



TSKB DEVELOPMENT INSIGHTS

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Designing the Post-Earthquake Era

Some Thoughts From Development Perspective

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ACCOUNTING OF VALUES



One morning you wake up to hear that a disaster has taken place in your country, and what seems like the next morning you realize that two months have passed since that day. Time flies, but the pain stays.

As a citizen-economist, it is difficult to express my feelings and thoughts since February 6th, 2023. It took me some time to realize that crying doesn't help anyone. Since then, my way of dealing with the pain has been to roll up my sleeves and get to work on this subject. Knowing and seeing that I am not the only one who is thinking and acting in this way have given me the wherewithal to keep going.

At this stage, planning is the focal point for all our actions. This requires us to know what we want as well as what we do not want. Let me start sharing my list of what is "not wanted", sentiments which I believe are shared by many.



I don't want...

...this disaster to be forgotten: Individuals have the right to mourn, but corporations and the state do not. It is time for action, not inertia.

...to rebuild the same fragile models in the rush: Time pressure is undeniable, but this should not lead to a fallacy of reconstruction with fragile models of the past which brought such devastation after a natural hazard – one which could be repeated.

...to code the disaster region as an "aid zone": The disaster region in fact serves as an agent of change for the rest of the country, triggering long-needed awareness regarding disaster resilience. We should plan with the right vision to enable these cities to be self-sufficient in the short term, and to contribute to the country with their surplus afterwards.



Hoping that we can agree on what we do not want, I believe we can also agree on what we do want. Representing the values of a development bank, I would of course and undoubtedly insist on equitable, low carbon development which would leave no one behind. Achieving this would require extending our planning beyond daily economics. Therefore, in this report we call for action from a “strong sustainability” perspective, in which the economic system is embedded in social and ecological systems. In doing this, we also follow a gradual approach, which differentiates the urgent and more medium-term needs.

In the rest of the report, we set out the forward and backward economic linkages between the immediate earthquake zone and the rest of the country, emphasizing that post-earthquake restructuring and planning should be nationwide. We also wholeheartedly note that the future vision should be built on values, as well as the quantitative inputs, as the solidarity which followed the earthquake showed us.

All in all, this report aims to sketch out a development path ahead, which we believe should be built with a strong sustainability vision and transforms the market value in line

with our social values.

At the end of this path, we will all be stronger and happier, provided we act together and act now!

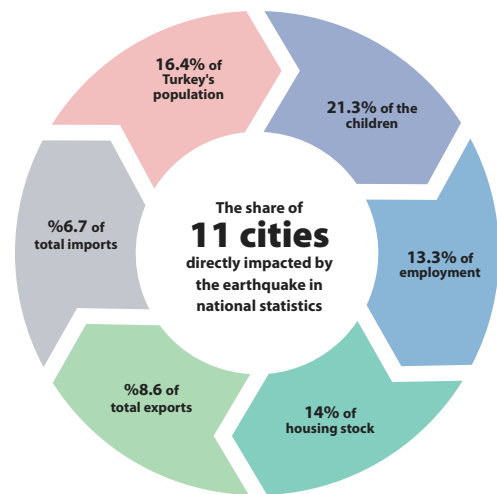
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1. A QUICK GLANCE AT THE POST-EARTHQUAKE NUMBERS

The earthquakes which struck on February 6th and 20th, with epicenters in Kahramanmaraş and Hatay, shook us all in our hearts as well as our cities. Even if it is impossible not to get emotional, we now need to apply rational planning. As shown in Figure-1 below, the 11 cities which were directly affected by the earthquakes (which, for the sake of convenience, we will refer to as the “direct earthquake zone” throughout this report) constitute an important part of the country in many parameters, requiring a multidimensional restructuring planning.



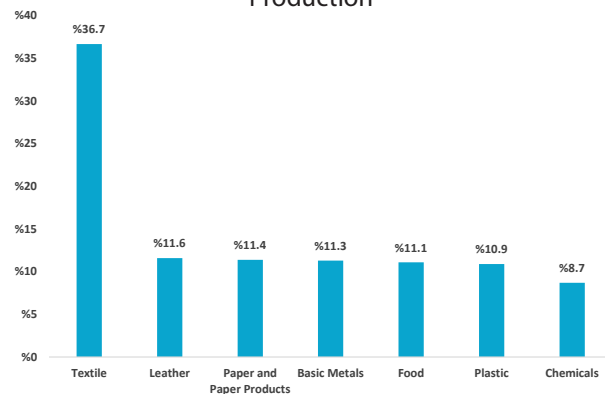
Figure 1: Understanding the Area Directly Affected by the Recent Earthquake



Source: SBB

Going into more detail, it becomes apparent that the direct earthquake zone has a 37% share in Turkey’s textile production. Graph-1 exhibits six more sectors in the immediate earthquake zone where production has a share of between 9-12% of the country’s total production. Evidently, there is sectoral diversification, which should serve as an important input in the restructuring planning. As well as the sectoral diversification, the

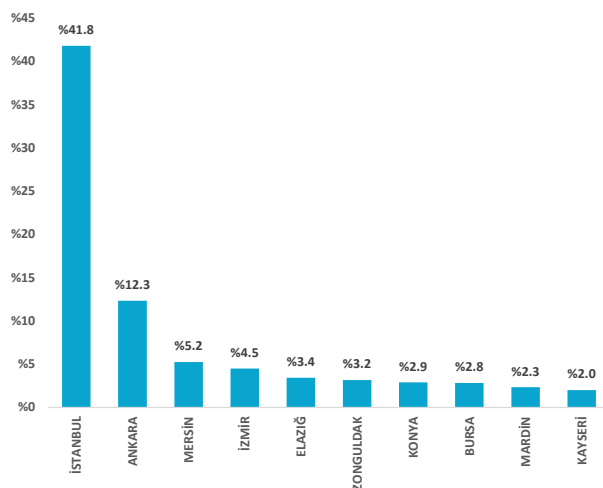
Graph 1: Share of Selected Sectors Situated in the Immediate Earthquake Zone, in Turkey’s Total Production



Source: Entrepreneur Information System, TSKB Economic Research

geographical diversification of the immediate earthquake zone's domestic trade activities is also important. With a 9% share in Turkey's exports, the region also has a bustling trade relationship with numerous cities within the country. As shown in Graph-2, the strongest trade was with Istanbul, accounting for 43.2% of the trade, followed by Ankara (12.3%) and Mersin (5.5%).

So far, the statistics offer clear evidence of
Graph 2: Immediate Earthquake Zone's Trade with the Rest of the Country



Source: Entrepreneur Information System, TSKB Economic Research

degree of interconnectedness between the 11 cities directly hit by the earthquakes and the rest of the country.

Distilling this further, Graph-3 shows the extent

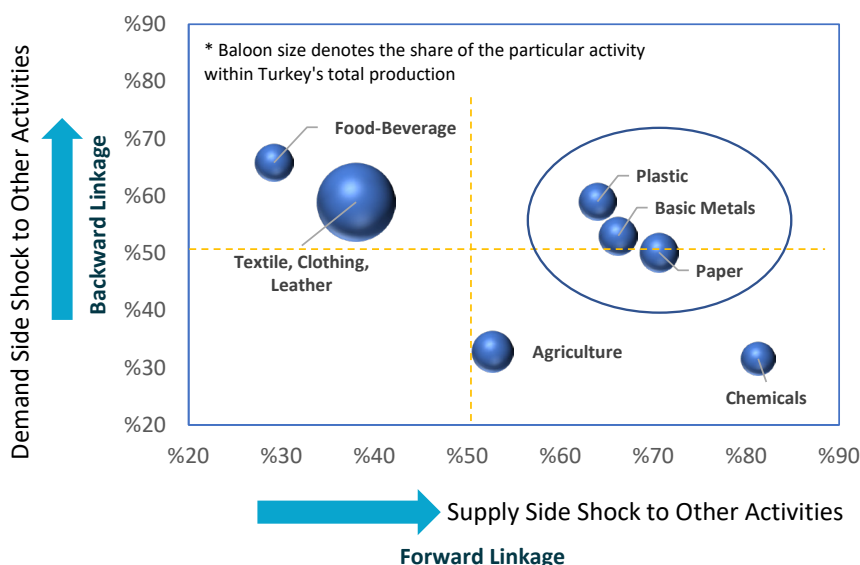
of the potential demand and supply side shocks which could be triggered by a loss of production in the direct earthquake zone via backward and forward linkages.

The plastic and main metal sectors stand out in this respect with their potential to trigger possible supply side pressure on other sectors throughout the country. Due to the high share of textile production in the earthquake zone, interruptions in this sector risk triggering a possible demand shock to the related sectors selling inputs.

Careful readers, I am sure, would be aware that I have been using the classification "cities directly affected by the earthquakes" deliberately. At TSKB Economic Research, we would emphasize that there is more to the earthquake than its "direct" effects. The graphs until here in the report have set out the backward-forward trade linkages. Adding emotional linkages on top of it, one should not limit the impacts with certain cities and we should note that the whole country has been affected by this tragedy.

This leads to two important conclusions; first, in line with its nationwide effects, the post-earthquake recovery plans should be carried out under a broad vision taking a nationwide approach rather than a regional approach. Second, the responsibility of recovery lies on the shoulders of the whole country, not just those who are directly affected.

Graph 3: Possible Impacts of a Shock on Supply and Demand



Source: TurkStat, TSKB Economic Research

2. TOGETHER, STRONGER AND VICE VERSA

Those who are familiar with time management practices will recall the Eisenhower Matrix, which requires a classification between urgent and important matters. I believe “sustainability” can help people with this classification, by triggering certain preferences between the present and the future.

One can define sustainability as “meeting the needs of the present without compromising the ability of future generations to meet their own needs”, as defined in the United Nations Brundtland Commission in

1987¹. I would add here that a sustainable approach requires considering “the future”, which we are also a part of. In another words, since we are a part of the future, we owe it not just to our successors but also ourselves to follow a sustainable approach.

I guess we are now done with the easier part – that is, reaching a consensus about the importance of sustainability. Still, there is more to this story as we also need to speak about the approach to sustainability. The United Nations, for instance, urges an

integrated approach which takes environmental concerns into consideration along with economic development. Such an integrated approach requires thinking over “natural capital”. A narrow approach of sustainability which is solely focused on the economy may risk prioritizing growth at the expense of natural capital, an approach which would not leave society better off in the medium term. No machinery can replace a forest, while an investment in machinery would not necessarily contradict with protecting the environment.

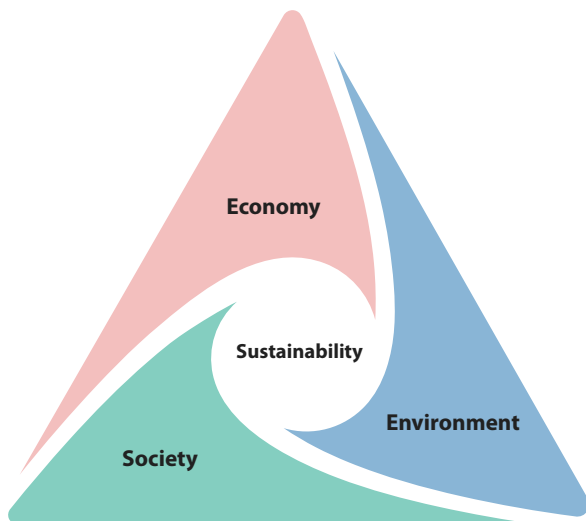


¹ <https://www.un.org/en/academic-impact/sustainability>

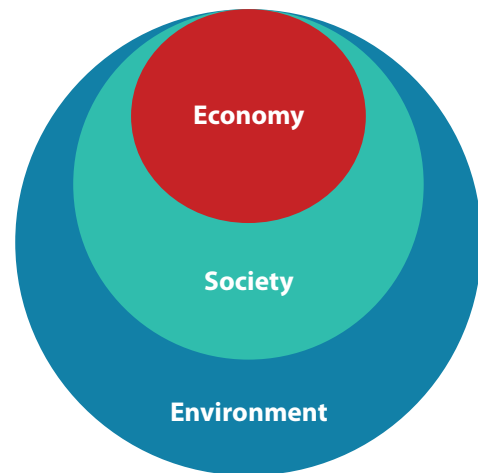


Figure 2: Two Approaches to Sustainability

“Weak” Sustainability Approach



“Strong” Sustainability Approach



Source: Bolton vd (2020)

At this very point, now is the best time to part with the weak sustainability approach and carry the issue a step further towards stronger sustainability. Figure-2 compares two different approaches to sustainability. Accordingly, in the weak form, what matters is the headline increase in the total capital, regardless of its breakdown. Such an approach risks allowing an increase in the manufactured capital at the expense of a bigger depletion in natural capital. This is what we should refrain from when planning a post-earthquake recovery - focusing on the recovery of the physical infrastructure at the expense of natural capital and ignoring social well-being.

On the contrary, a strong sustainability approach strives to preserve stocks of natural capital and the flow of ecosystem services in accompanying economic development. This requires economic systems to be embedded in social and ecological systems.

The “Strong” version of sustainability is indeed what we urge for as the framework for post-earthquake planning in a way which covers the full country.

Together, stronger!



3. EQUITABLE LOW CARBON DEVELOPMENT

Until this point, I have sought to emphasize our stance in favor of strong sustainability which also forms the framework we follow in our research agenda in the TSKB Economic Research Department. In this vein, those familiar with our reports will recall that our focus goes beyond the popular growth metrics and we set out that “equitable, low carbon development” is the right path to follow – and we once again urge for this path to be followed in the post-earthquake recovery.

We will not tire of repeating the mantra that increased inequalities caused by disasters, such as the one which recently struck our country, also spell greater risks if such disasters not followed by the right recovery planning. Yet, while it

is relatively easy to define what is “unequal”, delivering equity is a far more challenging prospect. At this very point, it requires understanding that “there is nothing so unequal as treating the unequal equally.”

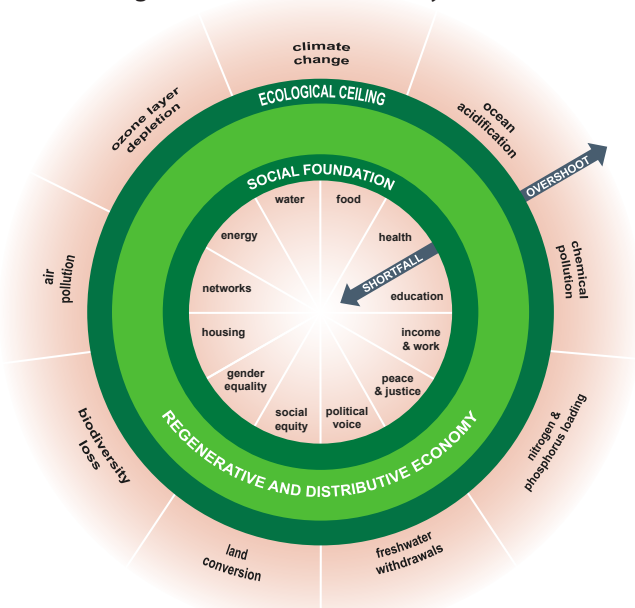
Such an approach requires tailoring our reaction to the different needs of different sections of society. Striving for equity, this approach will help build customized responses to meet at a common point. But where is that common point, and where do we aim to reach in this journey in which we are committed to leave no one behind? Our target is to reach an environmentally safe and socially just space that lies between the social foundations and ecological ceiling as set out in Figure-3.



K. Raworth's social foundations have 12 dimensions derived from internationally agreed social standards. Obviously, we do not discuss the basic right to clean water, food, shelter and etc. Nevertheless, big disasters - such as the recent earthquakes which Turkey suffered - have the potential to plunge the vulnerable section of society below the threshold of social foundations, limiting their access to these undeniable rights.

A fully fledged recovery requires designing financial intermediary services in a way to keep society in the safe zone – that is to say, above the social foundations and below ecological ceiling, something which is easier said than done, for sure. Such a design first requires vision, and which we believe places the responsibility on development bankers.

Figure 3: Social and Planetary Boundaries



Source: Kate Raworth

Focal Point-1: Proudly Presenting the TSKB Economic Research Content Library

Running an economic research department at a development bank is, without doubt, a challenging task, and yet one I am proud to declare is accepted by the TSKB Economic Research, and we are happy to share our views and opinions through our reports. We are committed to following the markets through a development lens while also delivering themes which are bankable from the market's point of view.

Our reports, built on a macro-development perspective, are mandated to serve as the headlight, contributing to the core business of the TSKB on the funding, loan and consultancy fronts.

We publish some 450 reports in the space of a year, including our daily reports. In addition to our regular macro views, we have a special line of reports called the TSKB Theme Look, focusing on development themes. Meanwhile we publish a quarterly journal, "The Climate Review", which promotes awareness regarding climate change.

We believe that our content, available both in Turkish and English, will help to build a development path in the post-earthquake era, serving as a useful input for recovery plans. For a reference check, Figure-4 exhibits the crossing points of our content library with the perspective we exhibited in the previous chapter.

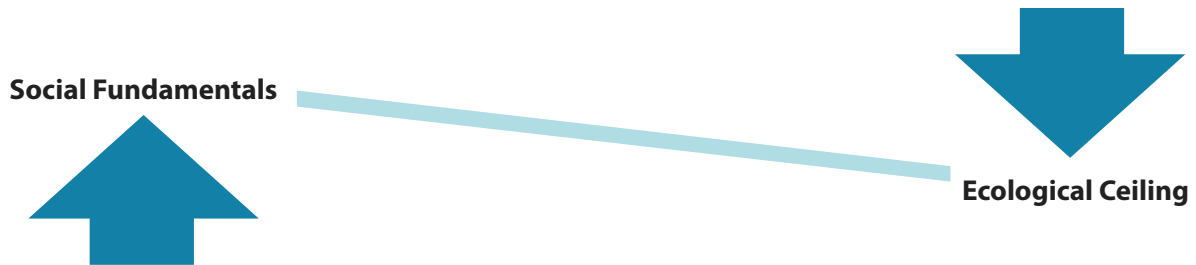
Figure 4: A Glance At the Coverage of the TSKB Economic Research's Contents*



Source: Kate Raworth, TSKB Economic Research
*✓ denotes coverage

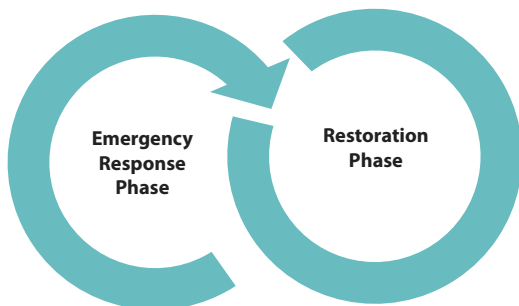
4. SPEED UP, **BUT DO NOT RUSH**

Until this point, each chapter has been written to complement each other and help navigate a path for the post-earthquake recovery. So far, what I have been describing requires locating economic development within social and ecological systems while also differentiating the needs of different groups in the society. In line with the latter point, financial intermediary services, especially banking, should be the triggering force to carry the vulnerable part of the society which has been directly or indirectly affected by the earthquake to above the social fundamental threshold while also ensuring that the recovery plan does not contradict the ecological ceiling.



It sounds like a good plan but definitely not easy. With the words of Seneca, if one does not know to which port one is sailing, no wind is favorable. So here, we not only define the port we want to reach but we also urge to control the winds with an active stance. Accordingly, in line with the earlier studies which checked the post-disaster periods in different countries, we point at the need for gradualism².

Figure 5: Phases of Recovery in the Post Earthquake Era



Source: TSKB Economic Research

As set out in Figure 5, the first phase concerns the emergency response. Starting with the rescuing activities, the emergency phase includes meeting the basic needs of the people in a journey above the social fundamentals.

The second phase is more medium term and is thus referred to as the “restoration” phase. Although it may be difficult to discuss medium term plans while we are still undergoing the emergency response phase, it is nevertheless vitally important and much needed. We need to step forward with a medium-term vision. Hence, nothing we do in the short term should contradict equitable, low carbon development.



² <https://docs.lib.purdue.edu/cgi/viewcontent.cgi?article=1002&context=pspubs>

Focal Point II: Visiting the Immediate Earthquake Zone

As a team led by our general manager, we visited the immediate earthquake area in early April. The scenes we witnessed clearly informed us that we are still very much in the “emergency response” phase. However, time passes, and it is important to prepare for the restoration phase.

This requires us to understand the needs of the regions affected by the earthquakes and prepare a solid action plan accordingly. At this very point, I would like to share an observation from the field. Banking sector representatives are highly active in these cities but also in villages and even smaller areas. Working closely with the clients for many years, banking sector personnel proved competent in every aspect from finding alternative roads to rural areas to mobilizing the business communities in the areas we visited.

The presence of such a competent and well-organized group of professionals in the region is vitally important. Meanwhile, on the other side of the coin, the business communities in the region have been highly cooperative. They not only develop their recommendations for a restoration plan but are very open minded in listening to suggestions.

For this synergy to be fruitful, we should be committed to building a medium-term planning vision (a point which cannot be emphasized enough; success cannot be sacrificed to short term rush). The projects to be initiated in the immediate earthquake zone should neither conflict each other nor the interests of the rest of the country. We have taken the first step today, but what kind of a global economy will be waiting for us when we complete these projects? In which direction will the Turkish economy and the needs of the society will evolve? Does it require an exit strategy from certain sectors or entering new sectors? Just another bunch of questions... All valid and all deserving of detailed medium-term planning, signaling the importance of a well-thought restoration plan.



5. TOGETHERNESS

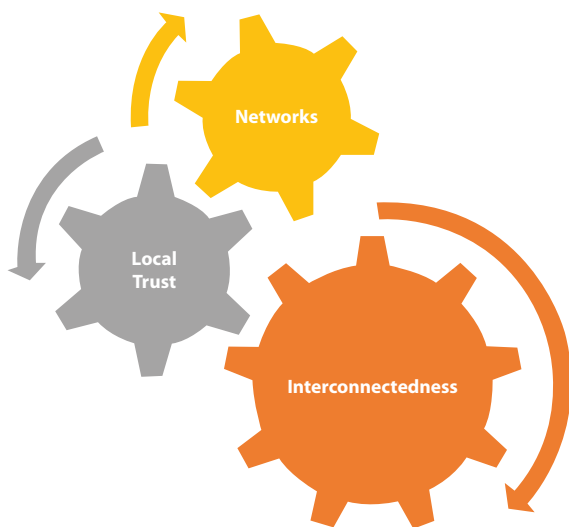
In an article dating back to 2010, Daniel Aldrich of Purdue University³ compares the post-disaster recovery in three different countries to find that there are certain differences. While his work is generally of great interest, I would like to quote one particular paragraph especially:

Recovery from natural and other disasters does not depend on the overall amount of aid received nor the amount of damage done by the disaster; instead, social capital - the bonds which tie citizens together - functions as the main engine of long-term recovery.

Aldrich suggests a re-orientation of disaster recovery programs beyond the recovery of physical infrastructure in a way to include social infrastructure. This view, which prioritizes social infrastructure, is in fact in line with the development approach taken in the early 1990s but which has since been rather overshadowed by other popular development topics.

Social infrastructure is an important element of social capital. Figure-6 exhibits three important pillars of social infrastructure; networks, interconnectedness and local trust. A strong social infrastructure magnifies the impact of aid after disasters, preparing a better climate for the recovery. The wide network of the banking industry within the country, including the immediate earthquake zone, is an important asset in the period ahead for recovery. Such an interconnected approach, taking trust at its heart, will help to diffuse the positive impact of recovery beyond the immediate earthquake zone, making the rest of the country both liable for recovery efforts but also beneficiary of this recovery.

Figure 6: Elements of Social Infrastructure



Source: TSKB Economic Research



³ Daniel Aldrich, 2010: <https://docs.lib.purdue.edu/cgi/viewcontent.cgi?article=1002&context=pspubs>

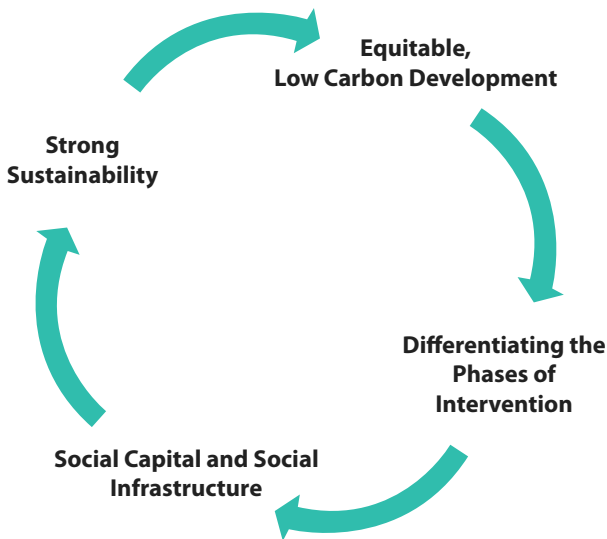
6. INDIVISIBLE

I am a macro economist who follows the world mainly in terms of time series. History taught me that there are sometimes structural breaks in the data which require differentiating the period beyond. The earthquakes we experienced in February represented one such structural break.

Therefore, this report can be considered to be a call, or an invitation, to treat the post-earthquake era differently than the pre-earthquake era. This tragedy gives us the responsibility to build a recovery plan which addresses the weaknesses of the old days and delivers resilience for the period ahead.

As an economist working in a development bank, I strongly believe that this recovery plan should strictly prioritize development values. Indeed, Figure 7 summarizes the pillars I urge for, followed by a summary of the main messages of this report.

Figure 7: Main Principles of the Approach to be Taken in the Post-Earthquake Era



Source: TSKB Economic Research

- The interlinkages between the immediate earthquake zone and the rest of the country should not be undermined. Significant backward and forward linkages demonstrate that the whole country is affected by the earthquakes. **This leaves all of us liable for, and a beneficiary of, the recovery efforts.**



- As we prepare to shoulder a recovery plan, what we need first is a vision. Here we believe it is important to look beyond the popular weak sustainability approach and **stick to a strong sustainability approach, which embeds economic development in the social and ecological system.**

- Meanwhile, a successful recovery plan calls for an awareness that **different sections of society may have different needs depending upon the damage they have suffered.** Successful planning requires meeting the immediate needs in a way that will not present a conflict the goal of breaking the ecological ceiling.

- Obviously, there should be some kind of gradualism in recovery planning. While urgent needs should be considered in the **emergency response phase**, a **restoration phase** should be planned from the present day, even if its impact will be more apparent in the medium term.

- Literature informs us that it takes more than financial aid to achieve a healthy recovery. **Social capital and social infrastructure** play important roles in this respect. Complementary to our aforementioned strong sustainability approach, we urge that social networks are placed in the focal point of every recovery and resilience plan.

Recalling Ursula Le Guin’s quote of “Brotherhood begins in shared pain” we would carry it one step further and assert that we share the pain, but the commitment to recovery is **indivisibly ours.**



Notes



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