2.1 A diverse range of arrangements for intervention and an extension of partners

Through the extension of its mandate to include SLs, the AFD has become one of the only donors to offer both sovereign and non-sovereign loans. Today, the AFD portfolio in Turkey is more diverse, as are its counterparties. These include the State, local government and private and public banks. The main end beneficiaries of the credit lines granted to these banks are SMEs.

The previous CIF included plans to favour a programme approach in supporting public policies. As such it is this approach that was chosen for the two forest loans and the loan to the Istanbul municipality.

In accordance with objective iv) of the CIVw 2011-2013, 'establishing partnerships between French, Turkish and Mediterranean' stakeholders of AFD action has, over the last few years, been a means of connecting Turkish

and French stakeholders and has thus enabled new partnerships to be formed (France's French environment and energy management agency (ADEME), its National Water Office (OIEAU), National Forests Office (ONF)).

The AFD has also sought to promote decentralised cooperation. As such, in parallel to the new underground line in Istanbul, the group acted as an interface to relaunch cooperation between the municipal councils of Istanbul and Paris and organise visits between the two cities.

The picture is less clear for the Mediterranean partnerships which must be encouraged to preserve the Mediterranean sea. The projects have not delivered on the objectives of depollution, protecting biodiversity and preserving water resources.

The convergence of AFD and Proparco activities, particularly in the energy sector, has promoted the coherence of the group's action.

2.2.2 Consolidation of the AFD's position in its

priority areas of intervention

The objectives set for this CIF 2011/2013 have been largely met and the AFD has consolidated its work with the various counterparties whilst developing its areas of intervention (sustainable tourism, health and phytosanitary standards).

As anticipated, the AFD has strengthened its position in the sustainable urban development sector in Turkey where it has gained great legitimacy. After pilot finance and technical support actions through the Territorial and Climate Plans (TECP), today funding is focussed on sustainable urban transport.

Of note is the Franco-Turkish conference Vivapolis, which took place in Istanbul in September 2014, and with which the AFD was closely associated, and the seminar in Izmir organised in November 2014 by the Centre for Mediterranean Integration (CMI), on the theme of urban mobility in Mediterranean towns which brought together experts from towns in the Mediterranean basin.

In terms of corporate social responsibility (CSR), the AFD has a well established reputation among financial institutions and organises regular conferences on the topic (where we have particular legitimacy as the only donor to have implemented CSR-specific CLs). Ex-post evaluations of CSR credit lines have shown the positive effects they have had on SMEs although uncertainty remains as to their viability.

In the agricultural sector and as part of the incorporation

of the *acquis communautaire* in agriculture, the AFD granted a credit line (CL) to facilitate access to finance for SMEs wishing to invest in modernisation.

The quality of relations with the AFD is largely a result of support measures (study trips, training, seminars, workshops etc.) in parallel with funding which allow it to set itself apart from other donors.

The opening of a permanent AFD office in Ankara in September 2014 should improve structured dialogue with ministries and other institutions leading on public policies in the AFD areas of intervention.

Finally, the result in terms of regional rebalancing do not meet the objectives set as the CLs or finance awarded to municipalities were more for existing development centres than the most remote regions. In terms of the municipalities within these regions, banking intermediation is the most appropriate means of intervention.

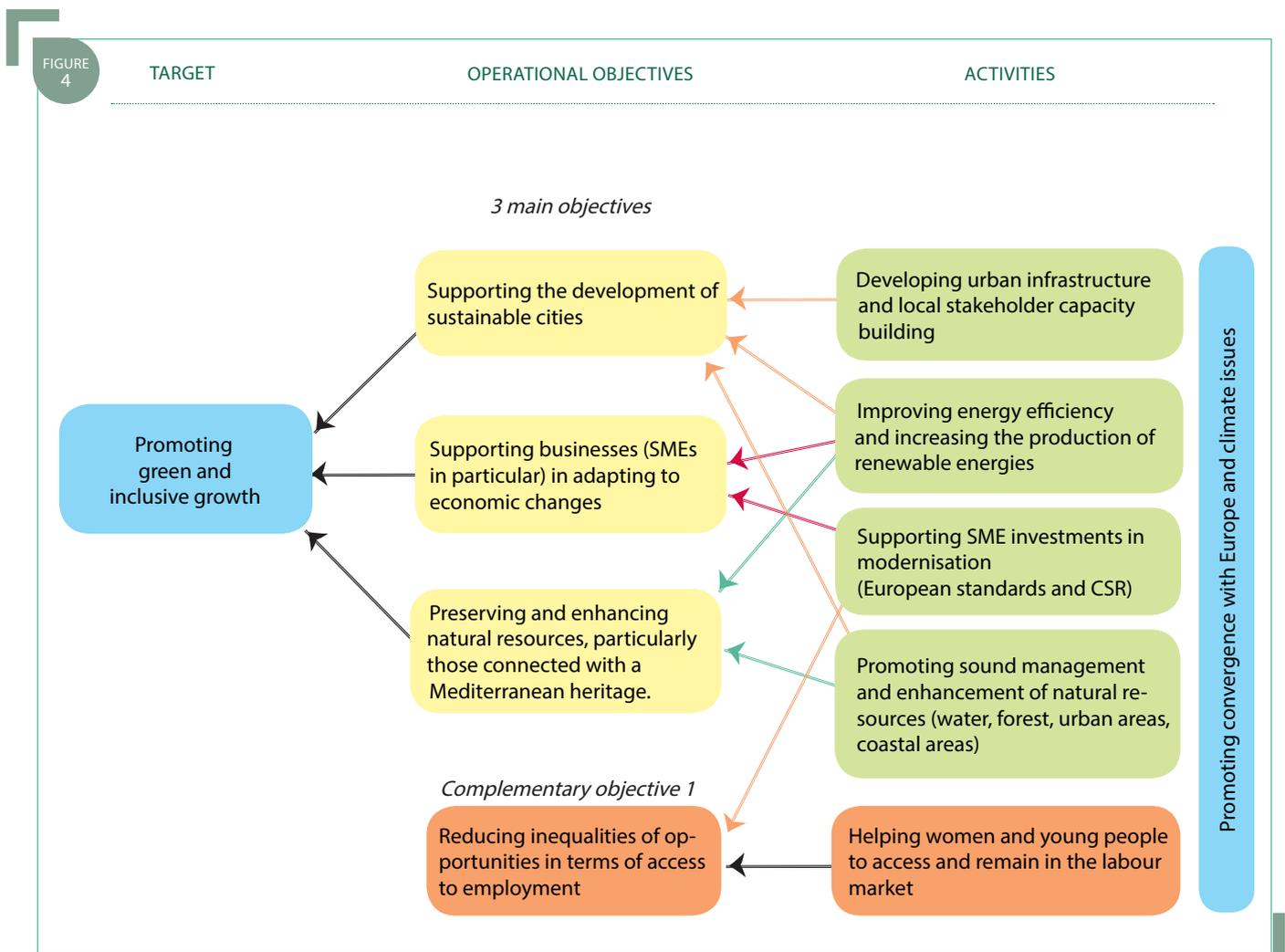
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The AFD's strategy in Turkey 2014-2017

3

The AFD's strategy in Turkey 2014-2017

3.1. Flow chart



3.2. Aim and operational objectives

AFD's strategy for 2014-2017 falls within the scope of the new priorities set by the ICICD in July 2013. It is intended to align with the priorities of the Turkish authorities that are consistent with its overall strategy and offer adequate responses to the needs of Turkish people. AFD's operations will continue in its priority areas in Turkey, i.e. sustainable urban development, energy and the environment. This sectoral focus is justified by local demand and needs and by the recognised expertise of AFD in these sectors. There are also plans to extend the scope of the AFD's actions in Turkey in order to target different economic players, particularly young people and women.

In accordance with the AFD's mandate for emerging economies, the aim of this CIF is to strive for green and inclusive growth. Four operational objectives contribute to this: (i) supporting the development of sustainable towns; (ii) supporting businesses (particularly SMEs) in adapting to economic change; (iii) preserving and promoting natural resources, including in their Mediterranean dimension; (iv) reducing inequality in accessing employment.

3.3. Planned activities

1 Objective: Supporting the development of sustainable cities

- **Developing urban infrastructure and local stakeholder capacity building**

The issue lies in supporting municipalities in managing their powers: urban planning, transport, water, solid/liquid waste, planning, urban renewal. AFD's support for the municipal sector should take the form of a holistic and integrated approach, aimed at improving the quality and accessibility of basic infrastructure and services (water, waste, transport, energy etc.) with respect for the environment. In order to maximise the leverage effect of its funding on this sector, opportunities for partnerships are being sought.

The Agency will work with other donors and support municipalities with the necessary TA, thus increasing the added value of these interventions.

This support will cover planning and climate issues and will seek more generally to support local stakeholders with a view to improving urban management. To achieve this, the AFD will continue its efforts to support dialogue between Turkish and French towns within the framework of decentralised cooperation and will promote the sharing of experiences.

In general terms, activities to meet this first objective will also contribute to reducing Turkey's energy dependency and promoting sound management and enhancement of natural resources in urban areas.

- **Improving energy efficiency and increasing the production of renewable energy**

As mentioned above, the energy issue is significant in Turkey. The country is heavily reliant on energy from outside its borders and one of the priorities of the Turkish government is to meet national needs in terms of supply whilst attempting to reduce consumption. Within this framework, and following the extension of its mandate to include sovereign loans in Turkey, the AFD is now taking position on the issue of energy efficiency in public buildings, a priority theme for the Turkish authorities, owing to the source of energy savings it represents. The AFD is planning on contributing to funding the renovation of public buildings pre-identified by the Turkish Energy Ministry.

2 Objective: Supporting businesses in adapting to economic changes

• Improving energy efficiency and increasing the production of renewable energies

In view of local needs, the AFD will continue to offer its support to the private sector and particularly SMEs, so as to contribute to the national policy of diversifying sources of supply and the development of renewable forms of energy.

To do this, the AFD will continue to support SME investment in these sectors by promoting their access to finance through dedicated CLs. The emphasis will be placed on more 'innovative' forms of renewable energy than wind and hydropower, such as biomass, geothermal energy or solar energy, as well as the most effective processes (heating networks, co/tri generation and so on). The AFD will seek to promote joint offers of finance with Proparco, particularly in the case of public-private partnerships (PPP) where conditions for the stability and security of the legal framework are met.

• Supporting SME investments in modernisation

SMEs are essential players in the Turkish industrial fabric. As part of the process of internationalisation, Turkish SMEs are seeking to gradually meet international standards (in the case of CSR in particular) and, driven by the EU accession process, Turkey has begun to transpose the part of the *acquis communautaire* relating to the compliance of businesses with standards (in terms of health and

phytosanitary standards for example).

In line with one of the decisions by the ICICD in July 2013, the AFD is helping to modernise the productive fabric in Turkey, particularly in the case of MSMEs. This activity began with the arrival of the AFD in Turkey in the form of CSR CLs. Since then, the AFD has continued to promote CSR practices within Turkish SMEs and to raise the awareness of these among its banking counterparties. This might include promoting the access of women to management positions. The AFD will continue to contribute to funding SME investment, by supporting its banking counterparties and end beneficiaries as often as possible in terms of technical assistance.

Objective 3: Preserving and enhancing natural resources, particularly those connected with a Mediterranean heritage.

• Promoting a sound management and enhancement of natural resources

Preserving the environment is a key part of the AFD's activity in Turkey and an additional emphasis on enhancing natural resources will be sought.

In addition to the environmental impact of these actions, social cohesion and stimulating economic activity in certain regions are also on issue. Other than continuing its activities in the forestry sector, the AFD is seeking to extend the scope of its intervention to the integrated management of water resources, biodiversity in urban areas as well as to coastal and maritime regions.

As such, the AFD will attempt to establish or promote synergies between Mediterranean stakeholders (Water agencies, Network of Managers of Marine Protected Areas - MedPAN), in order to contribute to the sustainable management of regional public assets (for example: depollution of the Mediterranean) or projects for the integrated management of natural resources.

Meeting this objective also means local stakeholder capacity-building, particularly in terms of planning. Similarly, improving energy efficiency and increasing the production of renewable energy should be a means of reducing the pressure on the environment caused by Turkey's economic activity.

Objective 4: Reducing inequalities of opportunities in terms of access to employment

- Helping women and young people to access and remain in the labour market

The legislative framework gives women the same rights as men and Turkey's ambitious economic objectives (10th biggest global power by 2023) act as an incentive to support the participation of women in the economy.

The ministries in question launched a study overseen by the World Bank (WB) to review the possibility of developing childcare structures aimed at young children to enable mothers to remain in, or to re-enter the labour market.

France's experience in this area is an international reference. The Turkish administration is taking a close interest in it and is in the market for exchanges or even bilateral cooperation with French public and private stakeholders. The AFD could draw on the success of the French model in integrating women into the labour market.

The AFD will also seek to develop activities to achieve a better match between the supply of jobs and the qualifications of the workforce. To achieve this, the AFD would like to offer support to public and private initiatives in the field of vocational training which acts as a lever in reducing unemployment and youth inactivity on the one hand, and in improving the efficiency and productivity of markets on the other. The AFD will prioritise partnerships with other stakeholders in this area and will harness existing institutional cooperation between France and Turkey. The French Centre international d'études pédagogiques (CIEP) might also offer a useful contribution.

In addition to these activities there are two cross-cutting priorities

- The AFD : promoting Turkey's convergence with Europe

The AFD, with its funding in the form of banking CLs or targeted sectoral budget assistance, insofar as possible drawing on French expertise, can add to and/or build on EU-led initiatives in programmes to incorporate *acquis communautaire* and in priority sectors put forward in the CIF. The extension of existing initiatives (e.g. health security in agriculture and food) will be sought.

As a European donor, the AFD can also benefit from ad-hoc European funds for a given programme (IPA2) or as part of a tool for combining loans/specifics funding for Turkey: discussions are currently under way between Brussels and the Turkish authorities on two options under programming for 2014-2020 (IPA2)

- The AFD : vector of French environmental commitments

In Turkey, all projects funded over the previous CIF period, with the exception of one, had a climate-related co-benefit.

It is necessary to continue on this path so as to meet the commitments of the AFD group and, more broadly, those of France which has made strong commitments and hosted the climate conference in 2015 (COP21).

As such, in its 2012-2016 Climate Strategy, the AFD committed to maintaining climate interventions at 50% of the annual loans granted to foreign states. With regards the Mediterranean more specifically, there is an emphasis on energy, urban transport and water with, in the medium term, a 'climate' impact of 50% of the total funding authorisations in this region.

As demand is high among Turkish counterparties for projects in sectors with a positive climate impact (sustainable transport, renewable energy, energy efficiency, forest projects etc.), the AFD will to place an emphasis these themes which have resonance in Turkey due to their dual impact: local and immediate on the one hand, climate-based on the other.

4

Means and arrangements for intervention

4

Means and arrangements for intervention

4.1. Financial output

The new intervention in SLs has been an opportunity to enter into direct relations with the technical ministries in Ankara. Under the terms of the MoU signed by the AFD and the Turkish Treasury in January 2014, the AFD will continue to build on its sovereign lending activities in Turkey. To do so, the dialogue between the Turkish ministries and the Treasury should continue. To build on this momentum, the AFD will work with French services

in Turkey, in particular in thematic working groups on energy, agriculture, transport and the environment/urban services.

Given the lower levels of intervention by the AFD in relation to other donors, it is now important to be in a position to operate through co-funding and/or to strive to put in place more structured and better coordinated

4.2. Diversification of tools for intervention

As part of its operational objective to promote sustainable towns in Turkey, the AFD will continue to promote decentralised cooperation initiatives that strengthen the quality and credibility of its dialogue with local authorities. As such, drawing on the tool 'Technical expertise and experience sharing fund (FEXTE), the AFD can support projects of local authorities that have a benefit in terms of sustainable urban development. It will draw on existing relationships between Paris and Istanbul, Strasbourg and Kayseri and Rennes and

Diyarbakir or on stakeholders that are active in this area such as Cités Unies France (CUF) and Cités et gouvernements locaux unis (CGLU).

New partnerships may also be sought on priority themes relating to sustainable towns (closely linked to the Vivapolis approach) and climate (Territorial and Climate Plan), particularly as part of initiatives taken at the COP21.

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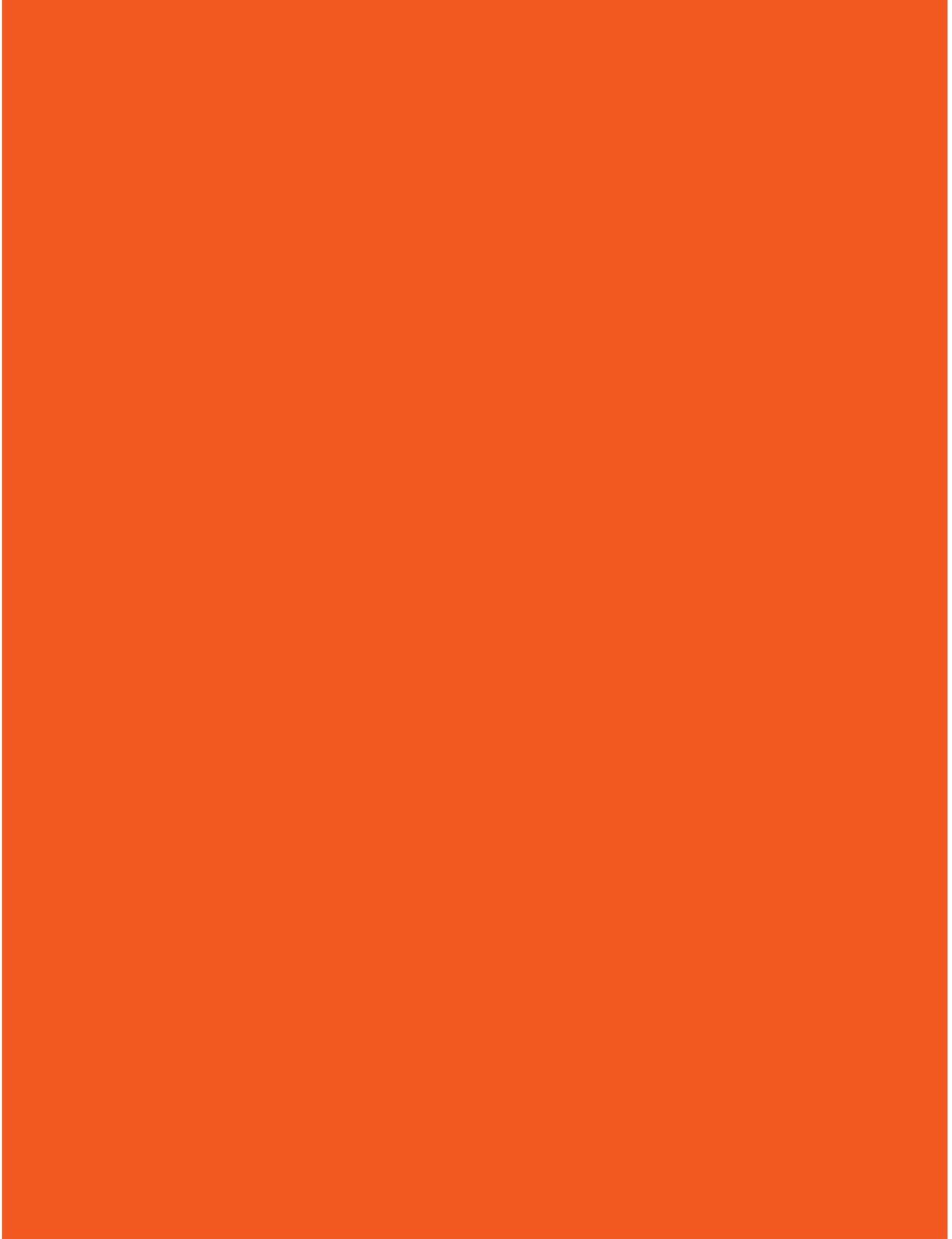
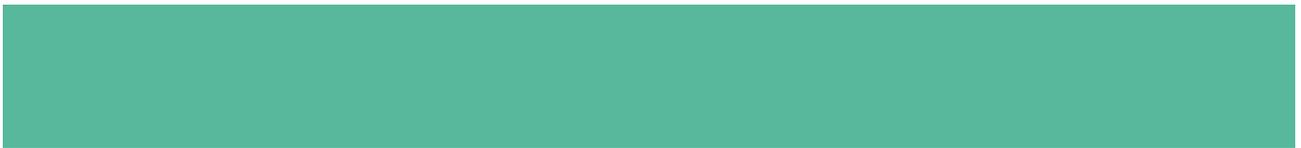
Tools for monitoring the strategy

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Indicators for monitoring the strategy

In terms of monitoring the results of its intervention strategy in Turkey, the AFD has opted to focus its attention on indicators that are directly related to defined objectives and activities:

- **Developing urban infrastructure and local stakeholder capacity building:** number of passengers using public transport on the sections funded;
- **Improving energy efficiency and increasing the production of renewable energies:** new renewable energy capacities installed;
- **Supporting SME investments in modernisation (European standards and CSR)** number of businesses (SMEs) benefiting from AFD support or funding.
- **Promoting sound management and enhancement of natural resources (water, forest, urban areas, coastal areas and maritime regions)** area benefiting from conservation, restoration or sustainable environmental and biodiversity management programmes;
- **Gender target (30% in 2014, 40% in 2015 and 45% in 2016) :** percentage of projects and programmes funded marked 1 or 2 using the OECD gender equality marker, with the exception of funding in the form of general budgetary assistance or sectoral assistance or unallocated credit lines;
- **Climate target of 50% over the CIF period** percentage of annual finance with climate change co-benefits.



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