



Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 02/19/2020 | Report No: ESRSA00445



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Turkey	EUROPE AND CENTRAL ASIA	P171766	
Project Name	Formal Employment Creation for Refugees and Turkish Citizens		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Social Protection & Jobs	Investment Project Financing	2/12/2020	3/31/2020
Borrower(s)	Implementing Agency(ies)		
Development and Investment Bank of Turkey	Development and Investment Bank of Turkey		

Proposed Development Objective(s)

The Project aims at enhancing the conditions for formal job creation by firms operating in provinces with high incidence of Syrian under Temporary Protection, for the benefit of refugees and host-community members.

Financing (in USD Million)	Amount
Total Project Cost	327.11

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 project will support refugees and Turkish citizens to access formal employment opportunities in creditworthy enterprises operating in provinces with high incidence of refugees. In line with the socioeconomic support objectives of the Turkish government and other development partners, the planned operation will offer beneficiary firms better access to financial resources and capacity building activities to enhance their capacity of expanding their existing businesses, and, ultimately, increasing formal employment in the labor market where they operate. In the case of grants, such resources will be made available conditional on the firm’s commitment to employ refugees and Turkish citizens living in host communities and to sustain the newly created jobs throughout the

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duration of the grant. Jobs offered must be formal in nature and provide decent working conditions, meaning that social security and other legally mandated employment benefits and Labor Code provisions must be offered and complied with. In the case of loan financing, beneficiary firms will not be subject to employment conditionality but to undertake a series of actions (e.g. increasing investment and working capital, training for workers and management) that will improve the firms' capacity to expand business, generate markets and improve the use of the factors of productions.

The grant and loan programs will be implemented by the Turkish Development and Investment Bank (TKYB) with the support locally of participating financial institutions (PFIs). The program will take advantage of TKYB's extensive network and loan providing activities in the Turkish economy. The project will leverage TKYB's extensive experience in providing access to finance services to larger enterprises (LEs) and, through intermediaries (such as banks, leasing companies), to Small and Medium-sized enterprises (SMEs). As far as grants are concerned, TKYB will manage the assignment of grants centrally through the PIU, a team of technical experts and with the technical assistance of the World Bank. As a first of its kind, the project will advance an innovative approach in strengthening the link between access to finance, capacity building and job creation. A strong evidence-based approach will guarantee that the generated insights of this program will be used for other employment-conditional grant matching schemes in Turkey and globally.

The project is being processed under condensed processing procedures, based on World Bank Policy on Investment Project Financing (OP 10.00), Paragraph 12. The rationale for processing the project under the condensed procedures is the urgent need for assistance to support the Government of Turkey's efforts to mitigate rising pressures on service delivery from the continual influx of refugees across the border, from camps to cities and also on the urgent need to support refugees to become self-resilient and reliant through appropriate socio-economic integration tools. Currently, Directorate General of Migration Management (DGMM) figures state that there are approximately 4 million refugees in Turkey, the majority originating from bordering Syria. Although most refugees are located in cities rather than camps, about 3 percent of refugees are located in camps. However, the government intends to close the camps and is transitioning people, except the most vulnerable, into cities gradually. This change poses various challenges to most cities in Turkey, already hosting thousands of refugees, including issues such as increased social tensions, increased service delivery pressures, and pressures on availability of resources.

D. Environmental and Social Overview

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]
The proposed project aims to support access to formal employment opportunities in provinces affected by large influx of Syrian refugees where the highest impact has been determined. These provinces are; Istanbul, Sanliurfa, Hatay, Gaziantep, Adana, Mersin, Bursa, Izmir, Kilis, Konya, Mardin, Ankara, Kahramanmaras, Kayseri, Kocaeli, Osmaniye, Diyarbakir, Malatya, Adiyaman and Batman including four other; Denizli, Sakarya, Manisa, and Tekirdag which also have increasing number of refugees and a potential for job creation under the project. Given Turkey's challenges with economic dynamism in the last few years, the presence of nearly 4 million refugees (including Syrians under temporary protection and those with international protection-Afghanis, Iraqi, Somalian), most of them minimally skilled, puts pressure on the Turkish economy (including on job competition with low-skilled Turkish workers engaged in the informal economy).



The refugee population is distributed across the country and concentrated mostly in thirty provinces among which these 24 provinces are included. Even though many refugees are in provinces in the south-east, characterized by lower socio-economic development, many of them live in larger cities in more economically dynamic provinces where they can work informally. All SMEs/LEs applying for a grant are required to submit a business plan, including job creation targets for both Turkish citizens and Syrian refugees during the period covered by the grant. In addition to submitting their business plans in the request for financing, grant beneficiary firms will be expected to commit to participate in capacity-building activities, provided by TKYB and financed by the grant component of the Project. This component will finance training for employees to build the skills identified in the diagnosis as constraining firms' capacity to increase formal job creation . There will be no sector limitation for eligible financing but certain economic sectors that have larger capacity for job creation will be prioritized. Exclusion list in accordance with WB policies will be applied. TKYB's sectoral loan engagements generally include energy and commodities (48%), manufacturing (12.8%), tourism (11 %), leasing-factoring (9%), construction and real estate (0.13%), retail (0.05%) and others (19.8%). Potential sectors to be supported in the project are expected to be manufacturing, motor vehicle repair and maintenance, food processing, education, construction and real estate.

Social tension between Turkish workers and refugees (and among refugees themselves) has risen in the last years as informal employment of refugees and informal refugee-run firms compete with local workers and firms. Tension remains to be higher in provinces where unemployment rates for Turkish citizens is high and increasing. Most of the provinces which host a high number of refugees are already amongst the most disadvantaged in terms of economic welfare and economic opportunities, with higher numbers of low educated people, lower labor force participation and higher unemployment rates than the national average. Current high unemployment rates in Turkey—national average of 11 percent but as high as 27 percent in refugee affected areas—exacerbate the problem of placing people into formal jobs. Analysis shows that the number of unemployed in provinces in the south east are very high compared to the vacant positions available. Many refugees have moved to more dynamic labor markets in the northern and western parts of Turkey. In certain sectors such as textile, agriculture, and construction there is a risk for Syrian refugees to be engaged in low wage work, forced and child labor. In such circumstances Syrian refugees are usually engaged as informal workers. To prevent further deterioration of labor conditions in provinces where refugees live, the project targets to promote permanent formal job creation with decent work conditions for both refugees and Turkish citizens, as well as labor market cohesion and formalization.

Though most refugees are poor and vulnerable, many can work (around 430,000) and work informally (86 percent) and for relatively low wages. There is a strong participation of refugees in the informal labor market and their ability to earn relatively low wages from temporary or short-term jobs limits them from being able to exit the ESSN program. The project focuses on increasing access to formal permanent employment opportunities and providing skills training so that thousands of work able refugees currently registered in the ESSN program financed by the European Union (EU) can transition out of social assistance and into employment in the next years.

D. 2. Borrower's Institutional Capacity

TKYB is the project implementing agency, and part of its operations will be administered through PFIs. The PFIs will be selected at a later stage based on a set of criteria including the availability of mechanisms to screen the sub-project proposal against environmental and social risks, and to monitor and report to TKYB on the environmental and social



performance of sub-projects. TKYB and all the PFIs are subject to Turkish national laws and regulations. TKYB is state owned development and investment bank and it supports the investment projects in renewable energy, energy efficiency, manufacturing industry, tourism, education sectors through the financing facilities and loans from the international financing institutions including WB, EIB, KfW, CEB, IsDB, JBIC etc. TKYB has been a long-lasting client of the Bank and has adopted international standards and policies for the management of environmental and social issues through working with IFIs. Up to date, TKYB has successfully carried out projects such as Private Sector Renewable Energy and Energy Efficiency Project and additional financing and is currently implementing Turkey Geothermal Development Project with Bank financing. Though, TKYB is familiar to Bank policies, the project will be the first ESF applied project where TKYB will also need to administer and supervise the Bank's advanced E&S requirements over its PFIs. Given the recent restructuring within TKYB and the increase of projects in their pipeline, former PIU established to administer World Bank financed projects may not be sufficient enough to manage and monitor the project. Hence, the capacity of TKYB's PIU will also be increased by assigning/hiring additional full-time staff to support implementation and monitoring of the environmental and social documents and to ensure compliance with the Bank's ESF. The Bank will conduct ESF training and capacity building for the FI (TKYB) before implementation.

TKYB has recently prepared a comprehensive ESMS applicable to its regular business activities which can be used and adapted to this project by integrating a few measures to the project operations manual and ESCP. The environmental and social policy, including the environmental and social exclusion list, applicable to all TKYB operations and financial services, and ESMS is expected to be approved by TKYB Board of Directors by end of February 2020. Nevertheless, TKYB will ensure that the ESMS, acceptable to the Bank, applied to the WB-financed project portfolio. The environmental and social policy of TKYB defines how E&S impacts of activities supported by TKYB's financing will be managed. The procedure on E&S risk evaluation in credit processes, a procedural document which TKYB prepared within the scope of ESMS, is the procedure on E&S risk evaluation in credit processes which provides guidance for E&S risk assessment and monitoring process (including the risk categorization of credit line projects), the E&S training process, as well as defining TKYB's communication approach and grievance system. E&S risks and impacts of TKYB projects will be identified and monitored by a designated technical specialist, E&S risk specialist and technical manager through an E&S risk evaluation tool (ERET) which also has a manual established by TKYB. Other tools such as E&S Action and Monitoring Plan and its complimentary reporting tool will also serve to administer and monitor E&S risks and impacts of TKYB's projects.

TKYB has ISO 14001 Environmental Management System Certificate since 2010 and is being periodically renewed. The latest certification was valid until May 2019 and is currently under renewal process.

The PFIs that TKYB has the potential to work within the scope of the project are not determined at appraisal stage but will be selected during implementation phase. PFIs will have their own environmental and social risk assessment procedures that are acceptable to TKYB and World Bank, to be used for determination of the risk level for sub-projects. Low risk projects assessed according to PFIs procedures will be financed indirectly by TKYB through PFIs.

TKYB will develop employment plan template which the recipient beneficiaries (SMEs and LEs) will use to demonstrate the number of formal jobs created. This template will also include commitment to complying with national labor and occupational health and safety laws and providing decent working conditions to refugees and Turkish citizens. In addition, the labor management procedure, which was prepared within the scope of this project, includes a screening list of labor related risks.



In addition, the project will also improve TKYB's capacity to establish a joint system with the Social Security Institution to ensure that the employees are hired formally and retained for a minimum of 24 months as per the grant and loan conditions.

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

A. Environmental and Social Risk Classification (ESRC)

Substantial

Environmental Risk Rating

Substantial

The environment risk is rated as Substantial. The structure of the project is based on providing loans and grants to SMEs and LEs. Though the size and sectors are not defined yet, an estimated 1018 beneficiary enterprises provided with formal employment (250 grant beneficiaries, 768 loan beneficiaries) has been calculated by TKYB to benefit from the project. Screening mechanism will be put in place to ensure that potential adverse risks and impacts of subproject on human populations and/or the environment are not likely to be significant. Such screening mechanism will allow for the identification and exclusion of sub-projects of substantial and/or high risk, and subprojects that are likely to have significant impacts on the sensitive areas (e.g. nationally and internationally protected areas, cultural values etc.) . Subprojects aimed at strengthening client's /subproject proponent's capacity for the implementation of substantial/high risk projects, will be subject to limitation on changing the final product, by-product or major process changes. The potential impacts are anticipated to be predictable and expected to be temporary and/or reversible, low in magnitude and site specific. However, there are no restrictions on sectoral basis, except the exclusion list of the Bank and TKYB, most of the potential sub-projects are expected to be manufacturing, motor vehicle repair and maintenance, food processing and construction, which might be associated with generation of hazardous wastes from the use, storage or transportation of hazardous materials. Therefore, while the high and substantial risks sub-projects will be screened out, given the scale of the overall project and the potential need to handle hazardous materials and to address the cumulative risk of the generation of hazardous wastes, the proposed environmental risk rating for the project is determined as Substantial.

Social Risk Rating

Substantial

Social risk is rated as Substantial, as the size and the nature of the project is complex, potential subprojects and their supporting activities are not known yet entirely. There are contextual risks related to the inherent social tension risks associated with the potential competition for job opportunities among the Syrian and Turkish citizens. The project design included measures to minimize these social tensions risks by providing formal employment opportunities to both Turkish citizens and refugees through grant options of the project, and through trainings and capacity building activities for beneficiary firms, employees and TKYB staff under Component 3 in addition to project's Stakeholder Engagement Plan (SEP). The target is to reach at least 50 percent of refugee job creation through the support of grants. Although there are no sectoral restrictions, except the Bank's exclusion list, the potential sectors - manufacturing, motor vehicle repair, food processing, construction- defined in project design may include moderate labor risks related to working in heights, confined spaces, working with hazardous wastes and chemicals etc. However, overall, social impacts are expected to be positive as the project will help create formal employment



opportunities for both Syrian refugees and Turkish citizens. The project will not support any kind of activity that will lead to involuntary resettlement and land acquisition. Should any of sub-projects require any construction works to be conducted, this will include works such as refurbishment and expansion of current facilities that will not require additional infrastructure or land. Risks to cultural heritage, and community health and safety are limited, labor influx is not expected as a result of project activities. The project will support women – and refugee- inclusive enterprises. Potential risks and impacts related to labor and working conditions will be managed with measures included in the project design, and in TKYB’s ESMS and LMP. TKYB will screen SMEs and LEs, recipients of loans and grants, to ensure consistency with ESS2 and adherence with national labor and OHS laws. The project design includes periodic labor audits to ensure that formal employment opportunities provide decent working conditions in accordance with national labor and health and safety laws. By design, the Project will provide. Project design includes training and capacity building for the management of the beneficiary firms and workers, including managerial and technical skills. Training programs under Component 3 will aim to increase integration of Syrian refugees into Turkish workplace environments, including awareness on labor rights and workplace harassment issues, as per the national Labor Code and WB’s ESS 2. TKYB will have a targeted communication strategy about the eligibility criteria and grant selection process. TKYB and the PFIs will establish a call-center addressing any type of inquiry or concerns, as the Grievance Redress Mechanism (GRM) of the project, available to SMEs and LEs and their employees.

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 will include grant and loans to SMEs and LEs through TKYB and PFIs with the purpose of enhancing the employment of refugees and Turkish citizens. Therefore, the potential investments will have primarily positive social impacts. However, these sub-projects may result in some adverse environmental and social impacts, as well. The risks may be related to construction and operation phases of the potential investments. Should any of sub-projects require any construction works to be conducted, this will include works such as refurbishment and expansion of current facilities that will not require additional infrastructure or land, thus, minor environmental and social impacts may occur. The anticipated construction-related impacts include habitat disturbance, air and noise emissions, community health and safety (including traffic management related risks and occupational health and safety risks, etc. The operational phase environmental and social impacts related to pollution, occupational health and safety and community health and safety will depend on the investment sector of the beneficiary and be determined after sub-projects are defined during the project implementation. TKYB’s sectoral loan engagements generally include energy and commodities (48%), manufacturing (12.8%), tourism (11 %), leasing-factoring (9%), construction and real estate (0.13%), retail (0.05%) and others (19.8%). Potential sectors to be supported in the project are expected to be manufacturing, motor vehicle repair and maintenance, food processing, education, construction and real estate.

Apart from environmental, depending on the sectoral choice and line of business of the sub-projects, some social impacts may also occur. Like those of environment, cross cutting impacts such as labor, occupational health and safety, community health and safety impacts may occur. In addition, cultural differences between refugees and host communities sometimes may lead to work place problems among employees. These potential tensions will be mitigated by providing workplace adaptation training which are included in the project design. In certain sectors such as textile, agriculture, and construction there is a risk for Syrian refugees to be engaged in informal, low wage work,



and child labor. However, such risks typically occur in informal employment circumstances. These potential labor risks will be mitigated by formal employment creation which will be verified by the Social Security Agency and requiring SMEs and LEs to implement age verification procedures and monitoring of enforcement of appropriate contract provisions.

Grants provided to SMEs will include as a condition formal employment creation with decent working conditions. The project includes job creation targets for both Turkish citizens and Syrian refugees during the period covered by the grant. The target is to reach at least 50 percent of refugee job creation through the support of grants. The eligibility financing list will exclude projects which would require land acquisition or involve involuntary resettlement. All SMEs/LEs that opt for financial support through the project will need to submit business plans including, commitment to comply with national labor and OHS laws. TKYB and PFIs will screen SMEs/LEs on a range of labor issues. The screening questionnaire is included in the LMP. The TKYB and PFIs will have the supervision role through their ESMS to ensure that the business plans are implemented in line with national laws and relevant requirements of ESS2. Training programs will also be available to the employees of the sub-project SMEs and LEs under Component 3 as part of grant activities. These programs will aim to increase integration of Syrian refugees into Turkish workplace environments, including awareness on labor rights and workplace harassment issues, as per the national Labor Code and WB's ESS 2. The project aims to target those vulnerable refugees who are benefitting from the emergency social safety net (ESSN) and are interested to phase out from the program for a more sustainable living through formal employment. The project has put in place special measures especially through the grant option where training on labor rights and workplace adaptation will take place. People who are at the extreme vulnerability level with no basic working skills will not be the potential target group in the project as not all ESSN beneficiaries are ready to phase out from the safety net. The national labor code has a special mandatory quota for employers with certain number of employees to hire people with disabilities. These requirements will apply to firms participating in the project.

All economic sectors are eligible for this project except those from the exclusion list of the Bank and TKYB, and substantial and/or high-risk sub-projects. The project will also exclude any sub-projects that have impact on biodiversity and cultural heritage and are proposed to be implemented in the areas of natural or critical habitat (as referred to in ESSs 6 and 8).

The final corporate ESMS of TKYB was adopted by TKYB Executive Board on January 17, 2020 and its Environment and Social Policy was disclosed on TKYB's website on February 6, 2020. The ESMS has been reviewed by the Bank and found acceptable to be applied in the project including for the assessment and management of environmental and social risks of sub-projects. Specifically, the ESMS includes the main elements as required by ESS9: (i) TKYB's corporate environmental policy which states that the TKYB prioritizes minimization of adverse environmental and social impacts, adopts resource optimization, and enhances positive environmental and social impacts of its activities; (ii) clearly defined procedures for the identification assessment and management of environmental and social risk and impacts of subprojects; (iii) sufficient organizational capacity and competency; (iv) monitoring and review of environmental and social risks of subprojects and portfolio, and (v) external communication mechanism. These elements are incorporated into the procedural practices of TKYB as follows. TKYB first screens all project applications against the exclusion list and requests applicants to fulfill national legislation requirements related to E&S management by following the national procedure for Environmental and Social Risk Evaluation in Credit Processes. TKYB is also committed to fulfill its legal obligations, by supporting environmental and social awareness, being sustainability oriented, continuously improving its performance and transferring knowledge to its stakeholders. Site-



specific issues/impacts will be determined by TKYB during the screening process, as described in the ESMS. TKYB's environmental risk evaluation tool will be used for the screening/initial risk rating purposes. The environmental and social impacts of the sub-projects will be assessed in the scope of the site-specific Environmental and Social Assessment (ESA) documents such as ESMPs. During sub-project ESA document preparation, the WBG Environmental Health and Safety General and Industry Specific Guidelines (EHSG) and Good International Industry Practices (GIIP) as well as relevant sectoral guidelines will be used in addition to the national legislation requirements. The most stringent discharge and emission standards where relevant will be applied in subproject specifications. The associated facilities will also be considered for the assessment of the impacts of subprojects during preparation of the respective ESA documents. The site-specific environmental impacts and pollution prevention measures will be discussed in detail in the site-specific ESA documents as well. The site-specific ESA documents are requested as a part of the environmental and social action plan which is a part of the loan agreement, according to TKYB's ESMS. Site-specific ESA documents acceptable to the Bank will be prepared and disclosed prior to tendering of works for each sub-project. The Bank will monitor TKYB and TKYB will monitor the PFIs to successfully screen sub-projects. The Bank will conduct prior review for an initial set of sub-projects of TKYB and from then after 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.

TKYB, through the subsidiary loan agreement, will require the PFIs to have in place E&S assessment procedures which is in full compliance with the corporate ESMS requirements of TKYB in regards to screening of sub-projects for environmental and social risks, monitoring the implementation of sub-projects, and reporting to TKYB, and acceptable to the Bank. The sub-projects with a low environmental and social risk level will be eligible for PFIs' financing. Independent of the level of risk, TKYB will monitor and supervise the environmental and social performance of the PFIs and indirectly lend sub-projects through them. The frequency and content of semi-annual reports will be detailed in the POM.

The project will have a special targeted communication strategy in line with the EU visibility and communication guidelines, which is described in the SEP prepared by TKYB. These measures aim to manage stakeholder engagement related risks, including those related to social cohesion in the workplace and potential competition for job opportunities among the Syrian and Turkish citizens. A Project level GRM will enable beneficiaries to submit complaints, feedback, inquiries, suggestions or compliments, including: violation of project policies, guidelines, or procedures, including those related to child labor, health and safety of workers, work place harassment (mobbing, sexual harassment etc.). The GRM will also allow submission of anonymous grievances. The details of the GRM are explained in the SEP and will also be presented in the project's operational manual.

ESS10 Stakeholder Engagement and Information Disclosure

TKYB has prepared a Stakeholder Engagement Plan. The main stakeholders (project-affected parties) include potential SMEs and LEs; unemployed work able Syrian refugees and Turkish citizens in targeted provinces; Turkish Employment Agency (ISKUR), and Social Security Agency. SEP has also identified additional stakeholders (p other interested parties) including: local government representatives in selected 24 provinces, national authorities involved in the project, Turkish Red Crescent, and local NGOs and CSOs. TKYB will establish a good communications strategy to be implemented throughout the lifetime of the project as the project implementation will require a close cooperation and coordination of various agencies and institutions. In disseminating project related information to potential SMEs



and LEs beneficiaries TKYB and PFIs will engage experienced loan officers. To reach the direct target group (potential refugee and Turkish national work-able persons) both TKYB and PFIs will employ competent human resources, collaborate with ISKUR and apply various engagement tools that are specified in the Project’s SEP. As per ESS10, public consultation meetings will be carried out with refugee and host communities to introduce project information and E&S documents, once the sub-projects are known. In addition, PFIs may be required to carry out targeted and pro-active public communications campaign specialized for both refugee and host communities.

TKYB disclosed draft SEP and carried out public consultations on February 7, 2020. Consultations included potential PFI banks, government authorities such as Ministry of Family, Labor and Social Services, Social Security Institution, Development Agencies, Turkish and Syrian business representatives (potential SME and LE applicants) from the Chambers of Commerce and Industry. After receiving the final clearance from the Bank, the SEP shall undergo final disclosure by TKYB before negotiations.

Grievance Redress Mechanism: TKYB will establish a project level GRM by improving its current GRM prior to project effectiveness. This GRM will have a call center number that will be accessible both to beneficiary SME and LEs, including the workers of these enterprises and the PIU workers. TKYB currently utilizes an email address (surdurulebilirlik@kalkinma.com.tr) to collect and address any grievances resulting from their current operations/projects. Existing GRMs in both TKYB and PFIs (to be selected) will need to be enhanced to cover all project specific grievances that may be received during the life of the project. This GRM will be accessible to Turkish nationals and to the refugee community in Arabic. The project beneficiaries and workers do also have the right to submit their complaints via centralized grievance systems of the country: Alo 170 mechanism, which is operated by the Ministry of Family, Labor and Social Security to deal with labor issues, CIMER (Presidency’s Communication Centre) which is utilized mostly by the Turkish citizens and YIMER (Communication Center for Foreigners 157) which serves 7 days/24 hours and is freely accessible in six languages including, Turkish, Russian, Arabic, Farsi, German, English. Once a complaint or request is submitted to these centralized systems the relevant responsible institution or agency is informed. Therefore, TKYB will also be notified by these centralized systems if there are any critical issues submitted through the system. The Project will aim to enhance and improve the current application of the existing mechanism through project-specific arrangements in order to allow grievances to be collected in both national and other languages. TKYB will designate full-time personnel that will collect and submit grievances, queries to relevant departments/staff for timely and proper resolution of grievances.. Similarly, all PFIs will need to establish a GRM as specified in project SEP and in line with TKYB’s GRM. Any grievance related to a sub-project will be first logged at provincial (sub-project) level through PFI or TKYB GRM and will be addressed by designated staff within a pre-defined period. Various means will be made available for logging grievances such as a toll-free number, online forms, social media channels of the PFIs that have been made available for citizens/refugees to submit grievances and queries.

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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



The ESS2 applies to TKYB and PFIs employees. TKYB will ensure that national labor and OHS laws, and ESS2 are applicable throughout the life of project to its own employees, and PFI employees. Through its ESMS, TKYB will apply relevant requirements of ESS2 to sub-projects, SMEs and LEs, loan and grant recipients.

Project workers include direct workers (TKYB employees and any consultants hired under the Project) and contracted workers (employees of the PFIs and any consultants they hire). TKYB employees have a status of public sector workers and are subject to the Labor Code 4857. As of November 2019, TKYB employs 213 staff (44% female). PFI workers are also subject to the Labor Code. It is expected that the project will engage six PFIs, but at this stage it is not known which PFIs and how many workers they employ. Contracted workers will also include employees of firms engaged to provide monitoring, training and other capacity building support to TKYB, PFIs and grant and loan recipients.

TKYB prepared labor management procedures (LMP) which will apply to direct and contracted workers. LMP also includes a screening questionnaire of loan and grant recipients on labor and working conditions, and age verification procedure. This screening procedure on labor issues complements the ESMS. TKYB has a corporate level Human Resource Policy (Insan Kaynakları Yönetmeliği – HR Regulation dated April 2019) which is in line with national regulations and ESS2 requirements. The HR policy defines the employee personal rights including; working hours, leaves (maternity, social events, unpaid), financial rights, working conditions, promotions etc. The policy allows for equal opportunity and employment rights. The minimum working age at TKYB is 18 years.

Depending on the sectors to be financed through the project, the potential OHS risks could be anticipated for both construction and operation phases. While the impacts/risks are highly dependent on the specific sector, the construction phase risks might include falling from height, slips and falls, dust and noise, confined spaces etc. Operational phase impacts might include workplace conditions, thermal condition such as noise, temperature, vibration, ergonomics, illumination and site traffic; job specific hazards such as working at height, working with chemicals, rotating equipment etc.

In line with ESS9, TKYB will apply relevant requirements of ESS2 to sub-projects, SME and LE loan and grant recipients. Grants will be provided conditional on the commitment of firms to formally employ Turkish citizens and refugees in project provinces and to sustain the newly created jobs throughout the duration of the grant. The jobs must be formal, provide decent working conditions consistent with ESS2 requirements, and provide social security and other legally mandated benefits. SMEs and LEs must adhere to the Labor Code provisions. These requirements will be included in the legal agreements between TKYB/PFIs and loan and grant recipients. In order to verify formality and duration of employment, TKYB will receive regular employment and wage records for beneficiary firms from the Social Security Institution (SGK). As a part of grant activities, training programs will be available to the employees of the sub-project SMEs and LEs under Component 3. These programs will aim to increase integration of Syrian refugees into Turkish workplace environments, including awareness on labor rights and workplace harassment issues, as per the national Labor Code and WB's ESS 2. The project aims to target those vulnerable refugees who are benefitting from the emergency social safety net (ESSN) and are interested to phase out from the program for a more sustainable living through formal employment. The project has put in place special measures especially through the grant option where training on labor rights and workplace adaptation will take place. People who are at the extreme vulnerability level with no basic working skills will not be the potential target group in the project as not all ESSN beneficiaries are ready to phase out from the safety net immediately. The national labor code has a special



mandatory quota for employers with certain number of employees to hire people with disabilities. These requirements will apply to firms participating in the project.

TKYB and PFIs will carry out periodic labor audits of SMEs and LEs. Child and forced labor are included in the TKYB exclusion list. Grant and loan recipients will be required to have age verification procedure in place. The minimum working age will be 18 years. The project design includes support to female inclusive enterprises: (i) owned by women (i.e., with at least one female shareholder with properly documented representative and managing powers); or (ii) managed by women (i.e., with at least one female C-level manager or with at least 25% female representation in mid-level management); or (iii) employing a ratio of women that is higher than the average ratio observed in the respective sector.

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. While the national legislation provides for Labor Courts to raise labor rights concerns, Labor Code does not include specific requirements for workplace grievance mechanism. The minimum working age is 15 years and the law prohibits persons below the age of 18 years to work in hazardous occupations. Forced labor is prohibited by the Turkish Constitution. Labor Code only applies to legally employed foreigners.

As a government agency, TKYB is subject to national law on OHS of the Ministry of Family, Labor and Social Security. According to the national OHS Law, all employers must notify the Ministry in 3 business days after OHS related incidents. TKYB facilities are equipped with fire safety instruments as required by local regulation and has an emergency action plans in place. The staff receives routine training on fire safety and first aid. Regular drills are conducted and reported. Potential OHS issues associated with the implementation of sub-projects will be considered and addressed under subproject-specific ESA documents (such as ESMPs). Mitigation measures will be in line with the requirements of ESS2 and the national regulatory framework specified above.

TKYB has in place grievance mechanism for its employees. TKYB will improve its existing grievance mechanism to meet the requirements of ESS2. TKYB will establish this grievance mechanism within 60 days after project effectiveness.

ESS3 Resource Efficiency and Pollution Prevention and Management

TKYB's environmental and social policy emphasized the importance of introducing resource efficiency, combating climate change, and enhancing the positive environmental impacts of the projects that it supports and finances. Since the invested sector will be determined later when the sub-projects are defined, site specific considerations related to resource efficiency, pollution prevention and management will be discussed in the site-specific ESA documents and relevant mitigation and monitoring measures will be identified and further implemented. Environmental risks of sub-projects 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

The implementation of subprojects might cause impacts associated with the community health and safety. Such impacts will be identified, assessed and addressed within the scope of subproject-specific ESA documents, after subproject locations and detailed activities become known during the project implementation. Sub-projects which might be associated with significant impacts (be of High or Substantial risk) will be considered ineligible for financing. While labor influx is not expected in this project, the refugee influx risk will be handled through the established mechanisms: the project GRM will be adapted to receive confidential complaints related to workplace harassment and SEA/SH, and make referral as relevant.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

The project will exclude any investments which may require land acquisition and involuntary resettlement. Therefore, this standard is not relevant.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

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, therefore the standard is not relevant at this stage.

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

The project does not involve any indigenous groups; therefore, this standard is not relevant.

ESS8 Cultural Heritage

Sub-projects having significant impacts on cultural heritage will not be eligible for financing within the scope of the project. However, the sub-projects might include simple construction works, which may entail chance finds. Therefore, the standard is relevant for the project, and a chance finds procedure, as per the requirements of the national legislation and requirements of this standard, will be described in the subproject-specific ESA documents.

ESS9 Financial Intermediaries

The project will be implemented by TKYB – the Financial Intermediary, which adopted its corporate ESMS on January 17, 2020 and has disclosed in-country its Environment and Social Policy on its website on February 6, 2020. The ESMS has been reviewed by the Bank and found acceptable for the Project. The TKYB will transfer the funds received from IBRD to LEs directly or to SMEs via PFIs. TKYB will sign subsidiary loan agreements with the PFIs for financing SMEs and will sign sub-borrower agreements for financing directly with the LEs. TKYB, through the subsidiary loan agreement, will require the PFIs to have in place E&S assessment procedures which is in full compliance with the corporate ESMS requirements of TKYB in regard to screening sub-projects for environmental and social risks, monitoring the implementation of sub-projects, and reporting to TKYB, and acceptable to the Bank. TKYB will provide sub-loans to moderate risk sub-projects, and the respective ESA documents will be prepared and implemented in line with the WB ESF. PFIs will only be eligible for financing sub-projects assigned with a low environmental and social



risk, and will ensure the environmental and social performance of those low risk sub-projects in accordance with the respective requirements of the national legislation. Independent of the level of risk, TKYB will monitor and supervise the environmental and social performance of the PFIs and indirectly lend sub-projects as well as directly lend projects by TKYB.

As per its corporate ESMS, TKYB will utilize the procedure on E&S risk evaluation and management in credit processes to all investment credits within the scope of the project. This procedure is composed of several steps including: (i) exclusion list check, (ii) gathering project documentation, (iii) environmental and social risk assessment and initial categorization, (iv) control of the environmental and social risk category of the credit and final categorization, (v) environmental and social due diligence and preparation of the environmental and social action plan, (vi) control of project assessment report, (vii) credit approval and integration of action plan to credit contract, (viii) informing the client about the action plan, (ix) environmental and social monitoring, and (x) recording of annual environmental and social assessment performance. According to the risk assessment procedure of TKYB, the initial E&S categorization (e.g. category A, B+, B-, C) is made for the company and the project based on the available information using Environmental and Social Risk Evaluation Model by the technical specialist, and then cross checked by the environmental and social risk specialist of TKYB. TKYB requires an environmental and social due diligence (ESDD) or compliance check and a subsequent environmental and social action plan with respect to categorization of the project. TKYB establishes an environmental and social action plan (ESAP) and monitoring program for fulfilling the gaps between the TKYB standards and existing conditions of the project/client. The entire environmental and social risk assessment procedure is carried out by the Engineering Department. The assessment is a part of the project evaluation report. The credit committee reviews the Environmental and Social Assessment and, when necessary, meets with the Technical Specialist and/or the Environmental and Social Risk Specialist. After the approval of the loan by the credit committee and/or board of directors and prior to the allocation of Lender(s)'s funds, Bank's Lenders are informed on the project evaluation process and outcomes according to the requirements of the related Lender. The procedures for the preparation of the documentation to be included in the loan agreement, the commitment to conform to the prepared documentation as well as the inclusion of the requirements in the special loan agreement are carried out by the Engineering Department. The action plan and the required commitments are discussed with the client. Monitoring of the compliance of TKYB's clients are conducted regularly. The monitoring activities are carried out by an independent consultant or in house environmental and social specialists in different frequencies, depending on the determined risk category of the project. Monitoring activities are recorded in the Environmental and Social Monitoring Report.

According to procedure on E&S risk evaluation in credit processes, applicable E&S standards are defined as the E&S standards adopted by TKYB and applied through its financing activities to its customers. For category A (high risk) and selected category B (B+; substantial risk, and B-; moderate risk) projects financed by TKYB, TKYB requires the compliance of projects with the E&S standards of specific TKYB financiers, per financing requirements of its financiers. However, within the scope of this project, the World Bank's ESSs will be applied to all Moderate risk (category B- according to TKYB's E&S risk categorization) sub-projects, rather than "selected" category B sub-projects. This will be ensured by incorporating respective provisions into both the Project Operations Manual (POM) and Environmental and Social Commitment Plan (ESCP). Low risk sub-projects (category C according to TKYB's E&S risk categorization), where the sub-projects are likely to have minimal or no adverse E&S risks and impacts, will be subject to national laws.



In principle, TKYB will work in collaboration with the World Bank at all the stages of the project cycle (e.g. in determination of risk rating of the sub-projects, site specific ESA documents to be prepared).

TKYB, through the subsidiary loan agreement, will require the PFIs to have in place E&S assessment procedures which is in full compliance with the corporate ESMS requirements of TKYB in regards to screening of sub-projects for environmental and social risks, monitoring the implementation of sub-projects, and reporting to TKYB, and acceptable to the Bank. The sub-projects with a low environmental and social risk level will be eligible for PFIs' financing. Independent of the level of risk, TKYB will monitor and supervise the environmental and social performance of the PFIs and indirectly lend sub-projects through them. The frequency and content of semi-annual reports will be detailed in the POM.

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	
Enhance and maintain the capacity of a Project Implementation Unit with full-time qualified staff and resources to support management and monitoring of E&S risks by appointing; two technical staff - one environmental and one social, in addition to one Grievance Redress Mechanism (GRM) and stakeholder engagement (SE) management and monitoring experts.	06/2020
ENVIRONMENTAL AND SOCIAL ASSESSMENT Ensure that the corporate ESMS, adopted by TKYB's Executive Board on January 17, 2020, and approved by the Bank, is fully operational and maintained throughout the life of the project.	12/2023
Maintain and monitor semi-annual progress reports at all sub-project sites throughout the duration of the project.	12/2023
Obligate PFI's Project Implementation Units (PIUs), direct lending borrowers and grant beneficiaries to produce semi-annual progress reports for all sub-projects and monitor quality of reporting throughout the duration of works	
ESS 10 Stakeholder Engagement and Information Disclosure	

Public Disclosure



STAKEHOLDER ENGAGEMENT PLAN PREPARATION AND IMPLEMENTATION Maintain and implement project SEP.	12/2023
PROJECT GRIEVANCE MECHANISM Develop, adopt, maintain and operate a grievance mechanism, as described in the SEP.	06/2020
Assign relevant staff in TKYB and PFIs to undertake engagement activities	02/2020
ESS 2 Labor and Working Conditions	
LABOR MANAGEMENT PROCEDURES Maintain and implement Project LMP consistent with national legislation and ESS2, and ensure that Project workers are aware of it and it is accessible to them.	12/2023
Ensure PFIs adopt and implement LMP, in a manner acceptable to the Bank.	
Include Project LMP into bidding documents of contractors (if any). Obligate awarded contractors to adopt Project LMP.	12/2023
GRIEVANCE MECHANISM FOR PROJECT WORKERS Establish, maintain, and operate an accessible GRM for Project workers as described in the LMP, in line with national labor law and consistent with ESS2.	06/2020
OCCUPATIONAL HEALTH AND SAFETY (OHS) MEASURES Prepare, adopt, and implement occupational health and safety (OHS) measures specified in sub-project specific ESIA, ESMPs and project LMP.	12/2023
ESS 3 Resource Efficiency and Pollution Prevention and Management	
Include resource efficiency and pollution prevention and management measures into the sub-project specific ESA documents to be prepared under action 1.2 above.	12/2023
ESS 4 Community Health and Safety	
COMMUNITY HEALTH AND SAFETY Prepare, adopt, and implement measures and action to assess and manage specific risks and impacts to the community arising from sub-project activities, and include measures in the ESA documents to be prepared under action	12/2023
ESS 5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	
ESS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources	
ESS 7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	
ESS 8 Cultural Heritage	



Public Disclosure

CHANCE FINDS Prepare, adopt, and implement the chance finds procedure described in the sub-project-specific ESA Documents developed for the sub-project under action 1.2 above.	12/2023
ESS 9 Financial Intermediaries	
ESMS Maintain and implement a corporate ESMS, acceptable to the Bank	12/2023
FI ORGANIZATIONAL CAPACITY Establish and maintain an organizational capacity and competency for implementing the ESMS with clearly defined roles and responsibilities described under action 1.1.	06/2020
SENIOR MANAGEMENT REPRESENTATIVE Designate a senior management representative to have overall accountability for environmental and social performance of FI subprojects.	06/2020
APPLICABLE E&S STANDARDS Apply Bank’s ESSs, as a part of the applicable E&S standards, to moderate risk sub-projects (category B- according to TKYB’s E&S risk categorization) within the scope of this project, and integrate this issue to the project	12/2023
PFI Oblige PFIs to implement ESMS requirements of TKYB and report to TKYB on their performance, or obligate PFIs for an ESMF/ESMS commensurate with the level of risk and satisfactory to the Bank for the eligibility.	12/2020

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:

Borrower framework will not be utilized.

IV. CONTACT POINTS

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Borrower/Client/Recipient



Borrower: Development and Investment Bank of Turkey

Implementing Agency(ies)

Implementing Agency: Development and Investment Bank of Turkey

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

Task Team Leader(s):	Ahmet Levent Yener
Practice Manager (ENR/Social)	Javaid Afzal Cleared on 12-Feb-2020 at 11:36:26 EST
Safeguards Advisor ESSA	Nina Chee (SAESSA) Concurred on 19-Feb-2020 at 08:40:20 EST