



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
PARTNERSHIP FOR MARKET READINESS 2 PROJECT  
APPROVED ON FEBRUARY 5, 2019  
TO  
REPUBLIC OF TURKEY

ENERGY & EXTRACTIVES

EUROPE AND CENTRAL ASIA

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**The World Bank**

Partnership for Market Readiness 2 Project (P168730)

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## ABBREVIATIONS AND ACRONYMS



**Note to Task Teams:** The following sections are system generated and can only be edited online in the Portal.

**BASIC DATA**

**Product Information**

Project ID P168730	Financing Instrument Investment Project Financing
Original EA Category Not Required (C)	Current EA Category Not Required (C)
Approval Date 05-Feb-2019	Current Closing Date 31-Dec-2020

**Organizations**

Borrower Republic of Turkey	Responsible Agency Ministry of Environment and Urbanization
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**Financing (in USD Million)**

**SUMMARY**

<b>Total Project Cost</b>	0
<b>Total Financing</b>	0
<b>Financing Gap</b>	0

**DETAILS**

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**Project Development Objective (PDO)**

Original PDO

The development objective(DO) is to support Turkey in developing the legal, institutional and technical framework for piloting an emissions trading scheme (ETS).

**Summary Status of Financing (US\$, Millions)**

TF	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
TF-A9626	07-Feb-2019	21-Feb-2019	01-May-2019	31-Dec-2020	2.00	1.54	.46

**Policy Waiver(s)**

Does this restructuring trigger the need for any policy waiver(s)?

No

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**I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING**

**A. Project Implementation Status**

1. As per the Grant Agreement signed on March 27, 2019 between the Republic of Turkey and the World Bank, implementation under the Partnership for Market Readiness 2 Project is ongoing under four components: (i) Technical assistance to develop the legislative and institutional foundations for piloting an ETS; (ii) Establishing the technical foundations for piloting an ETS in Turkey; (iii) Stakeholder Training, Consultation/Engagement and Public Awareness Activities; and (iv) Coordination and Expert Support.
2. The core technical activities are grouped under the first two components, for which the procurement of consulting services have been completed and the contracts are under implementation. The progress of implementation is summarized below:
  - (a) *Component 1: Developing the Draft Legal and Institutional Infrastructure for Piloting an ETS in Turkey:* The component is planned to be completed by December 2020. Within the framework of the component, 1 kick-off meeting, 5 one-on-one stakeholder feedback rounds and 1 closure conference have been carried out. All planned stakeholder engagement activities have been held in Ankara or online (due to COVID-19 measures). Participants included the Ministry of Foreign Affairs, Ministry of Energy and Natural Resources, Ministry of Industry and Technology, EMRA, EPIAŞ, Ministry of Treasury and Finance, Ministry of Trade, TürkStat, Ministry of Transport and Infrastructure, Presidency of Strategy and Budget, Directorate General of Civil Aviation, Academia, NGOs, Industry sector, and Finance sector. Participants provided comments to reports and documents as applicable. The scope of this Component has been extended to include the preparation of a communique on offsetting, which is expected to be finalized in December 2020. Project reports developed under this Component includes:
    - i. Draft Climate Change Law
    - ii. Draft ETS by-law
    - iii. Draft ETS auctioning communique
    - iv. Draft Institutional setup: An institutional setup for governance of the climate change law.



- v. Gap Analysis Report and case studies: A gap analysis was used to compare the existing Turkish legislations and institutional set up with the international examples (UK and California) and provides recommendations for filling any gaps. (<https://pmrturkiye.csb.gov.tr/wp-content/uploads/2020/12/Gap-analysis-report-1.pdf>)
- vi. Compatibility and interaction analysis report: This report describes the links between the existing and proposed laws and regulations in Turkey for all thematic areas covered in the new legislation. This analysis is aimed at providing an explanation of the relevancy and implications of the proposed regulations and institutions to assist with the further implementation of a pilot ETS. (<https://pmrturkiye.csb.gov.tr/wp-content/uploads/2020/12/Compatibility-and-interaction-analysis-report-1.pdf>)

(b) *Component 2: Improving the Technical Foundations for Piloting an ETS In Turkey:* The component includes conducting the following technical infrastructure studies. All of these studies except for the last one has been completed. The last study involves an assessment of the impacts of future carbon markets to Turkish economy with two scenarios: firstly, Turkey’s ratification of the Paris Agreement and secondly no-ratification. A kick-off meeting has been followed by 4 stakeholder meetings, COP25 summary report, a status report and the development of the final negotiation strategy. The only outstanding tasks involve a high-level meeting, expected in December 2020, and the final report

- (i) Identification of the emission cap and development of the national allocation plan
- (ii) Development of the ETS transaction registry in Turkey
- (iii) Development of emission trading simulation for Turkey
- (iv) Assessment of Article 6 market mechanisms of the Paris Agreement and options for Turkey

- 3. Under Component 3, stakeholder trainings and public awareness activities are planned. Originally, the expected completion date for the legal and technical activities under Components 1 and 2 was September 30, 2020. Based on the reports and outputs of the legal and technical work, a number of communication and stakeholder engagement activities were designed and planned to be completed by December 31, 2020. However, due to the outbreak of the COVID-19 pandemic in 2020, impacting all aspects of life from economic to social, certain delays in project activities have become unavoidable. Consultants performing under the legal and technical contracts have suffered from setbacks due to the pandemic and as such their contracts have been extended until December 31, 2020 accordingly. This delay, in turn, impacts the implementation of communication activities, which is dependent on the completion of the legal and technical activities. Therefore, it has become impossible to complete the communication activities by December 31, 2020.
- 4. The following table summarizes the project budget (US\$ Million). The Project savings are due partially to virtual execution of the project activities in lieu of physical arrangements due to the COVID-19 pandemic and to the devaluation of the Turkish Lira over the last few months. Once the proposed extension is realized, some of the savings will be used for communication and dissemination events and operational expenses within the scope of the Project.

Commitments	Disbursed Amount	Outstanding Amount	Remaining Amount (Savings)	Total Grant Amount
1,911,807.46	1,339,283.99	572,523.47	88,192.54	2,000,000.00

**B. Rationale for Restructuring**

- 5. While a significant portion of the planned activities have been completed, it has not been possible to initiate the communication activities due to reasons outside the control of the World Bank or the Government of Turkey.
- 6. In order to fulfil the project objectives in a successful manner, the Government of Turkey has requested an extension of the project closing date by two months. The two-month extension will allow for completion of the procurement of consultant services and the implementation of activities under the communications and stakeholder engagement component. The extension will also provide the needed time to make payments under contracts signed in 2020 and to complete project financial and technical reports as well as closing activities.



7. Based on the reasons provided above, the proposed project closing date is February 28, 2021.

## II. DESCRIPTION OF PROPOSED CHANGES

1. The only proposed change to the Project is the extension of the closing date until February 26, 2021.

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## III. SUMMARY OF CHANGES

	Changed	Not Changed
Loan Closing Date(s)	✓	
Disbursement Estimates	✓	
Implementing Agency		✓
Project's Development Objectives		✓
Results Framework		✓
Components and Cost		✓
Cancellations Proposed		✓
Additional Financing Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Change in Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓



Social Analysis		✓
Environmental Analysis		✓

**IV. DETAILED CHANGE(S)**

**LOAN CLOSING DATE(S)**

TF	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
TF-A9626	Effective	31-Dec-2020		28-Feb-2021	30-Apr-2021

**DISBURSEMENT ESTIMATES**

Change in Disbursement Estimates

Yes

**Expected Disbursements (In US\$)**

Fiscal Year	Annual	Cumulative
2019	200,000.00	200,000.00
2020	631,000.00	831,000.00
2021	1,169,000.00	2,000,000.00

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