

# AFD AND TURKEY

Partners for  
Sustainable Development



The Galata Bridge © AFD - Régis Maroitan

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AGENCE FRANÇAISE  
DE DÉVELOPPEMENT



With a population of 71 million inhabitants and a per capita income at USD 9 500 in 2007, Turkey classifies as a middle-income country. It is a member of the Organisation for Economic Co-Operation and Development (OECD) and the G20 Economic Forum. This regional power, at the crossroads between Europe, the Mediterranean and the Near East, is undergoing a whole range of social, economic and cultural transformations.

After experiencing periods of instability and periodic crises, Turkey demonstrated several years of strong economic performance (over 6% of annual growth between 2006 and 2007). 2001 marked a turning point in terms of progress towards growth stabilization, foreign investment inflows and lower public debt and inflation. This turnaround can largely be attributed to the Government's determination to implement structural reforms and the opening of negotiations for European Union membership in 2005. The current global crisis which began in mid-2008 presents new challenges and will be testing for Turkey, a country open to the outside world, but whose economy is still emerging and where stability remains uncertain

Turkey enjoys advantages which also pose challenges for the future: a young population arriving on the job market and the international integration of sectors that buttress its economy (car manufacturing, textiles, domestic appliances and construction). The country must turn towards green, sustainable growth that integrates environmental issues and must also reduce social differences between regions.

AFD began its operations in Turkey in 2004. France, via this partnership, wishes to support sustainable development in Turkey in order to promote its anchoring to Europe and mitigate the environmental footprint of its growth.

## AFD'S STRATEGY IN TURKEY

AFD supports the priority targets set by Turkey in order to comply with European standards:

- promoting environmentally respectful development with low greenhouse gas emissions,
- fostering socially and environmentally responsible practices,
- contributing to balanced regional development.

## AFD OPERATIONS

AFD has various types of operations in Turkey:

- medium or long-term loans to public or private companies (by AFD) or private companies (by PROPARCO) without a State guarantee,
- loan guarantees in local currency (by AFD or PROPARCO),
- equity or quasi-equity investments (by PROPARCO),
- grants (by AFD) for study funds, project preparation and capacity building,
- grants from the French Global Environment Fund (French GEF).

AFD provides financing at near market conditions which may sometimes benefit from interest rate subsidies. Borrowers may be banks, municipalities or companies. Priority is given to the capacity of Owners to implement innovative projects in the environment sector or improve the living conditions of populations in terms of public services.

## PROPARCO

PROPARCO, AFD's private sector financing arm, promotes private investment in emerging and developing countries to boost growth, promote sustainable development and reach the Millennium Development Goals. Its financing is tailored to the specific needs of investors in the productive sector, financial systems, infrastructure and private equity investment.

## FRENCH GEF (French Global Environment Fund)

The French GEF is a bilateral public facility set up by the French Government in 1994 following the Rio Summit. It aims to promote global environmental protection via sustainable development projects in developing or transition countries. The French GEF supports physical projects in recipient countries. Its operations are learning-based and support experimental, innovative or exemplary approaches.

## ENVIRONMENTAL PROTECTION A CORE ISSUE FOR THE FUTURE

Turkey's energy demand has risen as a result of economic and demographic growth. The bulk of consumption is covered by hydrocarbon imports and coalfield exploitation. The country has a huge potential for using renewable energy sources and making energy savings in order to optimize its energy production.

On 5 February 2009 Turkey signed the Kyoto Protocol which aims to combat climate change by reducing CO<sub>2</sub> emissions. AFD is supporting this process by financing the development of renewable and clean energies and the creation of infrastructures (transport, water and sanitation, household waste) in order to reduce the country's carbon footprint. This support is conducted via projects led by Turkish partner banks (TSKB, Garanti, Akbank) which can additionally benefit from specialized technical assistance when required.



Containers in Istanbul  
Port © AFD - Régis Marodan

## RESULTS AFTER 5 YEARS OF AFD OPERATIONS IN TURKEY

- At least 1 million tons of CO<sub>2</sub> saved,
- 700 000 people connected to natural gas,
- 200 MW of clean energy installed,
- 1 000 SMEs supported,
- Corporate Social Responsibility (CSR) awareness-raising for 4 400 companies,
- 2 000 bank officers trained in CSR.



A bridge in the Black Sea region  
© AFD - Marion Joubert

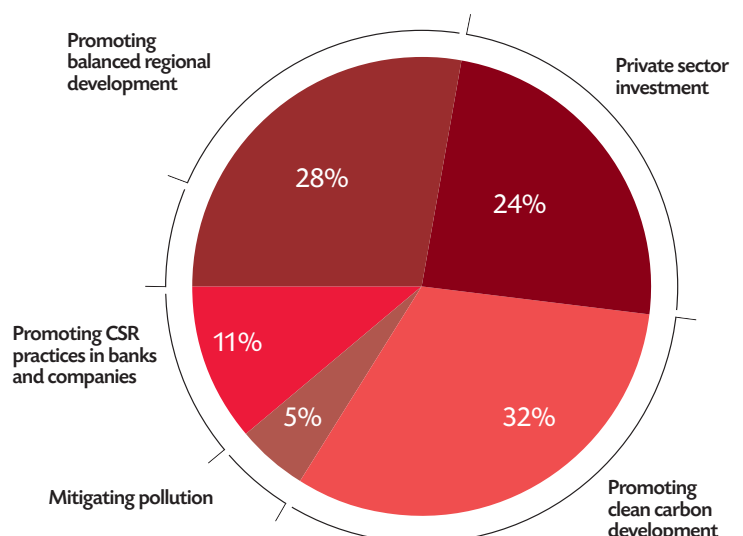
## EXAMPLES OF ENVIRONMENTAL PROJECTS

- 6 million euros of financing contributed to the creation of a 30 MW wind farm on the shores of the Marmara Sea, Turkey's biggest wind farm at the time of its construction.
- A 2 million euro loan financed the implementation of a methanization process with an 11 MW capacity and a solid waste management system (sorting and recycling). The site manager exploits Ankara's biggest public dump and 500 000 tons of CO<sub>2</sub> are consequently saved every year.

The annual greenhouse gas savings from these two projects have been certified and sold on the voluntary carbon credit market thus providing the promoters with additional resources.

- Thanks to 11 million euros of financing a cement plant has installed an incineration unit that uses sludge from Izmit municipality. The project meets the dual target of mitigating pollution and promoting energy efficiency by replacing traditional fuel with sludge.

## AFD COMMITMENTS BY STRATEGIC OBJECTIVES



## TESTIMONY BY THE CEO OF ITC

ITC (Invest Trading Consulting) is a waste treatment and methanization company financed thanks to the partnership with TSKB bank.

*"We treat solid waste at ITC. We have been handling waste treatment for the entire city of Ankara since 2002 and we are also responsible for the city of Adana. We treat all sorts of waste including recyclable waste.*

*ITC is paid from electricity generation made possible thanks to biogas capture in the dumps. The capacity of the site reached 11.2 MW in January 2008. Thanks to this project eliminated waste is*

*used and CO<sub>2</sub> emissions are reduced. Waste is not rubbish, it is a raw material. We have changed the way people think.*

*We reduce greenhouse gas emissions. We have already saved 500 000 tons of CO<sub>2</sub>, this figure will increase with the development of our site. Our target is zero per cent burnt waste with all waste converted."*

## SUPPORTING CSR INVESTMENTS BY THE PRIVATE SECTOR

**Corporate Social Responsibility (CSR)** refers to a company integrating social and environmental concerns into their day-to-day business (improving relations with employees, suppliers and clients, more respectful behaviour in terms of the environment, etc.). Companies voluntarily accept to change their behaviour and adopt processes that reconcile competitiveness, growth and quality of life which are all essential for their sustainable development.

Turkish banks promote CSR in partnership with AFD by providing financing along with training and awareness-raising activities and diagnostics.



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## PROMOTING RESPONSIBLE PRACTICES

AFD has built privileged partnerships with two banks in order to support a greater number of small and medium-sized enterprises (SMEs). Financing has been allocated to Halkbank (80 million euros) and TEB (40 million euros) to facilitate SME access to long-term resources to allow them to make investments and implement sustainable production methods.

Halkbank and TEB have set up an awareness-raising program that aims to help SMEs reach international norms and standards. The program includes:

- thematic and sectoral conferences,
- operations to promote best practices,
- specialized training in social and environmental issues for bank officers and companies,
- and diagnostics aiming to promote the integration of these standards in terms of environmental protection, gender equality, promoting social rights and transparency.



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Historic tramcar © AFD - Régis Marodon

## SUPPORTING PUBLIC TRANSPORT DEVELOPMENT IN ISTANBUL

The economic dynamism of Istanbul attracts migration flows. Its population has doubled over the past 20 years and the city today counts 15 million inhabitants. Traffic congestion has become an economic, social and environmental handicap. Istanbul has consequently adopted an ambitious plan to extend its public transport network: extension of metro lines, creation of metro and tram lines, improvement of tram-metro interconnections.

The program meets several environmental, social and economic challenges:

- it reduces greenhouse gas emissions and improves air quality by reducing car congestion,
- it increases population mobility, particularly for people who depend on public transport (low-income populations with no individual means of transport: women, students, children, the elderly),
- it improves the municipality's productivity.

AFD is supporting the municipality's ambitious plan by providing 120 million euros of cofinancing for the investments.

## FINANCING MUNICIPALITIES

AFD helps improve access for populations to basic services all over Turkey, a country marked by economic and social disparities between its regions. Turkish municipalities are at the center of local development and are consequently effective partners for creating growth that is more balanced and more evenly distributed among citizens. In 2004 the legal framework for decentralization gave municipalities the main responsibilities in this sector. There are a number of challenges, the priorities being infrastructure and basic public services (public transport, sanitation, waste management, social housing, health and education).

AFD helps improve the quality of life in Turkey's cities by supporting major projects implemented by municipalities:

- 22 million euros of financing for a development and overall investment program in the city of Kayseri (road equipment, fire safety, transport, historical heritage).
- 16 million euros of financing for the construction of several sewage treatment plants in Bursa. This project will help combat the pollution of wastewater contaminated by sludge stored in nearby lagoons (environmental and public health impacts).
- 80 million euro line of credit to Denizbank to support investments made by small and medium-sized municipalities. The financing is backed up with a municipality capacity building program for financial and technical management.



Everyday life in Bursa © AFD - Régis Marodon



Galata bridge © AFD - Marion Joubert

Agence Française de Développement (AFD) is a public establishment with a mission defined by the French Government. It has been combating poverty and promoting development in South countries for over 60 years.

AFD is active in the field in over 60 countries and Overseas France and finances and supports projects to improve living conditions for populations, boost economic growth and protect the planet: getting children into school, supporting farmers and small companies, providing water supply, preserving tropical forests, combating climate change...

In 2008, AFD earmarked 4.5 billion euros to finance operations in South countries and Overseas France. Thanks to this financing 7 million children were able to go to school and 4.4 million people gained access to water supplies. Energy efficiency projects for the same year will save 3.3 million tons of CO<sub>2</sub> annually.

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