



Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 07/14/2020 | Report No: ESRSA00947



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Turkey	EUROPE AND CENTRAL ASIA	P174144	
Project Name	Turkey Rapid Support for Micro and Small Enterprises during the COVID-19 crisis		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Finance, Competitiveness and Innovation	Investment Project Financing	7/8/2020	7/27/2020
Borrower(s)	Implementing Agency(ies)		
KOSGEB (Small and Medium Enterprises Development Organization of Turkey /Küçük Ve Orta Ölçekli Sanay	KOSGEB (Small and Medium Enterprises Development Organization of Turkey /Küçük Ve Orta Ölçekli Sanay		

Proposed Development Objective

The Project Development Objective (PDO) is to avert the closure of viable micro and small enterprises (MSEs) affected by the COVID-19 crisis and maintain their employment levels during the crisis.

Financing (in USD Million)	Amount
Total Project Cost	300.00

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

Yes

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The proposed operation aims to alleviate the economic difficulties of MSEs affected by the COVID-19 crisis by providing emergency financial assistance in the form of performance-based grants to viable private manufacturing and young firms to help them survive the adverse effects of the COVID-19 pandemic and resulting economic

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downturn, adapt to the new operating environment. The main objective is to avert the closure of otherwise viable MSEs and keep workers in MSEs employed.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

Turkey is being severely affected by COVID-19, both in terms of the health impact and economic losses. Turkey recorded its first confirmed COVID-19 case on March 11, and over the following 20 days, the number of cases increased to 38,000, one of the fastest growth rates of the epidemic seen so far. The authorities have responded rapidly. Testing scaled up quickly, the authorities implemented targeted curfews (ongoing for the elderly and young people, and for everyone on non-working days), closures of education facilities and other service providers that entail close contact, and restrictions on the activity of other in-person and transportation services. Large swathes of firms are severely affected as they face the combined shocks of lower demand, activity restrictions, and supply chain disruption. The impact on firms comes immediately following the recession, which already hit many firms hard. Small and medium-sized enterprises (SMEs) and other segments that have credit constraints even in normal times (women-owned firms, young firms, and firms in less developed regions), are less likely to be able to access finance for much-needed liquidity, raising the risk of widespread layoffs and bankruptcies. There is also a risk of a second wave of community transmission, depending on the effectiveness of virus control measures, which may then necessitate even more restrictive measures over a longer period.

The potential loss of employment and earnings could be devastating and may disproportionately hit women in work and marginal workers. Although little data on impact is available yet in this emerging crisis, if unmitigated, the shock to firms is expected to force them to lay off employees in huge numbers. The leisure and hospitality sector was by far the hardest hit, with employment declining by almost 3 percent in a single month, while many other industrial and service sectors saw employment declines. Globally, the International Labor Organization (ILO) estimates that working hours will decline by around 7 percent in the second quarter of 2020. In Turkey, this would be the equivalent of around 2 million formal jobs and another 700,000 informal jobs. World Bank (WB) estimates of the household impact of an unmitigated COVID19 shock in Turkey suggest that the incidence of poverty could increase from around 10 percent at present by four percentage points nationwide, and a further three percent of the population would become vulnerable to falling into poverty.

Micro and small firms in Turkey account for more than half of formal employment and 40 percent of employment in the manufacturing sector, yet their access to finance is constrained, making them particularly vulnerable to a tightening of financing conditions. Micro and small enterprises (MSE) account for 57 percent of total employment, 42 percent of total revenues, and 38 percent of total exports. Micro and small enterprises account for 36 and 21 percent of employment respectively. At a sectorial level, micro and small firms account for 64 percent of employment in the services sector and 61 percent in construction. Access to finance is a frequently cited constraint for micro and small firms—they rely more on internal sources of funding and state-owned banks for loans, and are more likely to have their loan applications rejected compared with medium-sized and large firms. Moreover, micro and small firms in Turkey rely more on internal funds for financing investment and working capital than their peers in other countries in the ECA region.



MSEs are expected to be among the worst affected by credit rationing and a lack of access to finance during a downturn triggered by COVID-19. Within the micro and small firms' segment, certain firms may be particularly disadvantaged. Certain categories of firms, e.g., young firms, women-led firms, and firms operating in less developed regions – may be impacted more severely by the crisis, given that banks perceive them as higher-risk even in normal times. The underlying reasons include, a lack of credit history, insufficient collateral, lack of good and transparent financial accounts, and possibly conscious or unconscious bias. Micro and small firms are the main source of employment for low-income workers.

The project will be implemented country – wide in Turkey. With a population of 83 million people and 783, 356 km² area, Turkey is located in Eurasia between the Black, Mediterranean, Marmara and Aegean Seas, bordering with Bulgaria, Greece, Syria, Iraq, Iran, Armenia and Georgia..Project development objective is to avert the closure of viable MSEs affected by the COVID-19 crisis and maintain their employment levels during the crisis. The Project will provide US\$300 million in the form of performance-based grants to eligible MSEs affected by the economic impact of COVID-19. The Project targets firms that have been negatively affected by the COVID-19 health and economic crises but that remain financially viable and are likely to survive for at least another six months, provided those firms get funding to meet temporary liquidity needs. The project will have two main components: one on grants for manufacturing firms and a second component of grants for young firms. A third component will be for project management. The project will offer liquidity support in the form of grants as an extraordinary and temporary one-time relief measure to MSEs that are deemed financially viable at the time of grant application. In return for the grant support, beneficiary MSEs will commit to keep employment at the level recorded at the time of grant application.

The Project will earmark US\$200 million for grants for micro firms and US\$99 million for grants for small firms across Components 1 and 2. In addition, 10 percent of total grant funds will be earmarked for women-owned MSEs.

Micro enterprises are defined as firms employing fewer than 10 workers, and small firms are those employing fewer than 50. MSEs operating in the following sectors will be eligible for project support: manufacturing sector, computer programming sector, scientific research and development (R&D sector). Component 1. Performance-based grants for eligible manufacturing MSEs will finance performance-based grants (PBGs) to eligible manufacturing MSEs to prevent the reduction of employment and closures, thereby minimizing the disruption of firms' relations with employees, suppliers and creditors. Grants of different amounts proportional to the firm size (in terms of employment) will be made available to eligible MSEs. Eligibility will be restricted to formally registered private manufacturing MSEs that were viable prior to the COVID-19, and no outstanding income taxes, social security or bank loan repayment obligations of 90 days or more, including principal and interest. While the Component is scaled to ensure coverage of all eligible beneficiaries, in case of higher than expected uptake, grants will be awarded as per earmarked amounts for each group of firms (micro, small, women-owned MSEs and MSEs owned by or employing Syrian refugees). Grant disbursement will be conducted by KOSGEB during three grant application rounds over three months between August and December 2020. If conditions are met and KOSGEB confirms from Social Security Institution (SGK) records that the firm has maintained employment at the level of the base month, payment confirmation will be given, and disbursement made straight into the enterprise's account. Estimated grant amounts would reach up to a maximum of US\$1,460 for a micro firm per month and a maximum of US\$3,650 for a small firm per month, with precise amounts dependent on the firm's fixed and variables costs. These amounts assume covering payroll for an average firm for three months in each size category. Component 2: Performance-based grants for eligible young firms (established in 2017 or later) in manufacturing, computer programming and scientific R&D sectors will be "performance-based" since firms will be required to maintain employment at the level of the time of grant application. Beyond the regular



operating expenses such as payroll, suppliers, rent, and utilities, start-up firms are also eligible for R&D related expenses, such as patent/royalty fees, technology licensing fees, testing and certification fees, and certain high-tech equipment, etc. Estimated grant amounts would reach a maximum of US\$1,460 for micro firms and up to US\$3,650 for a small firm per month (same as in Component 1). Most young firms are expected to fall into the micro category. Most R&D-related expenses do not occur on a monthly basis, and some of them are on an annual basis, so in the funding application to be filed with the KOSGEB young firms in the sectors defined here can also request additional funding for specific R&D-related expenses, such as patent fees or technology licensing fees. Such additional expenses could be up to a maximum of US\$3,650 per firm. The application needs to explain the purpose of the funding and the justification for such support, as well as the time frame to use the funding.

Given the nature of the project design to address working capital needs of MSEs, the PBGs will not be used to finance any grant beneficiaries' activities with substantial and/or high environmental and social risk, firms' activities requiring land acquisition and involuntary resettlement, and those with impacts on environmentally sensitive areas (for example, nationally and internationally protected areas) and cultural heritage, and activities involving child and forced labor. No civil works are expected under any of the grant beneficiaries' activities.

This project does not trigger the Bank's operational policies OP 7.50 Projects on International Waterways and OP 7.60 Projects in Disputed Areas.

D. 2. Borrower's Institutional Capacity

Small and Medium Industry Development Organization (KOSGEB) will be the implementing entity for the Project. KOSGEB was established as an affiliated organization of the Ministry of Industry and Technology (MoIT) in 1990 with the objectives of increasing SMEs' effectiveness and competitiveness, and ensuring industrial integration in conformity with economic development, to contribute to the social and economic needs of Turkey. KOSGEB provides a range of services, including financial and benefits to MSMEs in Turkey. KOSGEB achieves most of this through the provision of loans and grants to beneficiary businesses. Its support is organized along 5 different pillars: Entrepreneurship support; R&D and innovation support; Business development; Finance; and Incubation, with offices in all 81 provinces of the country. Overall, KOSGEB runs 14 different programs, and in 2019 delivered services for a total of \$420 million.

KOSGEB is currently implementing the World Bank financed Development of Business and Entrepreneurship for Syrians under Temporary Protection and Turkish Citizens Project (P168731), which is processed under safeguards polices, satisfactorily. However, KOSGEB does not have prior experience with the application of the World Bank's ESF and does not have in place an Environmental and Social Management System (ESMS).

Within the scope of this project, KOSGEB will develop a system to identify and manage the environmental and social risks associated with its financing activities in line with ESF requirements. The ESMS would be commensurate with the environmental and social risk of KOSGEB's financing activities and will be driven by an overall strategy and policy commitment with a clear governance framework. The ESMS will need to be incorporated into KOSGEB's existing grant-approval process. KOSGEB will ensure that the necessary capacity and commitment is in place to adequately manage the E&S risks of its financing activities under the World Bank financing. In this respect, KOSGEB will establish a Project Implementation Unit (PIU) and hire/assign environmental and social experts to manage the environmental and social risks of its financing activities. The Bank will also conduct ESF training and capacity building for KOSGEB after the Effective Date of the project.



II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Moderate

Environmental Risk Rating

Moderate

The environmental risk rating is classified as Moderate. The project will mainly address working capital needs such as employee salaries, payment of suppliers, rent, and utilities of manufacturing MSEs as well as R&D related expenses, such as patent/royalty fees, technology licensing fees, testing and certification fees, etc. which may include equipment purchase for the start-up firms on an exceptional basis. The Project has two main components for its financing activities: PBGs for manufacturing firms and PBGs for startups in the manufacturing, computer programming and scientific R&D sectors. A third component will be for project management. The PBGs for the manufacturing sector will be for eligible operating expenses that will include employee salaries, payment to suppliers, rent, and utilities. Furthermore, initial estimate of grants amount for each business segment will range from US\$ US\$1,460 for micro firms to US\$3,650 for small firms per month and over the period of three months. The environmental risks are therefore, considered minimal. The main environmental risks of the project are related to occupational health and safety (OHS), water use, energy use and waste management resulting from the ongoing activities by the PBG beneficiaries.. These are expected to be site specific, temporary and can be readily addressed through standard mitigation measures and compliance with national environmental and social laws. The overall supported portfolio risk is thus considered moderate. Any grant beneficiaries' activities rated as high and substantial environmental and social risk will not be eligible for financing. KOSGEB will be required to develop and implement ESMS satisfactory to the Bank for its grant delivery activities. At the MSE level, simple streamlined E&S due diligence procedures that includes screening against the prescribed eligibility criteria and compliance with national laws can serve as underlying framework for addressing E&S risks and impacts. Given KOSGEB's lack of prior experience in ESMS implementation, the World Bank will maintain close oversight particularly in the early stages of implementation. In summary, Project activities are not expected to have large-scale, significant, and/or irreversible environmental and social impacts.

Social Risk Rating

Moderate

The social risk is assessed as Moderate. Overall, the project will have positive social impact by helping firms stay afloat and preserving the jobs of workers amidst economic crisis caused by COVID-19 in Turkey. The PBGs will mainly finance working capital needs of MSEs adversely affected by the economic shock of COVID-19, including salary payments, and fixed costs. The potential adverse risks and impacts on human populations and the environment are not likely to be significant, are predictable and expected to be temporary and reversible.

The main social risks are associated with labor and working conditions. Grant activities requiring land acquisition and involuntary resettlement, and those with impacts on cultural heritage will not be financed under the project. Risks of labor influx are not expected since the project will only finance the operating cost of existing firms or startup of MSEs, and the grant supported activities will not involve any civil works. Community health and safety risks and impacts are anticipated to be low. Child and forced labor risks are not expected as the project will finance only formal enterprises, and Exclusion List will prohibit activities involving child and forced labor. Legal agreements between KOSGEB and MSEs will include requirement for compliance with national environmental and social laws, including labor, OHS and laws prohibiting sexual exploitation and abuse (SEA) and sexual harassment (SH).

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KOSGEB prepared Stakeholder Engagement Plans (SEP) to guide continuous engagement with potential beneficiary firms and other interested parties such as business associations, and national authorities. SEP includes detailed grievance mechanisms for grant beneficiaries. KOSGEB has implemented one project under safeguards policies but does not have the experience with ESF implementation and project specific ESMS will be established by the Effective Date of the Project.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

This standard is relevant. The project is being processed applying paragraph 12 of Section III of the Investment Project Financing (IPF) Policy due to the situation of a natural disaster caused by the COVID-19 pandemic. The Project is processed under condensed procedures, pursuant to the Bank's procedure "Preparation of Investment Project Financing – Situations of Urgent Needs of Assistance or Capacity Constraints".

The Project will support MSEs to keep these businesses afloat and maintain the employment of their workers during the current acute phase of the crisis. The project aims to support employment and avert the permanent closure of otherwise viable MSEs during the lockdown caused by COVID-19 in Turkey. Sectors to be supported under this Project are manufacturing, and startups in the manufacturing, computer programming and scientific R&D sectors. Eligibility will be restricted to formally registered private manufacturing MSEs who are not engaged in the business activities of the WBG Exclusion List and who are compliant with national environmental, social and labor and OHS laws. The WB financing provided under the Project, mostly in the form of working capital grants, will help to keep these businesses afloat and maintain their employment during the current acute phase of the health crisis. It is expected that the Project will provide support to MSEs countrywide in Turkey. Initial estimate of grants amount for each business segment indicate they will be range from US\$4,380 for micro firms, to US\$10,950 for small firms over the period of three months.

The main environmental and social risks and impacts of the PBG-financed business activities are anticipated to be labor and working conditions, OHS, water use, energy use and waste management at the firm level. These are expected to be site-specific, temporary and can be readily addressed through standard mitigation measures and compliance with national laws. The PBGs will not be used to finance the following types of activities: grant supported activities with substantial and/or high environmental and social risk, grant supported activities requiring land acquisition and involuntary resettlement, and those with impacts on environmentally sensitive areas (for example, nationally and internationally protected areas) and cultural heritage, and activities involving child and forced labor. No civil works are expected under the project. Residual labor risks will be addressed through adherence to the ESMS that the KOSGEB will develop. Risks of labor influx are not expected, and community health and safety risks and impacts are estimated as low. Child and forced labor risks are not expected as the project will finance formal enterprises, who are paying social insurance contribution of the Social Security Agency. Legal agreements between KOSGEB and sub-project firms will include requirement for compliance with national environmental and social laws, including labor, OHS, laws prohibiting SEA/SH, and laws protecting vulnerable categories of workers.



KOSGEB has prepared a SEP to guide continuous engagement with potential beneficiary firms and other interested parties such as business associations, and national authorities. SEP include detailed grievance mechanisms for grant beneficiaries.

KOSGEB will be required to develop, implement and maintain an ESMS commensurate to the risk of its financial activities with adequate capacity in place. Details of KOSGEB ESMS are discussed under ESS9 section. The environmental and social (E&S) risks of the Project’s MSE portfolio. Prior to grant approval, all beneficiary firms will be assessed for E&S risks and impacts in accordance with the KOSGEB’ ESMS approved by the World Bank. Where the operations of MSEs are likely to have minimal or no adverse risks or impacts, KOSGEB will require compliance with Turkish environmental, social, labor and OHS laws. Where necessary, MSE’s compliance with ESSs will be ensured through the application of environmental and social action plans in line with KOSGEB’s ESMS. KOSGEB will categorize any MSE activity that involves significant risks and impacts on the environment, community health and safety, labor and working conditions, biodiversity or cultural heritage as high or substantial risk, and screen these out as ineligible for financing in accordance with the project’s terms and conditions. As part of the grant approval procedure, E&S due diligence will be conducted by KOSGEB. Given the purpose of the Project and the eligibility criteria set forth for grants, it is anticipated that PBG financing will be mainly utilized as working capital to support the entire existing business enterprises affected by the COVID -19 pandemic.

Vulnerable direct beneficiaries include women-headed enterprises, young firms (those with less than 5 years in operation), and firms employing refugees. The project will include specific gender targets to ensure female-headed MSEs and young firms are included in the project.

ESS10 Stakeholder Engagement and Information Disclosure

The standard is relevant. KOSGEB has prepared draft SEP for the project with consultation activities at key ministerial, business associations and firm stakeholder level, taking into account the evolving COVID -19 situation in Turkey. Consultation activities were thus conducted against the backdrop of social distancing requirements, ban to public gatherings, lockdowns and mobility restrictions.

The SEP covers the whole project. It identifies and analyzes key stakeholders (i.e. affected parties, other interested parties and disadvantaged and vulnerable groups) and describe the process and modalities for sharing information on the project activities, incorporating stakeholder feedback into the Project and reporting and disclosure of project documents.

Project preparation has included a detailed mapping of the stakeholders. Direct beneficiaries have been identified as eligible MSEs, and their employees. Additionally, vulnerable direct beneficiaries include women-inclusive enterprises, , young firms (those with less than 5 years in operation), and firms employing refugees. SEP has also identified additional stakeholders (other interested parties) including: Social Security Institution, Revenue Administration, Credit Guarantee Fund, other public institutions and NGOs. During project implementation KOSGEB will consider if there are any firms which may be potentially facing a risk of exclusion from project benefits due to language barriers. In such instances, KOSGEB will provide differentiated measures to meaningfully engage such enterprises including provision of translated information about the project (e.g. in Arabic).



The SEPs will help with reaching to the firms that are financially adversely affected by the economic impacts of COVID-19 pandemic, while at the same time minimizing close contact and follow the physical distancing procedures. The strategies for information disclosure and consultations will mainly rely on digital technologies, virtual meetings and focus groups, social media and KOSGEB's webpages. Any face to face meetings and consultations will resume only after the government rules on restrictions on social gatherings are eased and lifted. The draft SEP will be disclosed on KOSGEB webpage before project appraisal.

KOSGEB already has in place established grievance mechanism (GM) to receive concerns, complaints, suggestions and feedback from grant beneficiaries as well as those who believe may be adversely affected by the activities of KOSGEB and grant beneficiaries. Detailed GM procedures are presented in SEP including departments responsible to receive and address grievances, different means of receiving grievances (e-email, webpage, phone number, mail) and stipulated time frames to address and respond to grievances. KOSGEB also has an active Call Center (444 1 567) and a Help Desk (<https://www.kosgib.gov.tr/site/tr/genel/iletisimmerkezi>) that is accessible for all stakeholders to lodge a grievance. In addition, national level GRM - the Presidency Communication Center (CIMER) is accessible and to any Turkish citizen and is functioning. KOSGEB also receives and records in its system grievances which are received through CIMER. KOSGEB has established database to log complaints. SEP include strategies to report back to stakeholders during project implementation.

The SEP will be updated within 30 days from the project Effectiveness Date, to include feedback received during virtual consultations and refined consultation strategies and modalities with due consideration of measures in place at such time. The final SEP will be disclosed and shared with relevant stakeholders via culturally appropriate means.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

This standard is relevant. Direct workers are KOSGEB employees, who are civil servants. They will remain subject to the terms and conditions of their existing public sector employment agreement. The provisions of ESS2 paragraphs 17 to 20 (Protecting the Workforce) and paragraphs 24 to 30 (OHS) will apply to civil servants working in connection with the project. In ESCP, KOSGEB will commit that any consultants directly hired by KOSGEB to carry out the activities related to the project, will be employed under the terms and conditions as required by the national labor law and ESS2. The project will not engage community and primary supply workers as per ESS2 definition.

Assessment of labor management procedures: KOSGEB provided documented evidence of its labor management procedures. The human resource policies define employees' rights such as compensation and wages, working hours, overtime hours and payment, leaves (maternity, annual, sick, unpaid), recruitment, training, promotions, severance payment, disciplinary measures, non-discrimination and equal opportunity. The policies prohibit forced labor and the minimum working age at KOSGEB is 18 years. Human resources procedures prohibit harassment including sexual



harassment and provide for mechanisms to report such cases. Human resources policies are accessible to employees on intranet webpages sites.

Occupational health and safety: KOSGEB facilities are equipped with fire safety instruments as required by local regulation and has emergency action plans in place. The staff receives routine training on fire safety and first aid. Regular drills are conducted and reported. KOSGEB has incident reporting procedures and as per national OHS Law notify the Ministry of Labor within 3 business days about OHS related incidents.

Grievance mechanism (GM): An internal GM for KOSGEB employees is available. The employees have the right to file complaints on any administrative actions and procedures applying to them, which can be submitted to KOSGEB Human Resources Department. Complaints are assessed and necessary measures are taken under KOSGEB Human Resources Regulation and Disciplinary Regulation.

The current Turkish Labor Law (No.4857) is to large extent consistent with ESS2 requirements. Turkey ratified all the four Core ILO Conventions and OHS ILO Conventions. The main gap with ESS2 is related to the requirement for the grievance mechanism for workers. Forced labor is prohibited by the Turkish Constitution.

In line with ESS9, KOSGEB, through its ESMS, will apply relevant requirements of ESS2 to sub-projects - MSEs recipients of project grants. Exclusion List will include prohibition of financing of activities involving forced and child labor and screening and monitoring of sub-projects will include compliance with national labor and OHS laws. Legal agreements between KOSGEB and grant recipient firms will include requirements for compliance with national labor and OHS laws. Labor and working conditions risks and impacts will be identified, assessed and addressed within the scope of the KOSGEB's ESMS in accordance with relevant ESS2 requirements. KOSGEB and PBGs sub-borrowers will be required to follow the national Ministry of Health and WHO guidance to minimize the risk of COVID-19 transmission in the workplaces.

Grievance mechanisms established by KOSGEB will provide an avenue for employees of sub-projects firms to report any non-compliance with project procedures including labor issues.

ESS3 Resource Efficiency and Pollution Prevention and Management

This standard is relevant. The potential issues related to the project such as air emissions, water releases, energy efficiency and waste management at the grant activities supported firm level will be mitigated through implementation of the KOSGEB's ESMS. The ESMS which is fully discussed under ESS 9, will include all the necessary processes and procedures to ensure site specific considerations related to resource efficiency, pollution prevention and management are addressed and managed. Environmental risks of grant supported activities at the firm level which might cause significant pollution impacts, will be rated as High or Substantial, and thus, will be considered ineligible for financing.

ESS4 Community Health and Safety



This standard is relevant. The implementation of grant supported activities at the firm level are not expected to cause impacts associated with the community health and safety. Any impacts will be identified, assessed and addressed within the scope of the KOSGEB's ESMS in accordance with ESS4 requirements. Grant supported activities at the firm level which might be associated with significant impacts rated as High or Substantial risk will be considered ineligible for financing.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

This standard is not relevant because the project will exclude any investments which may require land acquisition and involuntary resettlement.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is not relevant because sub-projects which might adversely impact biodiversity conservation and sustainable management of living natural resources will not be eligible for financing within the scope of the project.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

The standard is not relevant, since there are no Indigenous Peoples in Turkey.

ESS8 Cultural Heritage

This standard is not relevant because sub-projects having impacts on cultural heritage will not be eligible for financing within the scope of the project.

ESS9 Financial Intermediaries

This standard is relevant. KOSGEB will act in the capacity of a financial intermediary and will be required to develop and implement an ESMS satisfactory to the World Bank to manage the E&S risks of its financing activities.

The ESMS to be developed and implemented by KOSGEB will be commensurate with the risk of its grant activities and maintain adequate capacity for the environmental and social risk management of the Project. KOSGEB will develop and implement an ESMS including all the elements defined under ESS9, that is proportionate to the level of E&S risk of the project and will ensure that the necessary capacity, commitment and governance is in place to adequately manage the E&S risks of its grant activities. Due to the low to moderate E&S risks nature of its financing activities, the ESMS will be a simplified process approved by KOSGEB senior management and incorporated into the existing KOSGEB grant approval process. This simplified ESMS will provide instructions on how subprojects will be screened for environmental and social risks and how the risk level of the grant beneficiaries t will be monitored. The E&S procedures for each grant beneficiary firm , will include a simple process for (i) screening against the WBG Exclusion List and the national E&S laws of Turkey; (ii) Screening, reviewing, and categorizing the subprojects according to their potential environmental and social risks and impacts within the defined eligibility criteria for the PBG financing; (iii) applying any relevant requirement of the ESSs through the use of environmental and social action plans (ESAPs)



where necessary; and (iv) monitoring any corrective actions proposed for the sub-project. The ESAPs will be prepared by KOSGEB, implemented by the beneficiaries and monitored by KOSGEB.

The ESMS for the Project, satisfactory to the Bank, will be established before the Effectiveness Date of the Project. KOSGEB will report to the Bank semi-annually on the performance of grant beneficiaries. The content of semi-annual reports will be detailed in the Project Operational Manual. The Bank will conduct prior review for an initial set of sub-projects of KOSGEB and thereafter conduct supervision spot checks for a number of sub-projects. The details of prior and post review will be described in the Project Operational Manual.

KOSGEB has established grievance mechanism to enable beneficiaries as well as those who believe they are adversely impacted by the grant beneficiaries’ activities to submit complaints, feedback, inquiries, and suggestions such as violation of project policies, guidelines, or procedures, including those related to child labor, health and safety of workers, workplace harassment. The GM will also allow submission of anonymous grievances. The details of the GM are explained in the SEP and will also be presented in the Project’s Operational Manual.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

III. BORROWER’S ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN (ESCP)

DELIVERABLES against MEASURES AND ACTIONs IDENTIFIED	TIMELINE
ESS 1 Assessment and Management of Environmental and Social Risks and Impacts	
Appointing; two technical staff in the PIU - one environmental and one social expert.	09/2020
Develop and implement an ESMS which includes a procedure for screening, monitoring and reporting of moderate and low risk sub-projects receiving grants in line with World Bank’s ESS 9.	09/2020
Promptly notify the Bank of any incident or accident related to the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers including but not limited to; incidents and accidents encountered during implementation of the KOSGEB’s ESMS.	07/2024
ESS 10 Stakeholder Engagement and Information Disclosure	
Finalize, disclose, maintain and implement SEP in a manner acceptable to the Bank.	09/2020
ESS 2 Labor and Working Conditions	

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Maintain and implement human resources (HR) policies and procedures consistent with requirements under national law and ESS2.	07/2024
Maintain, and operate an accessible grievance mechanism (GM) for Project workers as described in the HR policies and procedures, consistent with requirements under the national law and ESS2.	07/2024
ESS 3 Resource Efficiency and Pollution Prevention and Management	
As part of the E&S due diligence (ESDD) to be conducted for each sub-borrower at KOSGEB under action 1.2 above, ESS3 will be applied within the scope of KOSGEB’s ESMS as relevant.	07/2024
ESS 4 Community Health and Safety	
As part of the E&S due diligence (ESDD) to be conducted for each sub-borrower at KOSGEB under action 1.2 above, ESS4 will be applied within the scope of KOSGEB’s ESMS as relevant.	07/2024
ESS 5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	
Not Relevant to the Project	07/2024
ESS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources	
Not Relevant to the Project	07/2024
ESS 7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	
Not Relevant to the Project	07/2024
ESS 8 Cultural Heritage	
Not Relevant to the Project	07/2024
ESS 9 Financial Intermediaries	
Develop and implement an E&S management system (ESMS) that is acceptable to the Bank.	09/2020

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B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts

Is this project being prepared for use of Borrower Framework?

No

Areas where “Use of Borrower Framework” is being considered:

The Project is not being prepared using the Borrower Framework.

IV. CONTACT POINTS



World Bank

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Borrower/Client/Recipient

Borrower: KOSGEB (Small and Medium Enterprises Development Organization of Turkey /Küçük Ve Orta Ölçekli Sanay

Implementing Agency(ies)

Implementing Agency: KOSGEB (Small and Medium Enterprises Development Organization of Turkey /Küçük Ve Orta Ölçekli Sanay

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

Task Team Leader(s): Stefka Slavova, Pablo Facundo Cuevas
Practice Manager (ENR/Social) Satoshi Ishihara Cleared on 29-Jun-2020 at 15:08:4 EDT
Safeguards Advisor ESSA James Peter Moore (SAESSA) Concurred on 14-Jul-2020 at 14:20:43 EDT