



# Appraisal Environmental and Social Review Summary

## Appraisal Stage

### **(ESRS Appraisal Stage)**

Date Prepared/Updated: 03/02/2023 | Report No: ESRSA02540



**BASIC INFORMATION**

**A. Basic Project Data**

Country	Region	Project ID	Parent Project ID (if any)
Türkiye	EUROPE AND CENTRAL ASIA	P179255	
Project Name	Türkiye Green Industry Project		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Finance, Competitiveness and Innovation	Investment Project Financing	3/10/2023	5/26/2023
Borrower(s)	Implementing Agency(ies)		
The Republic of Türkiye, represented by MOTF, The Small and Medium Enterprise (SME) Development Organization of Türkiye (KOSGEB), The Scientific and Technological Research Council of Türkiye (TUBITAK)	TUBITAK, The Ministry of Industry and Technology (MoIT)		

Public Disclosure

**Proposed Development Objective**

The PDO is to support a sustainable and efficient green transformation for industrial firms in Türkiye.

**Financing (in USD Million)**

**Amount**

<b>Total Project Cost</b>	<b>450.00</b>
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**B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?**

No

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



The project aims to support industrial exporters to align with new requirements in export markets (e.g., CBAM, the green deal, the circular economy action plan, EU product directives), connected to their value chains, develop opportunities for extended green products, and support industrial firms in the adaptation to climate change impacts and adoption of relevant mitigation solutions.

The project will support manufacturing firms to use resources more efficiently and innovate in their management, production process, and/or products to meet future market demands. The project will leverage the existing expertise and mechanism of key relevant organizations – under the umbrella of Ministry of Industry and Technology (MoIT)- in the implementation of the project.

The project will have three borrowers: (a) The SME Development Organization of Türkiye (KOSGEB), guaranteed by the Ministry of Treasury and Finance (MoTF); (b) Scientific and Technological Research Council of Turkey (TÜBİTAK), guaranteed by MoTF; and (c) MoTF for the benefit of MoIT. The project will comprise three components, described below.

Component 1: Support manufacturing SMEs improve their resource management efficiency and reduce their carbon emissions. The component will support manufacturing SMEs in adopting green transition plans to improve their resource efficiency (with a focus on electricity, water, and waste management efficiency). The component will raise the awareness among SMEs about the current and future sustainability requirements in local and export markets, potential technologies to improve firm’s sustainability and their expected impact on firms’ performance, and recommended standards for green sustainability (such as international green product certification – ISO 14067 or equivalent - to facilitate integration in global value chains). The component will provide reimbursable grants to finance SME plans for upgrading their machinery, acquiring new technologies, attaining technical assistance, and certifying green standards. KOSGEB will manage the implementation of component, building on their experience in providing reimbursable grants to SMEs throughout Türkiye, under an ongoing operation, combined with awareness and advisory services to coach SMEs through implementing their green transition plans.

Component 2: Support the green innovation of firms. The component will target direct/indirect exporting firms that have growing GVC connections and plan to diversity their products, increase their added value, and/or improve their resource efficiency performance. The component will support consortia of firms (each typically comprises a large buying firm and a few SME suppliers) in technology diffusion, research and development, standards adoption, and/or product development (such as circular design to improve resource recovery and resilience of the supply chain to economic shocks generated by Covid-19 or climate change events). The component will provide reimbursable grants to finance firms/ consortia of firms’ plans for implementing R&D activities, upgrading their machinery, acquiring new technologies, attaining technical assistance, certifying green standards, and/or others. TUBITAK will manage the implementation of this component, building on their long experience in financing firms, platforms of firms, and startups to diversity into new products, increase R&D activities, and adopt innovate green solutions and technologies detailed in their technology roadmap.

Component 3: Provide technical assistance and project support activities. MoIT's Department of Industry (DGI) will manage the implementation of this component, which will provide technical assistance and capacity building to relevant stakeholders and coordinate the implementation of project activities among stakeholders. DGI will lead project awareness and communications, support firm level diagnostic and verification, monitoring and evaluation, and support policy reforms.



The project is consistent with FY18-21 Country Partnership Framework (CPF) for Turkey, which was recently extended through the Program and Learning Review. Specifically, the Project is well aligned with the CPF’s Focus Areas 1 (Growth) and 3 (Sustainability) and would support the following CPF objectives: (a) CPF Objective 3: Enhanced Competitiveness and Employment in Selected Industries; (b) CPF Objective 7: Improved reliability of energy supply and generation of green energy.

The project is fully aligned with the CCDR recommendation to adopt a resilient and net zero pathway that can help Türkiye achieve its development and climate objectives but implies a significant departure from current trends and important policy changes.

#### D. Environmental and Social Overview

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

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Climate Change Vulnerability: The project will be implemented country-wide. Türkiye faces significant vulnerability to the impacts of climate change. The country ratified the Paris Agreement in October 2021 and committed to net zero emissions by 2053. The intensification of climate-related events in recent years—including floods, forest fires, and sea pollution—and the potential implications of the European Union (EU) Green Deal for Türkiye’s economy have contributed to the urgency of the country’s climate change agenda. The energy sector—which includes the power, transport, building, and industrial sectors—is the country’s single largest contributor to GHG emissions, accounting for three-quarters of total emissions. However, manufacturing is more carbon-intensive than the EU average, exposing Türkiye to risks if the EU introduces the Carbon Border Adjustment Mechanism (CBAM).

Türkiye’s geographic, climatic, and socioeconomic conditions make it highly vulnerable to the impacts of climate change and other environmental hazards, making adaptation and resilience high priorities. Türkiye is prone to vulnerability in 9 of 10 climate vulnerability dimensions, compared with a median of 2 of 10 in other OECD countries.. This vulnerability is due to a combination of climate factors, population exposure (for example, the share of the population exposed to floods and forest fires), and socioeconomic factors (such as the share of agriculture in the economy). Turkey's greenhouse gas emissions increased by 130% between 1990 and 2019. About 72% of the emission was derived from energy, around 11% of the emission was derived from industrial processes and product use (out of total contribution of 22.4%), 13% of the emission was derived from agricultural activities and 3% of the emission was derived from waste. The total CO2 emission of the industrial sector was approximately 103 million tons in 2019, corresponding to 20% of Turkey's total greenhouse gas emissions.

Climate Change and Manufacturing: The project aims to support industrial exporters firms to align with new requirements in export markets (e.g., CBAM, the green deal, the circular economy action plan, EU product directives), connected to their value chains, develop opportunities for extended green products, and support industrial firms in the adaptation to climate change impacts and adoption of relevant mitigation solutions. The project will support manufacturing firms to use resources more efficiently and innovate in their management, production process, and/or products to meet future market demands.



Gender: Access to long-term finance via diversified sources is more challenging for SMEs and, within that group, women-led or managed firms given that financial institutions perceive them as higher risk. In Türkiye, 58 percent of loans require collateral when the business is managed by a woman, versus 38 percent when a business is managed by a man. Although the situation has recently improved — 69 percent of adults now have an account in Turkey, up from 57 percent in 2014 — only 54 percent of women have an account, compared with 83 percent of men. This 29 percent gender gap is roughly three times as large as the average gender gap in emerging economies. Women’s participation in the economy is still very limited. The gap between women and men’s overall labor force participation remains large: 38.2 percent for women (the lowest in the OECD and ECA) and 78.4 percent for men in 2019. The World Economic Forum’s 2021 Gender Gap Index ranks Türkiye 133 out of 156 countries for gender equality across socio-economic dimensions. Female employers represented only 1.25 percent of all employers in Türkiye in 2019. The project will address existing gender gaps by introducing targets for female-owned or managed SMEs to become beneficiaries under Components 1 and 2, and, additionally, for female scientists and researchers to be included in the consortia of firm applicants under Component 2.

#### D. 2. Borrower’s Institutional Capacity

The project will have three borrowers: (a) The SME Development Organization of Türkiye (KOSGEB), guaranteed by the Ministry of Treasury and Finance (MoTF); (b) Scientific and Technological Research Council of Turkey (TÜBİTAK), guaranteed by MoTF; and (c) MoTF for the benefit of MoIT. MOIT, KOSGEB, and TUBİTAK will be the implementing agencies of the project. They will establish Project Implementation Units (PIUs) to manage project activities and carry all fiduciary responsibilities. MoIT will establish a steering committee for the project, which will be responsible for the strategic oversight of the project. MoIT will be responsible for the development of one Project Operations Manual (POM) for the project, which will detail project description, implementation procedure, and fiduciary requirements.

MoIT is responsible for sustainable economic development of Türkiye by designing well-oriented incentive and R&D strategies, implementing impactful science, technology, and innovation policies, and closing regional development gaps with result-based programs. The Ministry has 11 Directorates-General (DG), including DG Industry (DGI) that works directly with manufacturing industry sectors such as automotive, machinery, chemistry, metal, and textile industry. MoIT deploys a dynamic approach to closely monitor and assess manufacturing industry in a comprehensive and dynamic way.. DGI keeps records of the manufacturers and their productions in detail, interprets these statistics, creates policy and strategy documents and harmonizes the EU technical legislation. While this is the first Bank financed project with DGI, the MoIT is currently implementing two Bank financed projects under the Environmental and Social Framework (ESF), namely Türkiye Organized Industrial Zones Project (P171645) and Social Entrepreneurship, Empowerment and Cohesion in Refugee and Host Communities in Türkiye Project (P171456). Both projects established the Project Implementation Unit (PIUs), staffed with dedicated environmental and social specialists who have received training on the ESF. The environmental and social (E&S) performance ratings of the two projects are Satisfactory/Moderately Satisfactory. DGI MoIT will be responsible for the implementation of Component 3, which mainly consists of technical assistance and capacity building type of activities.

KOSGEB and TUBİTAK will also be the implementing agencies with specific roles under Component 1 and 2, respectively.

KOSGEB is an affiliated organization of the MoIT 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 Türkiye. Its support is organized along four pillars: i) entrepreneurship support; ii) R&D and innovation support; iii) business development; and iv) finance and incubation, with offices in all 81 provinces of



the country. KOSGEB has prior experience with the Bank financed projects, including under the ESF. Under the Türkiye Rapid Support for Micro and Small Enterprises During The COVID-19 Crisis (P174144), KOSGEB has hired a competent E&S specialist and the E&S performance has been rated Satisfactory since the beginning of the project. Under the said project, KOSGEB has established an Environmental and Social Management System (ESMS), acceptable to the Bank, to screen, categorize and monitor E&S risks and impacts.

TÜBİTAK is the leading agency for management, funding and conducting research in Türkiye. TÜBİTAK is responsible for promoting, developing, organizing, conducting, and coordinating research and development in line with national targets and priorities. It also acts as an advisory agency to the Turkish Government on science and research issues and is the secretariat of the Supreme Council for Science and Technology. Furthermore, TÜBİTAK funds research projects carried out in universities and other public and private organizations, conducts research on strategic areas, develops support programs for public and private sectors, publishes scientific journals, popular science magazines and books, organizes science and society activities and supports undergraduate and graduate students through scholarships. TÜBİTAK does not have prior experience with the WB financed projects. Therefore, their staff will receive the ESF training.

The ESCPs will require MoIT, KOSGEB and TÜBİTAK to appoint or hire competent environmental, social, and occupational health and safety specialists to implement and monitor the E&S requirements of their respective project components. This E&S specialists will be trained on the ESF requirements, and other relevant E&S issues, and such requirements will be included in the ESCPs.

**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 Moderate. The project will have positive environmental impacts such as increasing resource use efficiency, reducing carbon footprint, water consumption through upgrading machinery, acquiring new technologies, attaining technical assistance, certifying green standards in SMEs. The project will support manufacturing firms to use resources more efficiently and innovate in their management, production process, and/or products. Under Component 1, KOSGEB will provide (i) reimbursable grants to manufacturing SMEs, to install solar energy within their production facilities (on-site) ; (ii) resource efficiency solutions in the SMEs that will include water and energy use reduction systems installations, installation of resource optimization systems, sustainable recycling initiatives and implementation of resource efficiency processes in SMEs; and (iii) capacity building and technical assistance to develop systems, processes and software. Activities under Component 2 with TÜBİTAK to facilitate green innovation in manufacturing firms will include prototype, standards, new product or process development and large-scale demonstration type of activities that contribute to greener production or higher energy and resource efficiency. The project will mainly finance purchasing and upgrading of machinery and equipment, installation of resource efficiency solutions through KOSGEB and TÜBİTAK and installation of on-site solar power plants in eligible SMEs business facilities through KOSGEB. KOSGEB and TÜBİTAK will perform the role of financial intermediaries. There will be no large-scale civil works within the project scope, but works will be limited to installation civil works of limited scale (ie installation of solar power plants). The main environmental and social (E&S) risks of the Project relate



to the ability of KOSGEB (Component 1) and TÜBITAK (Component 2) to implement their respective Environmental and Social Management System (ESMS) to manage the E&S risks of eligible SME firms, reimbursable grant finance portfolio in line with the World Bank ESS9 requirements for financial intermediaries. As part of their respective ESMSs, KOSGEB and TÜBITAK will conduct E&S screening of eligible SMEs for the reimbursable grant finance. Only those SME firms whose business activities are judged to be of moderate or low environmental and social risks will be eligible for project support. The likely associated environmental risks and impacts of sub-project activities could be generation of dust and noise from large scale equipment usage; occupational health and safety risks associated with equipment and solar panels installation, and SME business operations, water and energy use, management of waste generated from the business activities of beneficiary firms, and installation works. These risks and impacts are expected to be temporary and reversible, low in magnitude and localized, and can be mitigated through known good management practices. The overall portfolio risks is thus considered moderate. To address these E&S risks and impacts, KOSGEB and TÜBITAK will establish and implement their respective ESMSs that will include procedures for conducting E&S due diligence and screening of sub-projects (firms), exclusion criteria, procedures for E&S risk categorization, E&S impacts mitigation and management, and E&S monitoring requirements. Environmental risks of beneficiary firms, which may cause significant pollution impacts, will be rated as High or Substantial, and thus, will be considered ineligible for financing. KOSGEB has an existing ESMS which will need to be updated to include due diligence processes to manage the E&S risks of this Project. The Project will also exclude any sub-projects with impacts on cultural heritage and biodiversity from being financed. The ESMS will require the compliance with the national environmental and social laws of Türkiye, applicable ESF ESSs, and respective WBG EHS Guidelines.

### Social Risk Rating

Moderate

The Social risk rating is Moderate. Overall, the project is expected to have a positive environmental and social impacts as it will support SMEs and large firms to reduce their carbon footprint, water consumption and increase their energy efficiency by supporting the uptake of green technologies. It is expected that these firms shall contribute to decarbonization in Türkiye. While large scale civil works are not expected within the scope of the project, there will be installation/small scale works associated with Component 1 (solar panels installation). Activities which require land acquisition, restrictions of land use or involuntary resettlement, as defined under ESS 5 will not be eligible for financing. It is expected that the green technologies will be installed within the perimeters of existing facilities (on site). The main social risks will be associated with (i) labor and working conditions and occupational health and safety (OHS) in beneficiary SMEs; (ii) social inclusion aspects, i.e. access to finance by women-led or women-managed firms, as they face more obstacles in accessing finance in Türkiye; access to finance by young firms, and those located in the lagging regions; (iii) potential research activities on animals and humans under Component 2 I; (iv) perceptions of "greenwashing"; and (v) capacity of MoIT, KOSGEB and TÜBITAK to implement ESF requirements. Significant risks and impacts on community health and safety are not anticipated at this stage. Sexual exploitation and abuse (SEA) and sexual harassment (SH) risks are assessed as low, and justification for the risk rating is provided in a SEA/SH risk dedicated section. The MoIT, KOSGEB and TÜBITAK prepared Stakeholder Engagement Plans (SEPs) which will assist the project to strengthen outreach to potential beneficiary firms, including those led by women, young firms and those located in the lagging regions; and also to prevent any perceptions of "greenwashing". The SEPs also include a proposed grievance mechanism to address and resolve any grievances associated with the E&S impacts of the project. The project will define an eligible green technology taxonomy, which will be transparent and agreed with various stakeholders. This should also help manage perceptions of "greenwashing". In instances where the project may support research involving human beings/tissue/embryos and animals (under Component 2), such research shall be carried out in accordance with EU directives and procedures (Horizon 2020) and relevant national laws and regulations on ethical research. These requirements will be included in the ESMS prepared by TÜBITAK. The project



design will also include specific activities and an indicator to measure the number of women-inclusive firms supported by the project. KOSGEB and TÜBİTAK will each prepare and adopt an ESMS to manage and address environmental and social risks and impacts, including those associated with labor and OHS risks in the beneficiary firms. The ESMS will include screening and due diligence procedures, risk categorization procedure, Exclusion List, a requirement for the compliance with national environmental and social laws, and any applicable ESF ESSs. The overall social risk rating remains Moderate at appraisal stage.

## 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:**

The project development objective is to support a sustainable and efficient green transformation for industrial firms in Türkiye. Under Component 1, the project will provide reimbursable grants to SMEs to finance upgrading their machinery, acquiring new technologies, attaining technical assistance, green standards certification and the installation of on-site solar power plants within the location footprint of eligible SME businesses. Under Component 2 the project will support consortia of firms (each typically comprises a large buying firm and a few SME suppliers) in green research and development, green standards adoption, and/or product development (such as circular design to improve resource recovery and resilience of the supply chain to economic shocks generated by COVID-19 or climate change events). The component will also support startups in creating or accelerating innovative green products (more energy efficient and/or more circular and/or decarbonized) and solutions to address specific challenges, in collaboration with relevant large corporations and stakeholders. The project will develop a taxonomy clearly defining the type of technologies, machinery and equipment which will be eligible for project financing.

The project will also institute an Exclusion List to filter out any ineligible sub-projects. The project will not finance any large scale civil works, or support activities which may require land acquisition or physical relocation.

Even though, the project is expected to have overall positive impact on environment, climate change and people, the business activities of firms benefiting from the project can still have limited negative impacts such as labor and working conditions, occupational health and safety (OHS), community health and safety, dust, noise, water use, energy use and management of waste generated from the business activities to be implemented by the beneficiary firms. These risks are expected to be site specific, temporary and can be readily addressed through standard mitigation measures and compliance with national environmental, labor and OSH laws and the ESF. There may be further risks to humans and animals involved in research activities, which may be supported by the Component 2. In instances where the project may support research involving human beings/tissue/embryos and animals, it shall be carried out in accordance with EU directives and procedures (Horizon 2020) and relevant national laws and regulations on ethical research. Such requirement will be included in the ESMS prepared by TÜBİTAK.

In addition, there are moderate social risks associated with perceptions of “greenwashing”, and challenges with targeting women-led or managed firms, young firms and those in lagging regions. These risks will be addressed by mitigation measures included in the ESF instruments and project design. SEA/SH risk is assessed as Low and discussed in a dedicated section. There is very limited risk of the project having negative impacts on vulnerable groups. Project beneficiaries will be SMEs and R&D oriented firms and startups. The project design will include specific measures to





target women-led or managed firms, and there will be a dedicated indicator to measure the percentage of women-led/managed firms who benefited from the project.

To address these E&S risks and impacts, KOSGEB and TÜBİTAK, will establish, adopt and implement their respective ESMSs and Stakeholder Engagement Plans (SEPs). The SEPs of quality acceptable to the World Bank, will be disclosed in English and Turkish languages before project appraisal and publicly discussed and consulted upon with stakeholders. KOSGEB and TÜBİTAK will adopt ESMS prior to the start of any reimbursable grants allocations. Site-specific environmental and social instruments to be prepared by beneficiary firms for individual sub-projects, as required, throughout the project implementation, will also be disclosed and discussed with stakeholders.

The ESMS will include procedures for conducting E&S due diligence and screening of sub-projects (firms); exclusion criteria, procedures for E&S risk categorization, E&S impact mitigation and management through the preparation and implementation of site-specific ESMPs, as required, and E&S monitoring throughout project implementation. The ESMS will address the above mentioned E&S risks and impacts, including a requirement for beneficiary firms to comply with national labor and OHS laws, and screening for child and forced labor risks.

One of the key risks relates to meaningful and effective stakeholder engagement, public and beneficiary outreach, and perceptions of greenwashing. A core part of the project design will focus on establishing an effective green taxonomy, transparent sharing of information in timely, clear and accessible manner and format, and an inclusive process of participation and consultation for all disadvantaged SMEs (including women inclusive firms, young firms and those located in the lagging regions) and other interested parties. For this, the MoIT, KOSGEB and TÜBİTAK will prepare SEPs in a participatory manner. SEPs will include a grievance mechanism to address complaints about environmental and social issues in the project.

The MoIT, KOSGEB and TÜBİTAK will each prepare Environmental and Social Commitment Plan (ESCP). The ESCP will set out the activities to be carried out during project implementation and could be adjusted during the project cycle in line with the evolution of environmental and social risks and impacts.

The E&S monitoring and reporting: The Bank will review and approve the ESF instruments prepared for the project. It will also review and approve an initial set of E&S Due Diligence reports for reimbursable grant support under both Component 1 and 2. The MoIT, KOSGEB and TÜBİTAK will also submit to the Bank semi-annual E&S performance monitoring reports.

### **ESS10 Stakeholder Engagement and Information Disclosure**

The three Borrowers - MoIT, KOSGEB and TÜBİTAK - each prepared a SEP for the activities under their respective project components. The SEPs preparation process was informed by consultations with various stakeholders including key ministries, government agencies, business associations, and representative organizations of potential beneficiary firms.

The SEPs identified and analyzed key stakeholders (i.e. affected parties, other interested parties and disadvantaged and vulnerable groups) and described the process and modalities for sharing information on the project activities,



incorporating stakeholder feedback into the project design and implementation and reporting and disclosure of project documents. The SEPs also integrated proposed citizen engagement activities and indicators.

During project preparation a detailed stakeholders mapping has been carried out. In addition to MoIT, KOSGEB and TÜBİTAK, as main project implementing entities, the main project stakeholders include firms (SMEs and research oriented firms, large firms and start ups) who will potentially benefit from the project, women-led or managed firms, young firms and firms located in lagging regions, business associations, universities, research and development organizations, organizations involved in developing green standards, and other organizations working on climate change issues, decarbonization and greening of firms. Additionally, disadvantaged types of direct beneficiaries include women-led or managed firms, who may face more barriers to access finance. The project will target these firms in order to narrow the gender gap in access to finance. Detailed stakeholder mapping analysis is included in SEPs prepared by MoIT, KOSGEB and TÜBİTAK.

Proposed strategies for information disclosure and consultations include a combination of digital technologies, such as virtual meetings and focus groups, social media and MoIT's, KOSGEB's and TÜBİTAK's webpages, and in person activities such as consultations and focus groups discussions. MoIT, KOSGEB and TÜBİTAK prepared draft SEPs which will be disclosed (in Turkish and English languages) before the project appraisal begins; and carry out stakeholder consultations on the project design and environmental and social aspects of the project.

The SEPs included proposed grievance mechanisms (GM) which MoIT, KOSGEB, and TÜBİTAK will each establish to manage and address E&S concerns and grievances by stakeholders. These GMs will also include channels for handling SEA/SH complaints sensitively and confidentially.

MoIT has gained the experience for establishing and managing grievance mechanisms under the two existing Bank funded projects. Under this project, it will utilize the existing CIMER mechanism and in addition, establish a PIU level GM.

KOSGEB has a functional grievance mechanism in place, able to handle efficiently feedback and concerns from beneficiary firms as well as those who believe may be adversely affected by the activities of KOSGEB and beneficiary firms. Under the Türkiye Rapid Support for Micro and Small Enterprises During The COVID-19 Crisis (P174144), KOSGEB has been using the feedback received through the GM to improve project implementation practices, which was documented in the quarterly E&S performance reports.

KOSGEB also has an active Call Center (444 1 567) and a Help Desk (<https://www.kosgeb.gov.tr/site/tr/genel/iletisimmerkezi>) that is accessible for all stakeholders to lodge a grievance. All these existing grievance mechanisms will be utilized for this project.

TÜBİTAK's also has an existing grievance mechanism including a call center and an on line Help Desk that is accessible all stakeholders to lodge a grievance, submit inquires or information requests. The existing grievance mechanism will be utilized for the needs of the project since the past experience indicates that firms use it to lodge concerns.

In addition, there is national level grievance mechanism - the Presidency Communication Center (CIMER), which is accessible to any Turkish citizen and is functioning well. MoIT, KOSGEB and TÜBİTAK are mandated to receive and record in its system grievances which are received through CIMER. In general, previous experience in the WB funded projects indicates that government agencies and business entities address grievances received through CIMER.



All three SEPs prepared under the project included detailed project GM procedures 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. The SEPs included dedicated implementation budgets and strategies to report back to stakeholders during project implementation. In addition, the ESCPs for each implementing agency will include requirements to operationalize GM procedures 30 days after the Effective Date. The SEPs will be updated, as needed, during project implementation.

## 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. The project will include direct and contracted workers. Community and primary supply chain workers are not anticipated to be engaged within the scope of this project.

Direct workers in this project are (i) Employees of MoIT and technical consultants assigned/engaged to work within the PIU; (ii) employees of KOSGEB and technical consultants engaged to support the core activities of the project under the Component 1; (iii) Employees of TÜBİTAK and technical consultants assigned/engaged to support the core activities of the project under the Component 2. Contracted workers are employees of consulting firms engaged to provide technical advice and capacity building under the Components 1, 2 and 3.

It is anticipated that employees of MoIT assigned to work within the PIU, will be civil servants. The terms and conditions of the public sector employment will continue to apply to civil servants. Employees of KOSGEB and TÜBİTAK are also civil servants and the terms and conditions of their public sector employment shall continue to apply. 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.

ESS2 requirements will apply to the direct and contracted workers. Working conditions and OHS requirements in line with ESS2 have been integrated to the labor management procedures, to ensure that labor risks associated with business activities of beneficiary firms are managed consistent with ESS2.

Assessment of existing labor management procedures: MoIT, KOSGEB, and TÜBİTAK have a set of human resources policies and procedures in place which meet the requirements of ESS2, and national civil servants, labor and OHS legislation. These 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 is 18 years. Human resources procedures prohibit harassment, including sexual harassment, and provide for mechanisms to report such cases. Each institution also has an ethics Code of Conduct which all employees sign at the moment of employment.

Occupational health and safety: MoIT, KOSGEB and TÜBİTAK facilities are equipped with fire safety instruments as required by local regulation and have emergency action plans in place. The staff receives routine training on fire safety and first aid. Regular drills are conducted and reported. MoIT, KOSGEB and TÜBİTAK have incident reporting



procedures and as per national OHS Law notify the Ministry of Labor within 3 business days about OHS related incidents. The ESCP will include a requirement that any incident/accident should be reported to the Bank no later than 48 hours after learning of the event.

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 terms of OHS regulations, government agencies are subject to the national OHS law (Law No. 6331), and the Ministry of Labor and Social Security is responsible for its enforcement. The OHS Law governs workplace environments and industries (both public and private) as well as all classes of employees including part-time workers, interns, and apprentices. The legislation is comprehensive and is generally applicable across all sectors and many industries. The Labor Inspectorate, which is an agency under the Ministry of Labor and Social Security oversee the enforcement of the law and conducts regular OHS and labor audits.

MoIT, KOSGEB and TÜBİTAK prepared draft Labor Management Procedures, which summarize their existing human resources polices, and also include commitments and measures to comply with ESS2 requirements and national employment and OHS laws when engaging direct and contracted workers.

Grievance mechanism (GM): MoIT, KOSGEB and TÜBİTAK have in place internal GM its employees. The employees have the right to file complaints on any administrative actions and procedures, which can be submitted to human resources departments. Complaints are assessed and necessary measures are taken under existing human resources regulation and disciplinary regulation. These regulations are cover instances of harassment and sexual harassment. Labor management procedures included proposed grievance mechanism for workers.

The ESCP will include a a requirement to carry out SEA/SH sensitization and prevention trainings and to establish GM to receive SEA/SH complaints, including anonymous, and which will avoid fear of retaliation.

The project implementation will include provision of reimbursable grants to SMEs and research oriented firms by KOSGEB and TÜBİTAK through performing the role of financial intermediaries. Risks related to the project such as working conditions and occupational health and safety at the sub-project (firm) level will be mitigated through implementation of their respective ESMSs. The ESMS which is fully discussed under ESS9, will include all the necessary processes and procedures to ensure site specific considerations related to labor and OHS are addressed and managed. The Exclusion List will include child and forced labor.

### **ESS3 Resource Efficiency and Pollution Prevention and Management**

ESS 3 is relevant. The project implementation will include provision of reimbursable grants by KOSGEB and TÜBİTAK through performing the role of financial intermediation to SMEs and research oriented firms. Risks related to the project such as air emissions, water and energy use, wastewater discharge, and waste management at the sub-project (firm) level do exist and will be mitigated through implementation of their respective ESMSs. The ESMS which is fully discussed under ESS9, 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 beneficiary SMEs which might cause significant pollution impacts, will be rated as High or Substantial, and thus, will not be considered eligible for grant financing.



#### **ESS4 Community Health and Safety**

ESS 4 is relevant. Business activities of beneficiary SME firms may cause impacts on community health and safety. Such impacts will be identified, assessed, and addressed within the scope of KOSGEB and TÜBİTAK respective ESMSs in accordance with ESS4 requirements. Sub-project investments which may be associated with significant impacts on communities will be rated as High or Substantial risk and will not be considered eligible for financing. The project will also include measures for managing SEA/SH risks, as discussed in SEA/SH dedicated section.

The project will not use any security forces within the scope of its activities.

#### **ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement**

This standard is not relevant within the scope of this project. The project will not finance any activities which may cause restrictions on land use, land acquisition and/or physical relocation.

#### **ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources**

This standard is not relevant because activities which may adversely impact biodiversity and living natural resources will not be eligible for financing within the scope of the project. Any beneficiary firm activities which may adversely impact biodiversity, natural or critical habitats, and living natural resources will be screened under the respective FI ESMS and will be excluded from project financing.

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

This standard is not relevant. There are no known Indigenous Peoples in Türkiye which fit the definition of the ESS7.

#### **ESS8 Cultural Heritage**

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

#### **ESS9 Financial Intermediaries**

The project will support manufacturing firms to use resources more efficiently and innovate in their management, production process, and/or products to meet future market demands by providing reimbursable grants to eligible SMEs under Component 1, implemented by KOSGEB and to start ups, research oriented firms and large firms under Component 2, implemented by TÜBİTAK. KOSGEB and TÜBİTAK are required to respectively develop and implement satisfactory ESMSs, in line with ESS 9 requirements to manage the E&S risks of the Project.

KOSGEB and TÜBİTAK prepared initial early draft ESMSs, commensurate with the risks of their respective reimbursable grant finance activities. The ESCPs include a requirement to finalize the ESMS no later than 30 days after the Effective Date of the Project. KOSGEB and TÜBİTAK will maintain adequate capacity and commitment for the environmental and social risks management of the projects, which is also included in the ESCPs. The ESMSs to be



implemented will include all the ESMS elements defined in ESS 9. The respective ESMSs will include an E&S Policy and will also specify the applicable E&S requirements as the World Bank Exclusion List, national laws of Türkiye and the ESSs. The ESMS will include (i) an environmental and social policy; (ii) clearly defined procedures for the identification, classification, assessment and management of the environmental and social risks and impacts of investee SMEs; (iii) defined organizational capacity and competency; (iv) monitoring and review of environmental and social risks throughout the life cycle of the project; and (v) external communications and grievance mechanism. The ESMS will also allow for screening grant beneficiary firms’ business activities against the World Bank Exclusion lists and compliance with national laws of Türkiye.

All relevant aspects of ESS 2 will apply to KOSGEB and TUBITAK as borrowers, including maintaining appropriate labor management procedures. All relevant aspects of ESS 2, 3 and 4 will be addressed under this ESS9, where applicable. KOSGEB and TUBITAK ESMSs will be established and adopted no later than 30 days after the Effective Date of the Project.

KOSGEB and TUBITAK will be required to monitor and supervise the environmental and social performance of the reimbursable grant finance portfolio exposures. The content of semi-annual reports by the Borrowers will be detailed in the POM. The Bank will monitor KOSGEB and TUBITAK, while KOSGEB and TUBITAK will monitor the E&S performance of their respective beneficiary portfolio firms . The Bank will conduct prior review for an initial set of sub-projects of KOSGEB and TUBITAK thereafter conduct supervision spot checks for a number of sub-projects. The details of prior and post review will be described in the POM and main requirements included in the ESCP.

Public Disclosure

**B.3 Other Relevant Project Risks**

NA

**C. Legal Operational Policies that Apply**

**OP 7.50 Projects on International Waterways** No

**OP 7.60 Projects in Disputed Areas** No

**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 Use of Borrower Framework is not being considered.



#### IV. CONTACT POINTS

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##### Borrower/Client/Recipient

Borrower:	The Republic of Türkiye, represented by MOTF
Borrower:	The Small and Medium Enterprise (SME) Development Organization of Türkiye (KOSGEB)
Borrower:	The Scientific and Technological Research Council of Türkiye (TUBITAK)

##### Implementing Agency(ies)

Implementing Agency:	TUBITAK
Implementing Agency:	The Ministry of Industry and Technology (MoIT)

#### V. FOR MORE INFORMATION CONTACT

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#### VI. APPROVAL

Task Team Leader(s):	Stefka Slavova, Ali H. Abukumail
Practice Manager (ENR/Social)	Varalakshmi Vemuru Cleared on 31-Jan-2023 at 12:43:37 EST