

JEAN MONNET MODULE

101085102-EU-TRADE-ERASMUS-JMO-2022-HEI-TCH-RSCH

GREEN DEAL, SUSTAINABLE TRADE AND TURKIYE'S INTEGRATION

VOLUME 15 | APR 2024



FINANCING THE SDGs: BRIDGING THE GLOBAL INVESTMENT GAP

Prof. Dr. Rana ATABAY KUŞÇU

The Sustainable Development Goals (SDGs) represent a comprehensive global framework aimed at achieving economic growth, social development, and environmental sustainability across all nations. Adopted by the United Nations in 2015, these 17 interlinked goals provide a shared blueprint for promoting peace and prosperity for both people and the planet. They cover a wide range of targets, including the elimination of poverty and hunger, access to quality education and healthcare, gender equality, clean water and sanitation, clean energy, decent work, economic growth, reduced inequalities, and urgent action to combat climate change, all slated for achievement by 2030.

Achieving these goals necessitates not only political commitment and well-coordinated policy frameworks but also the mobilization of significant financial resources. Access to sustainable finance is essential for progress, particularly for developing countries that often lack the fiscal space and investment capacity needed to implement large-scale development and climate resilience initiatives. Sustainable financial resources—those that align with long-term social and environmental objectives—are crucial for funding infrastructure, healthcare, education, and clean energy transitions, among other areas.

According to the United Nations' 2024 Sustainable Development Report, only 17% of the SDG targets are expected to be met by 2030. Alarmingly, progress has stalled or regressed for nearly 50% of these targets. The report underscores that developing countries need about 4 trillion USD annually in investment to meet the SDGs, which marks a more than 50% increase from pre-pandemic estimates, highlighting the growing global development financing gap. Additionally, developing countries are burdened by high levels of sovereign debt and, on average, pay twice as much interest on their debts as developed countries. These challenges exacerbate financial constraints and hinder their ability to invest in sustainable development.

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In response to this growing challenge, various international platforms—most notably the United Nations Framework Convention on Climate Change (UNFCCC) Conferences of the Parties (COP)—have renewed emphasis on sustainable finance. For example, developed countries reaffirmed their climate finance commitments during the COP29 Climate Change Conference held in 2024 in Baku. They pledged to increase annual financial support to at least 300 billion USD by 2035. Nonetheless, many representatives from developing countries deemed this figure inadequate, given the scale of the climate and development challenges they face. In light of this, the initiative titled "Roadmap from Baku to Belém: 1.3 Trillion USD" was launched, aiming to mobilize at least 1.3 trillion USD annually by 2035 through a combination of public, private, and blended finance.

Beyond intergovernmental commitments, the role of the private sector is equally vital. Private investment flows are indispensable for closing the SDG financing gap. Efforts to incentivize private sector involvement include strengthening policy certainty, de-risking investment environments through public guarantees or insurance, and promoting transparent, reliable ESG (Environmental, Social, and Governance) standards. Green bonds, climate funds, sustainability-linked loans, and impact investment vehicles are all part of a growing ecosystem that channels capital toward sustainable outcomes. Multilateral development banks, such as the World Bank and regional institutions, also play a catalytic role in mobilizing private capital and providing technical assistance.

Furthermore, financial inclusion, innovation, and digital technologies have opened new avenues for expanding sustainable finance. Fintech solutions, such as mobile banking, blockchain-based carbon markets, and AI-powered ESG risk assessments, enhance access to finance and transparency in tracking SDG-aligned investments. These tools can significantly improve development finance's efficiency and impact measurement, especially in underserved regions.

Achieving the SDGs globally necessitates a transformative shift in how financial systems operate and how capital is allocated. Increasing, diversifying, and facilitating access to sustainable finance is not just an economic imperative but an ethical and existential one. Governments must align national budgets with the SDGs, international organizations must ensure that financial flows support inclusive and resilient development, and the private sector must adopt long-term perspectives prioritizing environmental and social returns alongside financial profitability.

Strong cooperation and coordination across all sectors and stakeholders will be pivotal. Building trust, sharing data, harmonizing sustainability standards, and scaling up proven financing mechanisms can collectively create the momentum needed to bridge the financing gap. Through such concerted efforts, the vision of a more equitable, prosperous, and sustainable world becomes a reality.



Sustainable Finance: A brief look

Seçil YILDIZ

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Sustainability, which became in our agenda the top priority with the effects of Climate Crisis, can be achieved by commitments of three stakeholders; the Investor, the Regulator and the Financier. The Regulator should determine the relevant regulations; the Investor should complete the transition to a sustainable process through sustainability investments and the Financier should finance the “sustainable transition”.

In general, sustainable finance refers to the financing practise which integrates environmental, social, and governance (ESG) criteria into investment decisions and is conducted with environmental and societal concerns, such as mitigating climate change, promoting social equity, and enhancing corporate governance.

The importance of sustainable finance has increased as the effects of the Climate Crisis escalated in the last couple of years. Accordingly, Climate Change Mitigation and Adaptation had become one of the most important priorities as both individuals and the organizations had to cope with the effects of the climate change. As the greenhouse emissions are the main reason behind the global warming, reducing emissions of the countries through reduction of emission of companies became the priority for the governments. To reduce the carbon emissions; new technologies, green way of production and innovative products were introduced by companies, and suppliers. The Paris Agreement also emphasizes the directing financial flows towards projects reducing greenhouse gas emissions and supporting climate-resilient development.

Currently, there is an increasing demand for sustainable finance due to:

- New Approach to Risk Management:** Incorporating ESG factors helps investors identify and manage risks associated with environmental degradation, social unrest, and poor governance, leading to more resilient investment portfolios.
- Regulatory Compliance including ESG Risks:** Governments worldwide are implementing regulations that require transparency in ESG reporting. Financial institutions adopting sustainable finance practices are better positioned to comply with these evolving regulatory landscapes.
- Increase in Sustainable Investments:** There is a growing demand from investors for sustainable investment options. As of December 2024, over 5,000 signatories from more than 80 countries, representing approximately US\$128 trillion in assets, have committed to the Principles for Responsible Investment, reflecting the increasing importance of ESG considerations in investment decisions.



Key Considerations in Sustainable Finance

Sustainable finance requires a comprehensive approach to integrating environmental, social, and governance (ESG) factors into investment and financial decisions. Below are the essential elements that financial institutions, investors, and policymakers must consider:

- ESG Integration
- Transparency and Reporting
- Risk Management and Due Diligence
- Regulatory and Policy Considerations
- Stakeholder Engagement and Multi-Stakeholder Collaboration
- Long-Term Value Creation and Systemic Change

Current Trends and Data in Sustainable Finance

Sustainable finance is evolving rapidly as global financial markets align with environmental and social priorities. One of the most significant trends is the growing issuance of green bonds, which finance projects that reduce carbon emissions and promote clean energy. Research indicates that companies issuing **green bonds** have been more effective in cutting emissions, with reductions of over 10% within four years, and a 30% drop in emission intensity. Meanwhile, **sustainability-linked financial products**, such as bonds and loans, are gaining traction, tying financial performance to ESG targets.

The Net Zero Banking Alliance (NZBA), which represents over \$50 trillion in assets, is re-evaluating its standards to balance ambitious climate commitments with broader member participation, particularly from emerging markets. At the same time, regulatory measures are tightening, with frameworks like the **EU Sustainable Finance Disclosure Regulation (SFDR)** requiring greater transparency in ESG reporting. Investors are increasingly prioritizing sustainable portfolios, reinforcing the demand for **ESG-compliant assets**, while financial institutions face pressure to integrate sustainability into risk assessments and lending practices. These trends indicate that sustainable finance is not only expanding but also becoming a critical factor in shaping the future of global markets.

Blended finance is also a strategic approach that combines public and private capital to mobilize funding for sustainable development projects. It leverages concessional funding from public or philanthropic sources to reduce investment risks, thereby attracting private sector participation in sectors that typically lack sufficient commercial investment, such as climate resilience, clean energy, and social infrastructure. By de-risking investments and enhancing financial returns, blended finance fosters scalable and impactful solutions aligned with the United Nations Sustainable Development Goals (SDGs). Blended finance remains essential in mobilizing capital for sustainable development, particularly to meet the **\$2.4 trillion annual funding gap for climate and nature-related investments** in emerging markets.

In conclusion, sustainable finance is transforming global markets by integrating environmental, social, and governance (ESG) considerations into investment and financial decision-making. With growing demand for green bonds, ESG-aligned portfolios, and stricter regulatory frameworks, sustainable finance is no longer an option but a necessity for ensuring long-term economic stability, environmental protection, and social equity.





European Commission Adopts New Regulatory Package to Boost Competitiveness and Unlock Investment

The European Commission remains committed to improving the competitiveness of the EU economy while maintaining the Green Deal objectives. In her January presentation on the Competitiveness Compass, Commission President Ursula von der Leyen emphasized that sustainability and competitiveness complement each other. The business community supports the Green Deal objectives and demands that regulations be more pragmatic and implementable.



In line with this, the European Commission has adopted a package of proposals to simplify EU rules, increase competitiveness, and unlock additional investment capacity. This is a significant step in creating a more conducive business environment to help EU companies grow, innovate, and create quality jobs. Bringing together proposals from various relevant regulatory areas, the ‘Omnibus’ packages cover many simplifications in sustainable finance reporting, sustainability due diligence, the EU Taxonomy, the border carbon adjustment mechanism, and European investment programs.

The proposals will reduce the complexity of EU requirements for all businesses, especially SMEs and small mid-caps. They will focus the regulatory framework on the largest companies likely to have a greater impact on the climate and environment. In contrast, ensuring companies have access to sustainable finance for their clean transition.

[For More Information](#)



EU Platform on Sustainable Finance publishes a report on “Streamlining Sustainable Finance for SMEs”



Small and Medium-Sized Enterprises (SMEs) are crucial to Europe’s sustainability transition. SMEs are estimated to contribute more than 50% of the EU’s GDP and 63% of corporate CO₂ and wider GHG emissions. However, the “Streamlining Sustainable Finance for SMEs” report notes that SMEs face challenges in accessing sustainable finance from the European Commission and the platform.

According to the Eurobarometer survey (2024), more than 90% of SMEs have implemented resource efficiency measures, while the Eurochambres and SMEunited report on the Platform Compendium in 2023 found that the majority of SMEs (58%) are already investing in projects aimed at making sustainability improvements. Nevertheless, most of these SMEs (65%) show that they finance their projects themselves rather than externally. Among external financing, bank loans are the most common type of financing. The Platform attributes this to SMEs’ various problems in accessing green and sustainability-related financing. These include high minimum loan sizes, complex banking regulations, insufficient awareness among SMEs, lack of a harmonized regulatory definition of green or sustainable loans at the EU level, and a lack of sustainability-related data (including taxonomy-related data) reported by SMEs.

To overcome these challenges, the Platform proposes a specifically developed, streamlined approach—the “SME sustainable finance standard”—to classify loans or other types of financing provided by banks and other financiers to SMEs as sustainable (green or transition) financing and simplify the related voluntary reporting.

[For More Information](#)



Building Sustainable Finance in Türkiye

With the global climate crisis and the Sustainable Development Goals, the transformation of financial systems has also become inevitable. International frameworks such as the European Green Deal and the Paris Agreement necessitate directing financial resources to sustainable investments. Türkiye is not independent of this process, and developing sustainable financial instruments is critical in encouraging green investments.

Gülsena SAMSUNLU,

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Sustainable finance can be defined as the set of financial instruments and policies that align economic growth with environmental and social. Green bonds, sustainable loans, environmental, social, and governance sustainability investments, carbon markets, and microfinance models stand out among sustainable finance instruments. The Sustainable Finance Taxonomy published by the European Union in 2018 has made it mandatory to observe sustainability criteria in investment decisions by providing common standards for financial markets. It is developing sustainable finance mechanisms in line with the European Union membership process and the European Green Deal in Türkiye. These mechanisms are shaped by the banking sector, capital markets, and publicly supported financial instruments.

The banking sector is one of Türkiye's most essential pillars of sustainable finance. The Banking Regulation and Supervision Agency and the Central Bank of the Republic of Türkiye introduced regulations for sustainable banking. Within the scope of the Green Economy Action Plan published in 2021, it is aimed at banks to include more sustainability criteria in their loan portfolios. In addition, sustainable investment funds and funds based on ESG criteria have been developing in Türkiye recently. The Capital Markets Board is trying to standardize the ESG reporting processes of companies by publishing the Sustainability Principles Compliance Framework in 2021. However, the low awareness of sustainable finance instruments limits the adoption of these instruments. Currently, investment products based on ESG indices are not yet widespread enough.

Türkiye's integration into carbon markets for sustainable finance is another critical issue in the context of the European Green Deal. The fact that the carbon credit market in Türkiye is still in the development stage is one of the factors limiting the effective use of green financing instruments. The National Emissions Trading System, which entered into force in 2022, is in the pilot phase, and a carbon pricing mechanism can be developed. Another sustainable financing tool, Green Bond Issuance, started in 2016, relatively early compared to other sustainable financing instruments. Although the volume of bonds issued is relatively limited compared to European practices, the private sector's interest in this financing instrument is increasing.

Türkiye is in a significant transformation process in terms of the development of sustainable financing instruments. Promoting sustainable finance will be critical in balancing economic development and environmental sustainability in line with international commitments such as the European Green Deal and the Paris Agreement. For this reason, strengthening the existing regulatory framework, increasing investor awareness, expanding financial incentives, and increasing national and international cooperation is crucial for Türkiye's stronger structure in sustainable finance.





The Impact of Sustainable Finance on Industrial Transformation in Türkiye



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Sustainable finance is a crucial tool for transitioning from the current economic model, known as the "Linear Economy," to the "Circular Economy" model, which aligns industrial transformation with both environmental and economic sustainability. The global shift towards a circular economy is steadily increasing and gaining momentum each year. According to the United Nations (UN) data for 2024, the global sustainable finance market has surpassed \$ 1.2 trillion, and the European Union (EU) allocates € 100 billion annually under the Green Deal framework.

Türkiye is also striving to adapt to this transformation. While Istanbul Chamber of Industry data indicate a 15% reduction in carbon emissions within the industrial sector, the issuance of green bonds remains relatively low, at approximately \$ 500 million.

The Environmental, Social, and Governance (ESG) criteria - fundamental to sustainable finance - play a crucial role in the green transformation of industries. According to World Bank reports, green bonds and sustainable investment funds are among the most effective tools for transitioning to a circular economy. As highlighted in the EU's "Financing a Clean Transition" report, these financial instruments enhance industry resource efficiency by an average of 40%, significantly reducing their carbon footprint. Various reports emphasize that Türkiye needs to address deficiencies in its legal infrastructure to adopt this model fully.

Globally, the impact of sustainable finance mechanisms on industrial transformation is becoming increasingly evident. According to data from the United States Environmental Protection Agency (EPA) for 2024, clean technology investments in the U.S. have surpassed \$ 200 billion, creating over 10,000 green jobs. Similarly, according to Griffith Asia Institute data, China achieved carbon neutrality at the Port of Shanghai by issuing \$80 billion in green bonds in 2023. The EU's "Financing a Clean Transition" report also states that its 300-billion-euro industrial transformation fund allocates 5 billion euros annually to support German hydrogen technologies.

According to the 2023 United Nations Environment Programme Finance Initiative (UNEP FI) report, sustainable investments globally have exceeded 5% of GDP. Although sustainable finance instruments in Türkiye are critical for achieving tangible progress in green industrial transformation, Türkiye has not yet reached this global benchmark. Thus, enhancing the effective utilization of sustainable finance tools remains essential for Türkiye to transition successfully toward a sustainable and green industrial sector.



Call for Proposals:

International Social Sciences Research Congress “Sustainability and Development”



The **International Social Sciences Research Congress** will be held for the first time by the Istanbul Medipol University Vocational School of Social Sciences (SBMYO) and the Istanbul Medipol University Sustainable Development Application and Research Center (SURKAM) on May 26-27, 2025. The event will take place at Istanbul Medipol University and is open to national and international participants in the fundamental areas of social sciences. Attendance will be available both in person and online.

The congress, which will be held for the first time this year, will be themed “**Sustainability and Development**”.

LojiDer supports Congress as a stakeholder. Through its contributions, LojiDer will contribute rich content to the current discussions in sustainable logistics and social sciences.

The congress aims to organize a scientific event where academics and practitioners come together to encourage original and academic studies in the basic fields of social sciences and where discussions and solution proposals are presented.

Important Dates

Abstract Submission: April 20, 2025

Accepted Papers: April 27, 2025

Registration: May 05, 2025

Congress Program: May 12, 2025

Congress Date: May 26-27, 2025

Full Paper Submission: June 20, 2025



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For detailed information and registration, you can visit the website:

<https://usbak.medipol.edu.tr/?lang=en>



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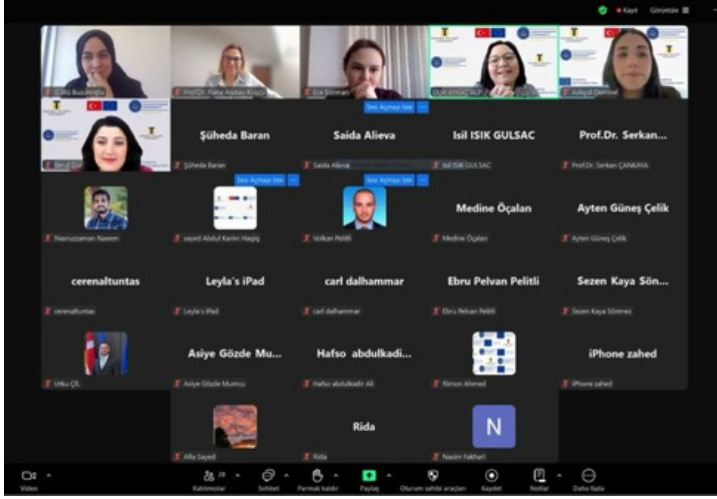


**SUSTAINABLE
DEVELOPMENT**





WHAT WE HAVE DONE SO FAR?



Prof. Dr. Rana Atabay Kuşçu, the Coordinator of the EUTRADE Jean Monnet Module, led a seminar titled “EU’s Circular Economy Policies and Sustainability” as part of the Jean Monnet Chair CESPEU Winter School. During the seminar, she discussed the concepts of circular economy and sustainability, assessed Türkiye's current situation in these areas, examined its progress in aligning with European Union (EU) policies, and outlined the necessary steps for further advancement.

The seminar focused on the European Union's roadmap in relation to the European Green Deal and the Circular Economy Action Plan. It evaluated Türkiye's legal and institutional framework, highlighted sectoral initiatives, and discussed various cooperation models. The current approaches of global organizations, including the World Customs Organization (WCO), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Environment Programme (UNEP), and the World Trade Organization (WTO), in the context of the circular economy were also addressed. The seminar emphasized the importance of advancing academic and sectoral initiatives, strengthening collaborations, and increasing public awareness.



As part of the module, Dr. Georgi Aleksiev and Assistant Professor Emil Mutafov from the Faculty of Economics at Trakia University in Stara Zagora, Bulgaria, led a session titled "Green Procurement Policies and International Trade & Green Supply Chain Management in the Context of the Green Deal."

The discussion focused on various aspects of green procurement and logistics management, as well as the goals and benefits of implementing a green supply chain. Special attention was given to the importance of green product lifecycle management in reverse logistics and the circular economy. Additionally, the session examined how green marketing strategies can assist businesses in overcoming both internal and external challenges related to green procurement.



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